

CORPORATE GOVERNANCE

Corporate Governance at MPIC is defined as the framework we use to ensure the following:

Internal Standards

1. Long-term strategy is for the benefit of all stakeholders – with shareholders at the forefront
2. Align the interests of management with shareholders
3. Sufficient Board oversight of management’s tactical implementation

External Evaluation

1. Clearly communicate strategy and business drivers to equity analysts and shareholders
2. Join organizations to benchmark versus best practices and peers

Our commitment to Corporate Governance is borne out of our belief in its importance to our success. We invest in and manage companies that provide basic services and are, to one extent or another, regulated by Government. Because of this, we and our investee companies operate under intense government and public scrutiny. In addition, our situation is different to most companies listed in developed markets because of our engagement in businesses that may be considered to be imbued with public interest.

As a result, we focus on putting together a framework that emphasizes transparency, accountability and integrity. The Company confirms its full compliance with its Revised Manual on Corporate Governance as mandated by the Securities and Exchange Commission, the Philippine Stock Exchange and other applicable government regulatory agencies.

FOR THE GOVERNMENT AND THE PUBLIC

All our dealings with Government are in the public domain and we provide consumers with enough information for them to determine our performance versus service standards. Our companies stand behind their services and take pro-active steps to rectify any performance issues. In addition, we are invested in the country just as much as in our companies and we are always pushing ourselves to take positions that benefit everyone.

FOR SHAREHOLDERS

We keep a running two-way dialogue with our shareholders. We update minority shareholders of developments and any changes to our strategy. From numerous meetings we have had with them in 2020, we aggregate their concerns and bring those up to Senior Management and our Board for consideration. Although we do not run our company via focus group discussions, these concerns are taken into consideration when we implement our strategy. In the process, management has aggressive targets and provides constant updates in order to measure progress and quickly address any concerns. Management compensation is driven by a mixture of core income progression targets and share price performance.

FOR MANAGEMENT

Having clear moral guidelines, aggressive targets and a transparent culture make for a fertile ground to nurture and sustain talent. Cream rises to the top and self-policing becomes the norm as everyone is

incentivized to push the Company forward and keep stakeholders happy. We continuously initiated measures in order to improve access to information and strengthen processes for our shareholders.

To improve access to information, we consistently update our website. Statistics on financial and operating information is now more easily viewable for each of our investee companies and we included the ability to download historical information. Our Board regularly reviews the risk profile of the Company and its portfolio investments.

BOARD OF DIRECTORS

Our Board sets strategy, oversees implementation by management and ensures that the Company implements a robust governance framework. It is made up of fifteen (15) members, three (3) of whom are Independent Directors. They represent a wide spectrum of skills at the highest level and include leaders of each of our business lines to ensure the Board is in tune with developments in our portfolio.

BOARD ATTENDANCE

The Board meetings for 2020 and the corresponding attendance of our directors are summarized below:

Board Position	Name	Date of Election	Number of Meetings Held During the Year	Number of Meetings Attended	%
Chairman	Mr. Manuel V. Pangilinan	May 29, 2020	12	12	100%
Member	Jose Ma. K. Lim	May 29, 2020	12	12	100%
Member	David J. Nicol*	May 29, 2020	12	12	100%
Member	Ray C. Espinosa	May 29, 2020	12	12	100%
Member	Ramoncito S. Fernandez	May 29, 2020	12	11	92%
Member	Augusto P. Palisoc Jr.	May 29, 2020	12	11	92%
Member	Alfred V. Ty	May 29, 2020	12	12	100%
Independent Director	Lydia B. Echaz	May 29, 2020	12	12	100%
Independent Director	Edward S. Go	May 29, 2020	12	12	100%
Director	Jose Jesus G. Laurel	May 29, 2020	12	12	100%
Lead Independent Director	Artemio V. Panganiban	May 29, 2020	12	12	100%
Member	Albert F. Del Rosario	May 29, 2020	12	12	100%
Member	Rodrigo E. Franco	May 29, 2020	12	10	83%
Member	Francisco C. Sebastian	May 29, 2020	12	12	100%
Member	Christopher H. Young	May 29, 2020	12	12	100%

* Mr. David J. Nicol retired as Executive Vice-President, CFO and director of MPIC effective November 30, 2020. His retirement was accepted by the Board of Directors of MPIC during its special meeting on November 26, 2020. During the same meeting, the Board of Directors elected Ms. June Cheryl A. Cabal-Revilla as its CFO, Chief Sustainability Officer and member of the Board of Directors, effective December 1, 2020.

Various Board committees help the Board oversee and evaluate the performance of the Company and management. Each committee is chaired by a Non-Executive Director and majority of its members are Independent Directors to ensure impartial execution of each committee's function.

Governance and Sustainability Committee – ensures overall governance framework is robust and compares favorably with best in class practices. An integral part of that is the annual review and implementation of the Company’s Revised Manual on Corporate Governance and sponsorship of any improvements for the Board’s approval. Pursuant to the mandate of its Charter, the Governance and Sustainability Committee designed an orientation program for new directors to brief and update them on important details and processes relating to the Company, the functions and relevant mechanisms of the Company’s Board committees and the dealings of the Company with its investors and business partners.

Name	No. of Meetings Held	No. of Meetings Attended	%
Artemio V. Panganiban	2	2	100%
Edward S. Go	2	2	100%
Lydia B. Echauz	2	2	100%

Audit Committee – has oversight of financial reporting and internal controls of the Company. It is responsible for recommending the external auditor and ensuring that non audit work does not compromise their independence. The Audit Committee also approves the Internal Audit function and its scope of work.

The Audit Committee reviews and pre-approves all audit services of our independent and external auditor, Sycip Gorres Velayo & Co. (SGV) before these services are performed. In connection with this, the Committee approved the audit and non-audit related fees of Php 51.1 million for 2020 and Php 32.2 million for 2019, broken down as follows:

Year	Audit Fees	Non-Audit Fees
2020	P 26.5 million	P 24.6 million
2019	P 25.6 million	P 5.7 million

The audit fees include the year-end audit and quarterly review of the Company’s financial statements, and other services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

There was no instance when the Company’s external auditor resigned or have indicated that they decline to stand for re-election or have been dismissed or where the Company had any disagreement with its public accountants on financial disclosure issues.

Name	No. of Meetings Held	No. of Meetings Attended	%
Edward S. Go	4	4	100%
Lydia B. Echauz	4	4	100%
Francisco C. Sebastian	4	4	100%

Risk Management Committee - assists the Board in fulfilling its oversight responsibilities over the Company’s enterprise risk management policy and execution of risk management strategies and practices, including regulatory and ethical compliance monitoring. The Committee investigates the risk exposures

of the Company and evaluates the steps management is taking in managing and controlling such exposures.

For Risk Management, the goal is to identify risk exposures and the steps that need to be undertaken to monitor and mitigate them. The Chief Risk Officer periodically conducts a company-wide risk assessment for evaluation by the Risk Management Committee.

Name	No. of Meetings Held	No. of Meetings Attended	%
Edward S. Go	4	4	100%
Lydia B. Echauz	4	4	100%
Alfred V. Ty	4	4	100%

Compensation Committee – directly oversees the compensation of senior executives and overall compensation framework for all employees. They ensure targets are set aggressively and management is motivated to perform for the long term. As mandated by its Charter, the Compensation Committee also exercises functional oversight on matters pertaining to the areas of leadership development, including but not limited to, the development and administration of leadership/succession.

Name	No. of Meetings Held	No. of Meetings Attended	%
Albert F. Del Rosario	2	2	100%
Lydia B. Echauz	2	2	100%
Manuel V. Pangilinan	2	2	100%

Finance Committee – reviews the Company’s key financial and investment strategies, including capital allocation decisions and monitoring investment performances. It also identifies any related matters for referral to the Board for review and further consideration. Its creation was approved by the Board on February 4, 2020.

Name	No. of Meetings Held	No. of Meetings Attended	%
Lydia B. Echauz	2	2	100%
Artemio V. Panganiban	2	2	100%
Edward S. Go	2	2	100%
Francisco C. Sebastian	2	2	100%
Jose Ma. K. Lim	2	2	100%
June Cheryl Cabal-Revilla (alternate of Jose Ma. K. Lim)	2	2	100%

Nomination Committee – responsible for vetting and recommending members for nomination to the Board, including membership in the various Board Committees. The Nomination Committee has the authority to utilize professional search firms or other external sources of candidates when searching for candidates to the Board pursuant to its Charter which provides that the Nomination Committee has the authority to avail of resources and authorities appropriate to discharge its functions, duties and responsibilities, including the authority to obtain advice from external consultants and functional specialists within the Company. Prior to the scheduled Annual Stockholders’ Meeting, the Nomination Committee reviews the qualifications of the individuals nominated as the Company’s regular and

Independent Directors. Particularly for the latter, the Committee assesses the independence of Independent Directors.

Name	No. of Meetings Held	No. of Meetings Attended	%
Christopher H. Young	2	2	100%
Lydia B. Echauz	2	2	100%
Edward S. Go	2	2	100%
Jose Ma. K. Lim (non-voting)	2	2	100%

Each of the six (6) committees adopted its own Charter to guide the committee members in the performance of their functions and to formalize the applicable procedural mechanisms and oversight function of each committee. All of the Charters were presented to and approved by the Board.

As we implement our governance framework, we continuously test against best practices and peers by joining organizations focused on Corporate Governance and submitting to outside evaluation against our peers and recognized standards. To date we have joined, through our Corporate Governance Officer, the Institute of Corporate Directors (ICD) and the Ethics and Compliance Initiative (ECI) and the Good Governance Advocates and Practitioners of the Philippines (GGAPP). These institutions regularly meet to discuss current best practices and conduct seminars on developments in Corporate Governance. In addition, our employees have attended various seminars on governance throughout the year in order to expand their knowledge of past misdeeds and potential pitfalls in order to better prepare for any eventuality.

WHISTLE-BLOWING POLICY

Recognizing that employees may be discouraged to report irregularities for various reasons, the Company adopted a Whistle-blowing Policy (“Whistle-blowing Policy”) as an internal control mechanism, consistent with the purpose of maintaining internal corporate justice. The Whistle-blowing Policy provides an internal and confidential reporting channel to report any serious concerns about any suspected misconduct, malpractice or irregularity in the Company. In line with its thrust to adopt best practices not just in the head office but also in all its subsidiaries, the Company encouraged all its operating companies to adopt or develop their own Whistle-Blowing Policy that is tailor-fitted to the individual operation of each company. MPIC’s Revised Whistle-Blowing Policy can be accessed in the Company’s website at <https://www.mpic.com.ph/wp-content/uploads/2021/08/MPIC-Revised-Whistleblowing-Policy-approved-04-Aug-2021.pdf>

BOARD MATTERS

Board Independence

The Board is primarily responsible for the governance of the Company and is structured to provide an independent check on management. Each director has the duty to contribute independent judgment to the formulation of sound corporate strategies and policies. The Board is composed of three (3) executive directors and twelve (12) non-executive directors, four (4) of whom are Independent Directors. The Company’s Independent Directors comply with Rule 38 of the Implementing Rules of the Securities Regulation Code on the qualifications, nomination and election of Independent Directors and has no

business or other relationship with the Company that could, or could reasonably be perceived to materially interfere with the exercise of his/her independent judgment in carrying out his/her responsibilities as an Independent Director.

Board Process

The Board regularly meets at least five (5) times a year to review operational performance, provide strategic direction, monitor implementation, discuss such other matters that directly or indirectly affect the operations of the Company and approve matters that are specifically entrusted to the Board’s sound judgment.

The schedule for Board meetings for the coming year are approved by the Board during the last meeting of the previous year, taking into consideration the scheduled meetings of the subsidiaries and other operating companies in order to ensure that conflicts in meeting schedules will be avoided. The dissemination/reminder of the scheduled Board meetings are handled by the office of the Corporate Secretary as assisted by the PR and Corporate Communications Department of the Company.

For 2021, the following is the approved Board meeting schedule for the year:

Activity	MPIC’s Board Meeting Date
FY 2020 Results	February 24, 2021 (Wednesday)
1Q 2021 Results	May 5, 2021 (Wednesday)
Pre-AGM Meeting and Organizational Meeting of the Board	May 28, 2021 (Friday)
1H 2021 Results	August 4, 2021 (Wednesday)
3Q 2021 Results and 2022 Budget	November 3, 2021 (Wednesday)

**Schedules are subject to confirmation from the Company’s Corporate Secretary and may change depending on circumstances.*

To supplement the foregoing, the Company provides at least fourteen (14) days’ notice for a regular meeting to give all directors an ample opportunity to attend, either in person or through teleconference, when necessary. Meeting agendas for regular Board meetings are finalized after consultation with the Chairman and the Executive Directors. Sufficient and appropriate information, in the form of Board presentations and related materials, are prepared and furnished to the directors prior to the scheduled Board meetings in a timely manner.

Board Assessment

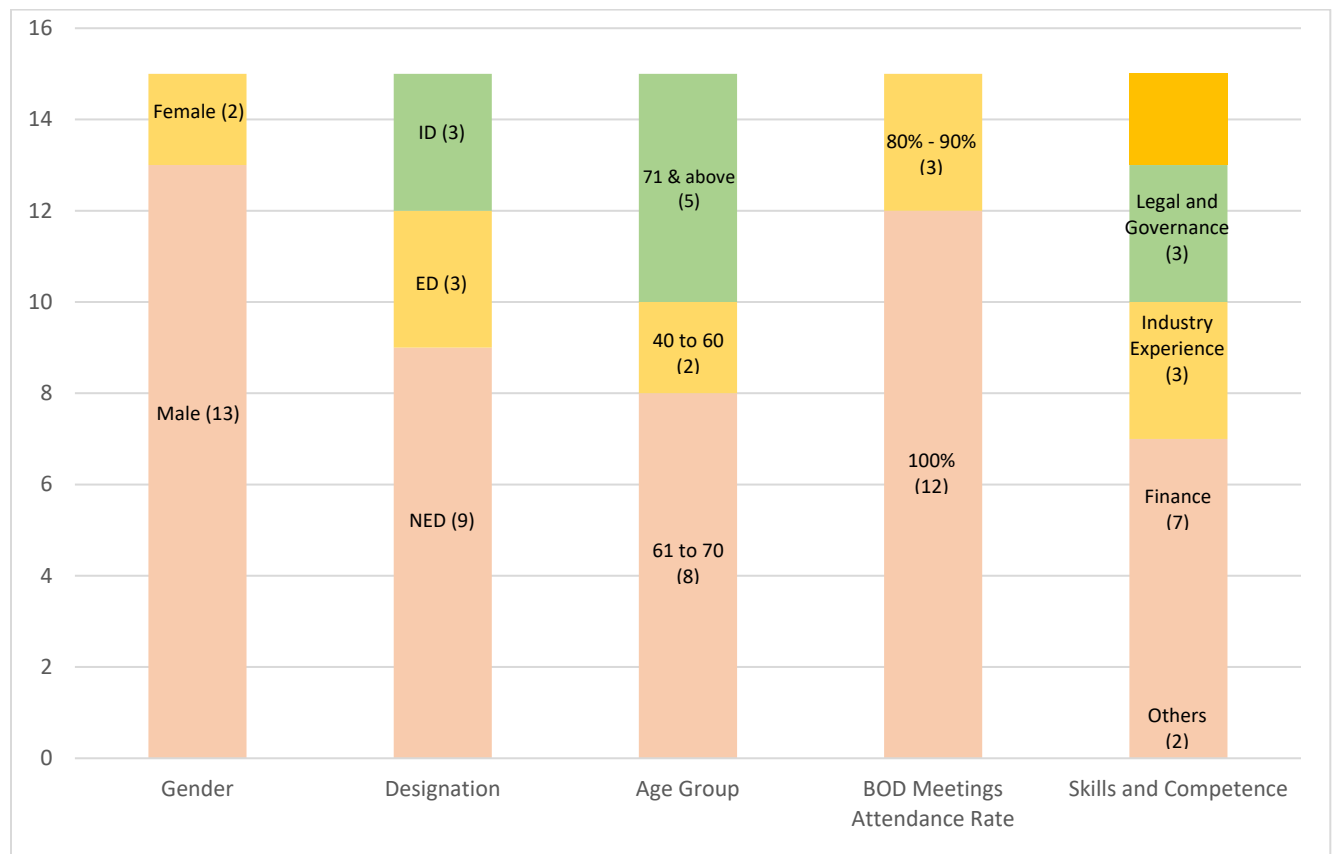
The Board acknowledges the importance of regular performance assessment, individually and collectively, to foster accountability. Performance assessments are done to evaluate the specific and overall performance of the Board, Board committees, and the President and CEO for the past calendar year. The 2020 assessment exercise was conducted on March 3, 2021. The Board evaluated their individual and collective performances regarding the Board and its committees’ structures, processes and responsibilities. The Board also assessed the 2020 performance of the Company’s President and CEO based on his leadership, working relations with the Board, management, and communication. Four (4) assessment instruments were accomplished by the directors as follows:

- (i) Board Self-Assessment;
- (ii) General Board Committee Performance Assessment;
- (iii) Board Committee Self-Assessment; and
- (iv) President & CEO Performance Assessment

Board Diversity

Consistent with the Company’s commitment to the principles of good Corporate Governance, the Board Diversity Policy was approved on 7 November 2018 to ensure that the Board has suitable mix of expertise, experience and skills that would promote critical thinking and balanced decision-making that is in line with the Company’s strategic goals and objectives. The Policy emphasizes that the primary consideration in the nomination and selection of directors shall always be merit, and that nominees shall not be discriminated against by reason of gender, religion, ethnicity, age and other factors. A copy of the Company’s Board Diversity Policy is published in the Company’s website [\[https://www.mpic.com.ph/wp-content/uploads/2019/06/Board-Diversity-Policy.pdf\]](https://www.mpic.com.ph/wp-content/uploads/2019/06/Board-Diversity-Policy.pdf).

An analysis of the Board’s current composition is set out in the following chart:



The Company ensures that its Board composition and processes are compliant with the requirements provided by applicable Philippine laws, rules and regulations. The Company will likewise endeavor to adopt the recommended best practices (i.e. higher number of Independent Directors; increased female

participation in the Board, etc.), whenever applicable and upon proper determination of the Board and management.

Succession Planning

The Board recognizes the value of having continuity in Senior Management and of keeping people with the right skills, experience and character to lead the Company into achieving its targets and strategic goals. To that end, the Company adopted a Succession Planning Policy on 7 November 2018. The policy lays down the guidelines that management shall consider in identifying and preparing candidates in management to assume bigger responsibilities in case of vacancies in senior management positions due to retirement, resignation, incapacity or other reasons. A copy of the Company's Succession Planning Policy is published in the Company's website [<https://www.mpic.com.ph/wp-content/uploads/2019/06/MPIC-Succession-Planning-Policy.pdf>].

Directors' Training

The Company adopts a policy requiring each director to undergo a continuing training program for at least four (4) hours each year to promote Board performance and continuing qualification in carrying out directors' duties and responsibilities. This annual continuing training program shall ensure that directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Company. It may cover courses on Corporate Governance matters, including audit, internal controls, risk management, sustainability and strategy.

CULTURE OF COMPLIANCE AND GOOD CORPORATE GOVERNANCE

The Company has a strong culture of compliance, which forms part of its Corporate Governance practices. Decisions are made always taking into account legal compliance, not only with the letter, but also the spirit of the law. The Company's Code of Business Conduct and Ethics requires its directors, officers and employees to, among others, engage in honest conduct and comply with all applicable laws, rules and regulations, including prohibitions in insider trading. Furthermore, demands of the business is not a valid excuse for violating any law, rule or regulation.

As part of the Company's compliance program, the Board approved the Anti-Bribery and Anti-Corruption Policy, emphasizing the Company's zero-tolerance to bribery and corruption. It defines and provides examples of prohibited acts constituting bribery or corruption and explicitly provides that violation of the policy will result in disciplinary action, including up to termination.

Newly-elected directors are oriented by the Company's Compliance Officer and Corporate Governance Officer on the Company's corporate compliance and governance policies. The same is true with respect to newly-appointed officers and newly-hired employees of the Company. Copies of the Company's compliance and governance policies are provided to new directors, officers and employees for reference. Furthermore, the Company's standard employment contract includes a specific provision requiring the employee to review, be aware of and strictly abide by the Company's policies (as may be amended from time to time), including, but not limited to, its Code of Business Conduct and Ethics, Policy on Gifts, Entertainment and Sponsored Travel, Conflict of Interest Policy, Whistle Blowing Policy, Related Party Transaction Policy, Insider Trading Policy and other policies and procedures (the "MPIC Policies") which

may be accessed from the Company's website. At the request of the employee, the Company may provide printed copies of the same free of charge.

The Company ensures that this culture of compliance and good Corporate Governance is carried out not only within the Company but also by its partners. As a matter of practice, the Company includes contractual stipulations in its agreements with its service providers such as consultants that they acknowledge that the Company abides by and applies its the MPIC Policies which can be accessed from the Company's website, and that they acknowledge and agree to abide by the MPIC Policies in dealing with the Company. In addition, where relevant, the Company also requires in its contracts with third parties provisions that ensure compliance with relevant anti-bribery and anti-corruption, anti-money laundering and sanctions laws. This is to ensure that compliance with such laws complied with not only by the Company but also its business partners, and that Company resources are not indirectly used to commit bribery or corruption, money laundering or terrorism-related activities. In addition to having such contractual provisions in place, the Company does due diligence on its potential business partners to ensure, among others, that it does not do business with entities which are engaged in corrupt practices, money laundering or terrorist financing activities. The Company's Compliance Officer is currently in the process of institutionalizing this process through a formal compliance policy.

Furthermore, in order to ensure that compliance issues are identified and addressed, the Company and its material subsidiaries and investee companies implement an internal semi-annual certification process, pursuant to which, the Audit Committees of the Company's key subsidiaries and investee companies confirm that internal controls, including financial, operational and compliance controls are adequate and effective. These certifications, together with relevant reports, are submitted to the Company's Audit Committee semi-annually.

The first principle of the UN Global Compact ("UNGC") provides that "[b]usinesses should support and respect the protection of internationally proclaimed human rights." Consistent with this, the Company's Policy on the Respect for and Protection of the Rights of People provides that the Company strives "to adopt principles and processes that will mitigate and avoid complicity in human rights violations in relation to its operations, its dealings with partners, suppliers and contractors and in the production of goods and rendering of services on its own or through its subsidiaries." This Policy includes specific commitments on (1) the promotion of a safe and healthy workplace, which the Company recently implemented by ensuring a safe working environment amidst the COVID-19 pandemic; (2) the prevention of child labor, forced labor and human trafficking; (3) respect for human dignity and the prevention of any form of discrimination, pursuant to which the Company also adopted a more specific Workplace Gender, Equality and Diversity Policy, which ensures, among others, that Company employees are not discriminated against in all aspects of employment regardless of their attributes including gender, sexual orientation, age, marital status, pregnancy, political beliefs, ethnicity, religious beliefs, disability or other distinguishing characteristics; and (4) freedom of association and collective bargaining.

These compliance and good governance practices are carried over in the Company's mergers and acquisitions transactions through the conduct of due diligence, which focuses not only on the commercial aspect, but also on the environmental, social and governance ("ESG") aspects of businesses for potential acquisition. In particular, the Company's Environment and Social Impact Policy emphasizes that environmental, social and governance factors are key considerations in the Company's investment decision-making process and in guiding its existing portfolio of companies. This enables the Company to

identify key ESG issues affecting businesses for potential acquisition and ensure that such issues are sufficiently addressed moving forward, either by requiring resolution of key ESG issues as a covenant or condition precedent to the completion of the transaction, or ensuring that appropriate measures are put in place by the Company upon the acquisition of the new business to address identified ESG issues.

- End -