



# **ABS-CBN CORPORATION**

MANUAL ON CORPORATE GOVERNANCE  
MAY 2017

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## I. OBJECTIVE

The Board of Directors (the “Board”) of ABS-CBN Corporation (the “Company”) adopts this new Manual on Corporate Governance (the “Manual”) to institutionalize the principles of good corporate governance in the entire organization, pursuant to SEC Memorandum Circular No. 19, series of 2016.

ABS-CBN recognizes the importance of corporate governance in enhancing the stakeholders’ interests in the Company. The Board, management, and employees of ABS-CBN hereby commit themselves to the principles of good corporate governance.

## II. THE BOARD OF DIRECTORS

The Board shall be composed of directors with collective knowledge, experience or expertise that is relevant to the Company’s industry. The Board shall have an appropriate mix of competence and expertise and its members shall be qualified for their positions individually and collectively.

Majority of the Board shall be composed of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

In accordance with the Company’s Articles of Incorporation and By-Laws, the Board of Directors shall be composed of eleven (11) members who are elected by the shareholders during the Annual Stockholders’ Meeting. The Board must have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of its members, whichever is less. The independent directors must have no material relationship with the Company that may interfere with their judgment.

The Board of Directors recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and shall develop a policy that aims to set out the approach to achieve diversity on the board of directors of the Company.

The Board shall ensure that it is assisted in its duties by a Corporate Secretary and by a Compliance Officer with the qualifications set forth in this Manual.

The Board shall be headed by a competent and qualified Chairman of the Board.

### Duties and Responsibilities of the Board

The Board has the following duties and responsibilities:

- The Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.

- The Board of Directors shall foster the long-term success of the Company and sustain its competitiveness in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.
- The Board shall be responsible for ensuring and adopting an effective succession-planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value.
- The Board shall align the remuneration of key officers and board members with the long-term interests of the Company and shall formulate and adopt a policy specifying the relationship between remuneration and performance.
- The Board shall adopt a formal and transparent nomination and election policy.
- The Board shall be responsible in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring material transactions.
- The Board shall be primarily responsible for approving the selection of and assessing the performance of Management led by the Chief Executive Officer (CEO), and of the Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive.
- The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer and the personnel's performance is at par with the standards set by the Board and Management.
- The Board shall ensure that an appropriate internal control system is in place.
- The Board shall ensure that a sound enterprise-wide risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks.
- The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties.

The Board has the following specific duties and functions to implement good corporate governance principles:

- The Board shall be primarily responsible for the good governance of the Company.
- The Board shall ensure that adequate procedures, systems and practices that protect the Company's assets and reputation are in place and are maintained.
- The Board shall be guided by best business practices.
- The Board shall monitor the effectiveness of management policies and decisions.
- The Board shall have a process for the selection of directors and officers.
- The Board shall ensure that the Company communicates with shareholders and other stakeholders effectively.
- The Board shall perform such other functions, which may be required under existing laws, issuances and regulations.

## The Chairman of the Board

The Chairman of the Board shall be responsible for the management, development and the effective performance of the Board, and maintain proper governance of the Company. The Chairman of the Board shall plan and organize all the activities of the Board, including the preparation for, and the conduct of, Board meetings. He shall ensure the quality, quantity and timeliness of the information that goes to the Board. He shall also oversee the formation of the Board committees and the integration of their activity with that of the Board.

## The President and Chief Executive Officer

The President and Chief Executive Officer (CEO) shall have the general charge and supervision of the business and affairs of the Company, subject to the Board. On a day-to-day basis, he shall make, execute and sign in the name of the Company such contracts as are necessary in the ordinary course of business, and such other contracts as are authorized by the Board. The President and CEO shall lead the Management in developing and implementing business strategies, plans, and budgets subject to Board approval. He shall then provide the Board and stockholders a report on the financial performance of the Company and its results of operations on a regular basis.

## Qualifications of a Director

### Director

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least one (1) common share of stock of ABS-CBN Corporation;
- Has knowledge, experience or expertise that is relevant to the Company's industry;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Company (subject to the discretion of the Board), time availability and motivation.

### Independent Director

- An Independent Director shall mean a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.
- If the Independent Director becomes an officer or employee of the Company, he shall be automatically disqualified from being an Independent Director.

- The Board's Independent directors shall serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from re-election as such in Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Board wants to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification/s and seek approval from the shareholders during the annual meeting.

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not an Independent Director, including if one person holds the positions of the Chairman of the Board and Chief Executive Officer.

### Disqualification and Grounds for Dismissal of Directors

Any of the following shall be a ground for the temporary disqualification or dismissal for a cause 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 unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal or 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;
- Conviction that has not yet become final as referred to in the grounds for the disqualification of directors.

## III. CORPORATE SECRETARY AND COMPLIANCE OFFICER

### The Corporate Secretary

The Corporate Secretary, who is a Filipino citizen, shall assist the Board in performing its duties and responsibilities to the Company. The Corporate Secretary shall not be a member of the Board and shall not be the Compliance Officer of the Company.

In addition to the duties and responsibilities imposed by existing laws and the By-Laws of the Company, the Corporate Secretary shall have the following duties and responsibilities:

- Assist the Board, the management and the board committees in the preparation of the agenda of meetings and in the preparation and gathering of materials to be presented to the Board, the board committees or the shareholders;
- Keep abreast of relevant laws, regulations and relevant industry developments and the operations of the Company;
- Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and Management, the Board and the board committees, and the Board and its stakeholders;
- Implement such methods adopted by the Board to efficiently and timely inform and brief the Board members prior to board meeting;
- Attend Board meeting and take down the minutes of special and regular meetings of the Board and shareholders;
- Ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for the continuous improvement of its policies and practices toward full compliance and the adoption of global best practices;
- Submit to the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and the Philippine Dealing and Exchange Corporation (PDEX), the Company's Annual Corporate Governance Report, periodic reports, and other material disclosures;

### The Compliance Officer

The Board shall appoint a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer shall not be a member of the Board of Directors.

This Compliance Officer shall have the following duties and responsibilities:

- Assist the Board in performing its duties and responsibilities;
- Ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for the continuous improvement of its policies and practices toward full compliance and the adoption of global best practices;
- Submit to the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and the Philippine Dealing and Exchange Corporation (PDEX), the Company's Annual Corporate Governance Report, periodic reports, and other material disclosures;
- Establish an evaluation system to determine and measure compliance with this Manual.
- Monitor the compliance with the provisions and requirements of this Manual.
- Identify, monitor and control compliance with corporate governance matters.
- Recommend to the Board the review of the provisions of this Manual.
- Determine violations of this Manual and recommend to the Board the appropriate actions for such violations, for further review and approval of Board.

## IV. BOARD COMMITTEES

The Board shall establish the following board committees, and approve their respective charters, that focus on specific board functions to aid in the optimal performance of its roles and responsibilities:

### The Programming Committee

The Programming Committee shall deliberate on the programming issues and strategies of the Company's network, and is primarily a business strategy committee.

### The Compensation Committee

The Compensation Committee shall review any recommendations on incentive schemes and the issuance of stock options to employees.

### The Succession Planning Committee

The Succession Planning Committee shall ensure that there is a pipeline to key positions in the organization, and that there are ready replacements for any key positions that are suddenly vacated.

It shall oversee the replacement planning table of the organization, and identifies successors and gaps in succession, as well as any measures needed to fill such gaps.

### The Compensation Committee for the Chairman and the Chief Executive Officer

The Compensation Committee for the Chairman and the Chief Executive Officer shall review and approve the recommended changes concerning the salaries and benefits provided to the Chairman and the Chief Executive Officer.

### The Audit Committee

The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, majority of whom shall be Independent Directors including the Chairman. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committees.

The Audit Committee shall have the following duties and responsibilities:

- Review 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 specially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
- Oversee the internal and external audit processes;
- Pre-approve all audit plans, scope and frequency in connection with the conduct of external audit;
- Interface with internal auditors and external auditors;
- Evaluate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - i. A definite timetable within which the accounting system of the Company will be International Accounting Standards (IAS) complaint.
  - ii. An accountability statement that will identify officers and/or personnel responsible for the accomplishment of such task.
- Develop a transparent financial management system that aims to ensure the integrity of internal control activities throughout the Company;
- Regularly review the organizational and procedural controls guided by best practices;
- Review of the material related party transactions of the Company;
- Establish the qualifications for the selection of the external auditor;
- Evaluate and recommend the appointment or re-appointment of the external auditor to the Board and shareholders of the Company and ensure that the external auditor, or the partner-in-charge, is rotated every five (5) years or earlier or the handling partner is changed;
- Oversee the Company's compliance with laws and regulations.

The Board shall appoint a qualified Chief Audit Executive (CAE), who shall be responsible for the internal audit activities of the Company, including the portion that is outsourced to a third party service provider.

### The Risk Management Committee

The Risk Management Committee shall be composed of at least three (3) directors; at least one (1) shall be an Independent Director. At least one (1) member of the committee must have relevant background, knowledge, skills, and/or experience on risk and risk management. The Chairman of the Risk Management Committee shall not be the Chairman of the Board or of any other committees.

The Risk Management Committee shall have the following responsibilities:

- Oversee the formulation and establishment of an Enterprise-Wide Risk Management System;
- Ensure the functionality and effectiveness of the Company's enterprise-wide risk management system;
- Review, analyze and recommend the policy, framework, strategy, method and/or system used by the Company to manage risks, threat or liabilities;
- Review and assess the likelihood and magnitude of the impact of material events on the Company and/or to recommend measures, responses or solutions to avoid or reduce risks or exposures; and

- Perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors.

The Board shall appoint a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise-Wide Risk Management System and has the adequate authority, stature, resources, and support to fulfill his/her responsibilities.

### The Nomination and Election Committee

The Nomination and Election Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

The Nomination and Election Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval. This committee shall also be responsible in ensuring the effectiveness of the Board's processes and procedures in the election or replacement of directors.

### The Corporate Governance Committee

The Board shall establish a Corporate Governance Committee composed of at least three (3) members, majority of whom shall be Independent Directors including the Chairman.

The Corporate Governance Committee shall assist the Board in the performance of its corporate governance responsibilities.

The Nomination and Election Committee shall perform the functions of the Corporate Governance Committee while such committee has not been constituted.

## V. BOARD PERFORMANCE

### Orientation Process and Annual Training

New directors shall be familiarized with the Company's operations, management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as the Board's expectations. If new directors have no board experience, the Company shall provide an orientation program in their unaccustomed responsibility.

Opportunities for annual continuing training for new and existing directors shall be identified and appropriate development undertaken.

The Board of Directors, the Corporate Secretary, the Compliance Officer, and the Principal Officers of the Company shall attend trainings in corporate governance at least once a year. The proof of attendance to a corporate governance training shall be submitted to the Corporate Secretary and the Compliance Officer for proper disclosure with PSE and SEC.

### Board Meetings

The Board shall have regular monthly meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set guidelines for management, and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports on and analysis of certain issues.

The directors shall attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so.

### Assessment of the Board

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, an external facilitator shall support the assessment.

The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and committee. Such a system shall allow for a feedback mechanism from the shareholders.

The non-executive directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions.

## VI. CODE OF CONDUCT AND BUSINESS ETHICS

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Management and employees. It shall also be disclosed and made available to the public through the company website.

The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## VII. DISCLOSURE POLICIES AND PROCEDURES

The Board shall establish corporate disclosure policies and procedure to ensure comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

The Company shall use the following modes of communications to promote effective communication with its stockholders, other stakeholders and the public in general:

- Structured and unstructured report disclosures to PSE and SEC
- Investor Relations Website
- Regular Analysts' and Press Briefings
- Investors' Briefings/Forums
- Company Annual Report
- Annual Stockholders' Meeting
- Conference Calls
- Press Releases

The stockholders can also communicate with the Company and raise issues through the Investor Relations Office at [IR@abs-cbn.com](mailto:IR@abs-cbn.com).

The Board shall ensure that the Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

### Investor Relations Office

The Board shall form an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.

The Investor Relations Office shall hold regular analyst and press briefings coincident with the Company's quarterly and annual report submissions that further explain, elaborate on and contextualize the Company's operating performance and financial condition and results.

### Dealings in Company Shares

The Company shall require all members of the Board of Directors and Principal Officers to report any purchase, sale or change in their shareholdings of the Company's common shares or Philippine Depository Receipts within three (3) trading days from the date of transaction.

The Company shall establish its policy on insider trading.

## Disclosures and Financial Reporting

The Company's financial statements shall comply with Philippine Accounting Standards and Philippine Financial Reporting Standards that in turn conform with International Accounting Standards.

The annual consolidated financial statements shall provide information on the financial condition and results of operations of the businesses of the Company and its subsidiaries. These financial statements shall include detailed information on the total assets, total liabilities and shareholders' equity, revenues, costs and expenses, operating income and income before tax, net income attributable to shareholders of the Company and minority interest, earnings per share, and EBITDA.

## VIII. DUTIES TO STAKEHOLDERS

### Shareholders' Rights

The Board recognizes and shall respect the rights of the stockholders as provided in the Corporation Code, namely:

1. Right to dividends once declared by the Board in accordance with the dividend policy;
2. Right to vote on all matters that require their consent or approval;
3. Power of inspection; and
4. Appraisal rights.

The shareholders, as a whole, have the right to receive timely and transparent information about the Company as may be required by laws or rules of the Philippine Stock Exchange.

### Right to Nominate Candidates for Board of Directors

The By-Laws of the Company allows all stockholders, including minority shareholders, the right to nominate candidates for the Board of Directors.

### Conduct of Stockholders' Meeting

Shareholders shall be encouraged to attend stockholders' meetings. A written or printed notice of the annual meeting shall be delivered to each shareholder not less than 28 days before the date of the meeting. Any stockholder entitled to vote may be represented at any regular or special meeting of stockholders by a duly executed proxy. Proxies shall be in writing, properly signed and witnessed by one

party. The written proxy shall be filed with the Office of the Corporate Secretary of the Company not later than ten (10) calendar days prior to the scheduled stockholders meeting.

Details of attendance of shareholders, results of voting, and the results of annual/special stockholders meetings' resolutions shall be submitted to the Philippine Stock Exchange and Securities and Exchange Commission.

### Employees' Participation

The Board shall establish policies, programs and procedures that encourage employees to participate in the realization of the company's goals and in its governance.

The Board shall adopt a Code of Conduct with an anti-corruption policy and disseminate this code to employees across the organization through written materials and actual trainings.

The Board shall establish a suitable framework for whistleblowing that allows employees to communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

### Sustainability and Corporate Social Responsibility

The Company recognizes the interdependence between business and society. The Company shall be committed to creating and delivering sustainable value to all its stakeholders, while contributing to the advancement of the community where it operates.

The Company's enviable position of being in media opens up opportunities to render public service. The Board, Management and its employees shall use these opportunities to lead and create positive change in the society through various advocacies that are aligned with the Company's business core competence.

## IX. IMPLEMENTATION OF THE MANUAL

### Penalties for Non-Compliance with the Manual

To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.

The commission of a serious violation of a material provision of this Manual by any member of the Board of the Company shall be sufficient cause for removal from directorship.

## Evaluation System

The Company shall continue to evaluate its compliance with this Manual. The Board of Directors shall conduct its self-assessment as well as an assessment of the Company's compliance with this Manual. The Company participates in the annual corporate governance survey conducted by the Philippine Stock Exchange.

## Communication Process

Individual Board members may, from time to time, at the request of management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, communication in most circumstances shall come from the Chairman of the Board or the Director designated as spokesperson for the Company.

## Monitoring and Assessment

The Committees shall report to the Board in such manner as the Board may require.

This Manual shall be subject to annual review or at such frequency as may be determined by the Board.

## Inspection of Manual

This Manual shall be available for inspection by any stockholder or employee of the Company at reasonable hours on business days.

Pursuant to the requirement of the Securities and Exchange Commission, this Manual on Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized.

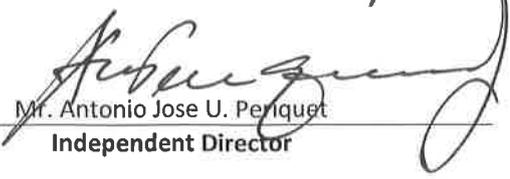
**SIGNATURES**



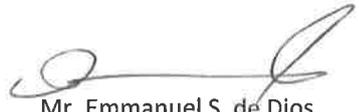
Mr. Eugenio L. Lopez III  
Chairman of the Board



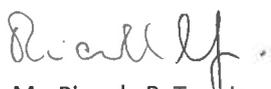
Mr. Carlo L. Katigbak  
Chief Executive Officer



Mr. Antonio Jose U. Periquet  
Independent Director



Mr. Emmanuel S. de Dios  
Independent Director



Mr. Ricardo B. Tan, Jr.  
Compliance Officer