



# **ABRA MINING & INDUSTRIAL CORPORATION**

## **NEW MANUAL ON CORPORATE GOVERNANCE**

**May 31, 2017**



The Board of Directors and Management, officers and staff, **of ABRA MINING & INDUSTRIAL CORPORATION** hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same shall guide us in the attainment of our corporate goals.

### **A. OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

AMIC is committed, through its Corporate Governance Compliance Program, to conform to the highest standards of ethics and corporate governance and to comply with all governing laws, rules and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

### ***COMPLIANCE SYSTEM***

#### **A. Compliance Officer**

1. To insure adherence to corporate principles and best practices, the Chairman of the Board will designate a Compliance Officer who shall hold the position of a Vice-President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.
2. Duties and responsibilities of a Compliance Officer:



- ◆ Monitor compliance with the provisions and requirements of this Manual;
  - ◆ Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;
  - ◆ Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
  - ◆ Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
  - ◆ Identify, monitor and control compliance risks.
3. The appointment of the compliance officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

## **Plan of Compliance**

### **Board of Directors**

Compliance with the principles of good governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.



## General Responsibility

It is the Board's responsibility to foster the long term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

## Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its *stockholders and stakeholders*, the Board shall:

- ◆ Install a process of selection to ensure a mix of competent directors and officers.
- ◆ Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- ◆ Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- ◆ Identify the Corporation's major stockholders and stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- ◆ ***Identify the corporation's stakeholders in the community in which its operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.***
- ◆ Adopt a system of internal checks and balances;
- ◆ Identify key risk areas and key performance indicators and monitor these factors with due diligence;



- ◆ Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- ◆ Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

### **Duties and Responsibilities of a Director**

The following are the duties and responsibilities of a director:

- ◆ Conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- ◆ Devote time and attention necessary to properly discharge his duties and responsibilities;
- ◆ Act judiciously;
- ◆ Exercise independent judgment;
- ◆ Observe confidentiality;
- ◆ Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

### **Board Committees**

To aid in complying with the principles of good corporate governance the Board shall constitute the following Committees:

#### **Nomination Committee**

The Board shall create a Nomination Committee, which shall have at least three (3) voting (one of whom must be independent) and one (1), non-voting Director in the person of the HR Director/Legal Manager.



It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

### Qualifications

- ◆ Holder of at least one (1) share of stock of the Corporation;
- ◆ He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- ◆ He shall be at least twenty one (21) years old;
- ◆ He shall have proven to possess integrity and probity; and
- ◆ He shall be assiduous.

### Disqualification

- ◆ Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- ◆ Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- ◆ Any person judicially declared to be insolvent;
- ◆ Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- ◆ Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five



(5) years prior to the date of his election or appointment.

- ◆ Any of the following shall be a ground for the temporary disqualification of a director:
- ◆ Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- ◆ Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- ◆ Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- ◆ If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director;
- ◆ Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- ◆ The nature of the business of the Corporations which he is a director;



- ◆ Age of the director;
- ◆ Number of directorships/active memberships and officerships in other corporations or organizations; and
- ◆ Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

### **Compensation and Remuneration Committee**

The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

#### **Duties and Responsibilities**

- ◆ Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- ◆ Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- ◆ Establish a formal and transparent procedure for developing a policy on executive remuneration and



for fixing the remuneration packages of individual directors, if any, and officers.

- ◆ Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- ◆ Disallow any director to decide his or her own remuneration.
- ◆ Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- ◆ Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- ◆ Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

### **Audit Committee**

The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

### **Duties and Responsibilities**



- ◆ Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- ◆ Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- ◆ Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- ◆ Perform direct interface functions with the internal and external auditors.
- ◆ Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
  - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- ◆ Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

### **The Corporate Secretary**

The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.



The Corporate Secretary shall be a Filipino citizen.

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

#### Duties and Responsibilities

- ◆ Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- ◆ ***Work fairly and objectively with the Board, Management, stockholders and other stakeholders.***
- ◆ As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- ◆ Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- ◆ Attend all Board meetings and maintain record of the same.
- ◆ Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

#### **External Auditor**

An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit committee.

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.



The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, and he shall present his views in said reports.

### **Internal Auditor**

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, stockholders and *other stakeholders* shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall report to the Audit Committee.

The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of



information technology; and the extent of regulatory compliance.

### **COMMUNICATION PROCESS**

This manual shall be available for inspection by any stockholder/*and other stakeholder/s* of the Corporation at reasonable hours on business days.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

### ***DEFINITIONS OF TERMS***

**Board of Directors** – refers to the governing body elected by the stockholders that exercises the corporate powers of a corporation established under the Corporation Code. It conducts all business and controls or holds all property of such corporations.

**Directors** – Directors shall include: directors who are named as such in the articles of incorporation; directors duly elected in subsequent meetings of the stockholders; and those elected to fill vacancies in the board of directors.

**Corporate Governance** – refers to the framework of rules, system and processes by which business corporations are directed and controlled. Its structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, the management, stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates, and spells out the rules and procedures for making decisions on corporate affairs. It provides the structure through which the objectives of an organization are set, the means of



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attaining those objectives are implemented, the risks are mitigated and the monitoring performance guidelines are determined. It provides proper incentive for board and management to pursue objectives that are in the best interests of the company and shareholders, thereby encouraging them to use corporate resources more efficiently.

**Independent Director** - refers to a person who a. is not or has not been a member of the executive committee of the board of directors, an officer or employee of the company; b. is not a director or officer of the related companies of the institution's majority stockholder; c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; An independent director may only serve as such for a total of five (5) consecutive years; Provided, That the maximum term and any "cooling off" period prescribed by the SEC for public and listed companies shall apply.

**Public Company** - Any corporation with a class of equity securities listed in an Exchange or with assets in excess of Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more stockholders each holding at least one hundred (100) shares of a class of its securities.

**Substantial Stockholder** – shall refer to a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the board of directors or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

**Majority stockholder or majority stockholder** – a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the company.

**Management** – The body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

**Executive Directors** – A director who is also the head of a department of unit of the corporation or performs any work related to its operation.



**Non-executive Directors** – A director who is not the head of a department or unit of the corporation nor performs any work related to its operations and shall include the independent directors.

**Internal Control** – The process effected by a company's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.

**Internal Control System** – The framework under which internal controls are developed, implemented alone, or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed.

**Internal Auditing** – refers to an independent, objective assurance and of consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**Internal Audit Department** – refers to a department, division, team of consultants, or other practitioner(s) that provide an independent, objective assurance and consulting services designed to add value and improve an organization's operations.

**Internal Auditor** – refers to the highest position within the organization responsible for internal audit activities.

**Independence** – refers to that environment which allows the person to carry out his/her work freely and objectively.

**Objectivity** – refers to unbiased mental attitude that requires the person to carry out his/her work in such a manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subordinate his/her judgment to that of others.



**Exchange** – An organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

## **TRAINING PROCESS**

If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

**A director shall be required to attend a seminar on corporate governance before assuming as such, which shall be conducted by a duly recognized private or government institute**

## **REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

*The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanism for listed companies and submission to the Commission for the interest of its stockholders and other stakeholders.*

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;

All material information that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.



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Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

### **SHAREHOLDERS' BENEFIT**

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:

### **INVESTORS' RIGHTS AND PROTECTION**

#### **Rights of Investors/Minority Interests**

The Board shall be committed to respect the following rights of the stockholders:

#### **Voting Right**

Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of directors.

A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **Pre-emptive Right**



All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

### **Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

### **Right to Information**

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".



## **Right to Dividends**

Shareholders shall have the right to receive dividends subject to the discretion of the Board.

The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

## **Appraisal Right**

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- ◆ In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- ◆ In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- ◆ In case of merger or consolidation.



It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

### **MONITORING AND ASSESSMENT**

Each Committee shall report regularly to the Board of Directors.

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

This Manual shall be subject to quarterly review unless the Board amends the same frequency.

All business processes and practices being performed within any department or business unit of Model Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

### **PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**



To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

In case of first violation, the subject person shall be reprimanded.

- ◆ Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
- ◆ **For third violation**, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 28 of the Corporation Code shall be observed.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted by unanimous vote of the Board of Directors in its meeting of May 30, 2017.

  
**JEREMIAS B. BELOY**  
President/Chairman of the Board

  
**JOEL G. BELOY**  
Compliance Officer