



Asian Terminals Incorporated Head Office,  
A. Bonifacio Drive, Port Area,  
Manila, Philippines 1018  
P.O. Box 3021, Manila, Philippines  
Tel. No. (632) 528 6000  
Fax (632) 527 2467

December 19, 2014

**SECURITIES AND EXCHANGE COMMISSION**

Corporate Governance Department  
SEC Building, EDSA, Greenhills  
Mandaluyong City

Attention : **DIR. JUSTINA F. CALLANGAN**  
**Corporate Governance Department**

Dear Madam:

Pursuant to Securities and Exchange Commission Memorandum Circular ("SEC Memo") No. 20 series of 2014 (with reference to SEC Memo No. 9 series of 2014), we are submitting herewith the Amended Manual on Corporate Governance of Asian Terminals, Inc., as approved in the Board of Directors Meeting held earlier today, December 19, 2014.

Thank you.

Truly yours,

  
**Atty. Rodolfo G. Corvite, Jr.**  
Corporate Secretary 

**AMENDED MANUAL ON CORPORATE GORVERNANCE**  
**ASIAN TERMINALS, INCORPORATED**

The Board of Directors and Management of Asian Terminals Incorporated hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of their corporate goals.

**I. OBJECTIVE and DEFINITION**

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.

Corporate Governance is the framework of rules, systems and processes in the corporation that governs the performance of the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

**II. COMPLIANCE SYSTEM**

**A. Compliance Officer**

1. To ensure adherence to corporate principles and best practices, the chairman of the Board shall designate a Compliance Officer who shall hold the position of a Vice President or its equivalent. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer. He shall have the direct reporting responsibilities to the Chairman of the Board.
2. The duties of the Compliance Officer shall include the following:
  - Monitor compliance with the provisions and requirement of this Manual and the rules and regulations of regulatory agencies.
  - Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the Commission;

- Determine violation/s of the Manual, reporting the matter to the Board, to the Chief Executive Officer and the Management Committee and recommend remedial measures or imposition of appropriate disciplinary action on responsible parties to prevent repetition of the violation, in accordance with the provisions of the Manual.
  - Issue a certification on January 30<sup>th</sup> of every year on the extent of the Corporation's compliance with this Manual for the completed year, and explaining the reason/s if there is any deviation from the same; and
  - Identify, monitor and control compliance risk.
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.

## **B. Plan of Compliance**

### **1. Board of Directors**

Compliance with the principles of good corporate 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 the 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 honesty and integrity in the discharge of its duties, functions and responsibilities.

#### **A. Composition of the Board**

The Board shall be composed of ten (10) members elected by shareholders. The Corporation shall have at least two (2) independent directors or such independent directors as shall constitute at least twenty percent (20%) of the members of such Board, whichever is the lesser.

The shareholders may elect a combination of executive and non-executive directors.

## B. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

## C. Specific Duties and Functions

To ensure a high standard of best practice of the Corporation and its stakeholders, and in addition to its other duties and functions, the Board shall:

- Install and implement a process of selection to ensure the election/appointment of competent directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
- Determine the Corporation's purpose, its vision and mission and formulate strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
- Appoint competent, professional, honest and highly motivated management officers, and adopt an effective succession planning program the Management.
- Ensure that the Corporation complies with all relevant laws, regulations and best business practices;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision –making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness and ensure the integrity of financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
- 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;

- Keep the activities and decisions of the Board within its authority and within the powers of the institution as prescribed in the Articles of Incorporation, By-laws and in keeping with existing laws, rules and regulations;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board; and
- Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

#### D. Duties and Responsibilities of a Director

The duties and responsibilities of a director shall include the following:

- To fairly conduct business transactions with the corporation and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of statutory and regulatory requirements affecting the Corporation, including the contents of its articles of Incorporation and By-laws, the requirements of the commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

## **2. Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute appropriate committees.

### **a. Executive Committee**

The Executive Committee shall be composed of at least three (3) members of the Board. Except as provided in Section 35 of the Corporation Code, the Executive Committee shall have and exercise all such powers as may be delegated to it by the Board. Section 35 of the Corporation Code provides as exceptions to the delegation of powers; 1) approval of any actions for which shareholders approval is also required; 2) the filing of vacancies in the Board; 3) the amendment or repeal of by-laws or the adoption of new by-laws; 4) the amendment or repeal of any resolution of the board which by its express terms is not amendable or repealable; and 5) a distribution of cash dividends to the shareholders.

### **b. Nomination Committee**

The Nomination Committee shall be composed of the Chairman, the President, and three (3) directors appointed by the Board (one of whom must be independent).

1. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualification and disqualification provided under the Corporation Code, the Securities and Regulation Code and other relevant laws, and the Corporation's By-laws, which include the following:

#### Qualifications

- He is a stockholder of record in the books of the Corporation, owning at least one (1) share of the capital stock of the Corporation. He must continuously own at least one (1) share of stock during his term, otherwise he shall automatically cease to be a director.
- He shall have high educational attainment and/or sufficiently relevant experience in managing the business of the Corporation.

## Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- He is convicted by final judgment for 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.
  - He is engaged in any business which competes with or is antagonistic to that of the Corporation.
  - Circumstances or acts clearly demonstrate that the person is not a bonafide nominee and in fact only a nuisance candidate, or clearly indicate that he does not have any good intentions for the Corporation.
  - Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation, shall be disqualified as independent director.
2. In consultation with the Nomination Committee, the Board may, from time to time, provide for additional qualifications, disqualifications and grounds for temporary disqualifications of a director, consistent with the Corporation Code, the Securities and Regulation Code and other relevant laws/ regulations, the Corporation's By-laws and this Manual.
  3. In consultation with the executive or management committees, re-define the role, duties and responsibilities of the Chief Executive officer by integrating the dynamic requirement of the business as a going concern and future expansionary prospect within the realm of good corporate governance at all times.
  4. The Nomination Committee shall consider the following guidelines in the determination of the number of directors for the Board:

- The nature of the business of the Corporations in which he is a director;
- Age of the director;
- Number of directorships or 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.

5. 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-executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

**c. Audit Committee**

1. The Audit Committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. The independent director shall be the committee chairman. Each member shall have adequate understanding at least, or competence at most, of the corporation's, financial management systems and environment.
2. Included in Duties and Responsibilities
  - Check all financial reports against their 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 risk of the Corporation, and crisis management.
  - Pre-approve all audit plans, scope and frequency at least 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 process, 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 persons 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 step-by-step procedures and policies handbook that will be used by the entire organization.

#### **d. Compensation Committee**

1. The Compensation Committee shall be composed of at least three (3) members, one of whom must be an independent director.
2. Included in its Duties and Responsibilities are the following:
  - 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.
  - Designated the amount of remuneration, which shall be at 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 Full Business Interest Disclosure form 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 with 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, if applicable, a clear, concise and understandable disclosure of the compensation of its executive officers for the previous fiscal year and the ensuring year.
- Review the existing Human Resource Development or Personnel Handbook (if any), to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance by all personnel concerned with the statutory requirements that must be periodically meet in their respective posts.
- In the absence of a Personnel Handbook, cause one to be develop, covering the same parameters of governance stated above.

### **3. The Corporate Secretary**

- a. The Corporate Secretary is an officer of the company and as such, he is expected to perform his duties efficiently and diligently.
- b. The Corporate Secretary shall be a Filipino citizen.
- c. 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 preferably must also have some financial and accounting skills.

d. In addition to the Duties and Responsibilities provided under the Corporation Code and By-laws, the Corporate Secretary shall:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Obtain a complete schedule of the Board' s agenda at least for the current year and give the Board 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 records 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.
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders
- Perform other duties which the Board may deem fit.

#### **4. External Auditor**

- a. The external auditor shall be selected and appointed by the stockholders upon the recommendation of the Audit Committee. An external auditor shall ensure an environment of good corporate governance as reflected in the financial records and reports of the Corporation.
- b. The reason/s for any resignation, dismissal or cessation from service and the date thereof of external auditor shall be reported in the Corporation's annual and current reports. The reports shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

- c. The external auditor of the Corporation shall not at the same time serve as its internal auditor to the same client. The Corporation shall ensure that other non- audit work will not be in conflict with the functions of the external auditor.
- d. The Corporation's external auditor shall either be rotated or the handling partner shall be changed every five (5) years or earlier.
- e. If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement that were filed during his engagement is incorrect or incomplete, he shall present his views on the reports.

## **5. Internal Auditor**

- a. The Corporation shall have an independent internal audit function in place. This function shall be performed by an Internal Auditor or a group of Internal Auditors, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- b. The Internal Auditor shall report to the Audit Committee.
- c. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, ultimately accountable for the Corporation's organizational and procedural controls.
- d. 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.

### **III. COMMUNICATION PROCESS**

- A. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- B. All directors, executives, division and department head 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.
- C. 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.

### **IV. TRAINING PROCESS**

- A. If necessary, funds shall be allocated by the CFO or an equivalent corporate officer for the purpose of conducting an orientation program or workshop to operationalize this manual.
- B. A director shall, before assuming his position, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

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

- A. The reports or disclosure required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer, through the Corporation's Compliance Officer.
- B. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, and related party transactions, shareholding of directors and changes of ownership.
- C. 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.
- D. All disclosed information shall be released via the approved stock exchange procedure for corporate announcements as well as through the annual report.

- E. The board shall commit at all times to fully disclose information on material dealings. It shall cause the filing of all required information for the interest of its stockholders and other stakeholders.

## **VI. SHAREHOLDER'S BENEFIT**

The Corporation 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 a covenant of good governance between the Corporation and all its investors:

### **A. INVESTORS' RIGHTS AND PROTECTION**

#### **1. Rights of Investors/shareholders**

The Board respects the rights of the shareholders in accordance with the Corporation Code.

#### **2. 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 and the Corporation's By-laws.
- Cumulative voting may 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.

#### **3. Pre-emptive Right**

All shareholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class in proportion to their respective shareholdings unless such rights is denied in the Company's Articles of incorporation or an amendment thereto. This right shall be subject to the limitations/expectations prescribed under the Corporation Code.

#### **4. Power of Inspection**

Shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code. They shall be furnished with the Corporation's Annual Report/s (SEC Form 17-A filed with the SEC) upon request to the Office of the Corporate Secretary. Shareholders shall also be furnished with a copy of the audited Financial Statements (which form part of SEC form 17-IS or SEC 20 filed with the SEC).

#### **5. Right to Information**

- The Shareholders shall be provided, upon request, with the latest available reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, 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 in accordance with Section 50 of the Corporation Code and the By-laws of the Corporation and to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

#### **6. Right to Dividends**

- Shareholders shall have the right to receive dividends subject to the discretion of the Board, and in accordance with the Corporation Code.
- The Corporation 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 program approved by the Board; or b) when the corporation is prohibited under any loan agreement with any financial institution and 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.

## **7. 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 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

## **8. Promotion and Enhancement of Rights**

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 problems through collective action by the appropriate mechanisms. They shall be instrumental in removing excessive cost 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 information necessary for shareholders to make informed decisions, subject to legal constraints.

## **VII. MONITORING AND ASSESSMENT**

- A. Each Committee shall report regularly to the Board of Directors.



- B. 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.
- C. The establishment of the evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-8) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be approved by the Board.
- D. This Manual shall be subject to quarterly review by the Board unless the Board determines that it should be reviewed at more frequent intervals. The manual may be amended as determined by the Board from time to time.
- E. All business processes and practices being performed within any department or business unit of Asian Terminal, Inc. that are not consistent with any portion of this manual shall be discontinued unless they are changed to the extent necessary to be compliant with this manual.

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

- A. To strictly observe and implement the provisions of this Manual, the following penalties shall, after notice and hearing, be imposed on the company's directors, officers and staff, and on the respective directors, officers and staff of subsidiaries and affiliates in case of violation of any of the provisions of this Manual:
  - In case of the **first violation**, the subject person shall be reprimanded.
  - Suspension from office shall be imposed in case of the **second violation**. The duration of the suspension shall depend on the gravity of the violation.
  - **For the third violation**, the maximum penalty of removal from office shall be imposed.
- B. The commission of a third violation of this manual by any member of the board of the corporation or its subsidiary and affiliate shall be a sufficient cause for removal as a director

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

Signed this 19<sup>th</sup> day of December 2014.



**EUSEBIO H. TANCO**  
President