



# **THE PHILIPPINE STOCK EXCHANGE, INC.**

## **Corporate Governance Guidelines for Listed Companies**

### **Disclosure Template for the Year 2014 (Mabuhay Vinyl Corporation)**

	APPLY	EXPLAIN
<b>Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY</b>		
1.1 Have a clearly defined vision, mission and core values.	✓	The Company has its mission, vision and core values provided for in its MS Manual, as cited in its Annual Report, Annual Corporate Governance Report and are clearly communicated throughout the organization.
1.2 Have a well-developed business strategy.	✓	The Company's strategies are approved by the Board of Directors and implemented through an Annual Business Plan.
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	✓	The Company's strategies are implemented through an approved annual business plan that considers the business environment, the company's resources and objectives.
1.4 Have its board continually engaged in discussions of strategic business issues.	✓	Discussions on the Company's strategic business issues are found in the minutes of the Executive Committee/Board meetings (Attach)
<b>Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD</b>		
2.1. Have a board composed of directors of proven competence and integrity.	✓	The qualifications and business profile of the directors are included in the Company's Information Statement, ACGR and Manual on Corporate Governance. These documents are available in the Company's website.
2.2. Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	✓	The minutes of the Board meetings show that the Board functions in an effective and collegial manner (Attached)
2.3 Have at least three (3) or thirty percent (30%) of its directors as independent directors.		Section 2, Article IV of the Amended By-laws of MVC states that "The Corporation shall have at least two (2) independent directors or such number of independent directors or at least twenty percent (20%) of board size, whichever is lesser." MVC has complied with this rule since it has two (2) independent directors in its 11-seat

		Board. Moreover, this is in compliance with Section 38, Article IX of the Securities Regulation Code (SRC) which states that “-xxx- Any corporation shall have at least two (2) independent directors or such independent directors shall constitute at least twenty percent (20%) of the members of such board, whichever is the lesser. -xxx-”
2.4	Have in place written manuals, guidelines and issuances that outline procedures and processes.	✓ The Company has written policies, manuals and procedures that detail the guidelines and procedures of the Company.
2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.	Under MVC’s Amended Manual on Corporate Governance, there are four Committees: the Executive Committee, the Audit Committee, the Executive Compensation Committee and the Nominations Committee. While MVC does not have a Risk Committee, one of the duties and responsibilities of the Audit Committee is “overseeing of company’s financial management, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management.” (Section 2(b), Article VI, By-Laws).
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	Article 25 of the Corporation Code states that: “-xxx- <b>Any two (2) or more positions may be held concurrently by the same person</b> , except that no one shall act as president and secretary or as president and treasurer at the same time. -xxx-”  Section 2, Article 5 of the Amended By-laws of MVC states: “-xxx- <b>The Board may appoint either the Chairman or the President as the Chief Executive Officer of the Corporation.</b> -xxx-”  Article 3(C) of the Revised Code on Corporate Governance provides:  “The roles of Chair and CEO should, <b>as much as</b>

		<p><b>practicable</b>, be separate to foster an appropriate balance of power-xxx-</p> <p>If the positions of Chair and CEO are unified, the <b>proper checks and balances</b> should be laid down to ensure that the Board gets the benefit of independent views and perspectives. -xxx-"</p>
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	✓ The nomination and election procedures are stated in the Company's ACGR and Bylaws. These documents are available in the Company's website.
2.8	Have in place a formal board and director development program.	Directors are required to attend corporate governance seminars to update themselves on current corporate governance rules and practices to enable them to perform their duties and responsibilities effectively as directors of the Corporation.
2.9	Have a corporate secretary.	✓
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	✓ The appointment of an internal auditor of the Company is provided for in the Company's Manual on Corporate Governance and ACGR. The documents may be accessed thru the Company's website.
<b>Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</b>		
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	✓ The appointment of an internal auditor of the Company is provided for in the Company's Manual on Corporate Governance and ACGR. The documents may be accessed thru the Company's website.
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	✓ Provided for in the Manual on Corporate Governance and ACGR. The documents are in the company's website.
3.3	Institutionalize quality service programs for the internal audit function.	✓ Provided for in the Manual on Corporate Governance and ACGR. The documents are in the

		company's website.
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	✓ Provided for in the Manual on Corporate Governance and ACGR. The documents are available in the company's website.
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	✓ The Chief Executive Officer attest in writing that a sound internal audit, control and compliance system is in place and working effectively.
<b>Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</b>		
4.1	Have its board oversee the company's risk management function.	✓ Provided for in the Company's Manual on Corporate Governance, ACGR, Audit Committee Charter and Internal Audit Charter.
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	✓ The Company's Internal Audit helps Management and various operating units accomplish their objectives by conducting a systematic approach in the evaluation and improvement of the effectiveness of risk management, internal control and compliance with approved and latest policies and procedures.  The company also has recently finalized its Enterprise-wide Risk Management Manual.  The company has set procedures for the identification of risks, conduct of risk assessment and managing those risks within the company's appetite level through the preparation of corresponding preventive action plans.
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	The Company has an Enterprise-wide Risk Management policy that covers all activities in the identification of risks on the attainment of company objectives, in the conduct of risk assessment and managing those risks within the company's appetite level through the preparation of corresponding preventive action plans.

4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	✓	Risk management is part of the duties of the President who is designated also as the Company's Risk Management Officer.
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	✓	The company has set procedures for the identification of risks, conduct of risk assessment and managing those risks within the company's appetite level through the preparation of corresponding preventive action plans, which are evaluated regularly.
4.6	Seek external technical support in risk management when such competence is not available internally.	✓	Provided for in the ACGR.
<b>Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</b>			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	✓	Included in the ACGR of the company which is available in the company's website.
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	✓	Stated in the ACGR of the Company which are accessible thru the company's website.
5.3	Ensure that the external auditor has adequate quality control procedures.	✓	Stated in the ACGR of the Company which are accessible thru the company's website.
5.4	Disclose relevant information on the external auditors.	✓	Appointment is disclosed in SEC Form 17-C; stated in the Information Statement and Annual Report
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	✓	Stated in the ACGR and the Manual on Corporate Governance
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.		The Audit Committee shall endeavor to hold regular meetings/dialogues with the external audit team in accordance with the recommended practice.
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	✓	Provided for in the Statement of Management Responsibility attached to the financial reports.
5.8	Have a policy of rotating the lead audit partner every five years.	✓	Indicated in the company's Information Statement and Manual on Corporate Governance.
<b>Guideline No. 6:</b>			

<b>RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP</b>		
6.1	Adopt the principle of "one share, one vote."	✓ Provided for in the company's Bylaws, Manual on Corporate Governance and Information Statement
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	✓ Stated in the By-laws, Manual on Corporate Governance, ACGR and Information Statement
6.3	Have an effective, secure and efficient voting system.	✓ Stated in the Manual on Corporate Governance, ACGR and Information Statement
6.4	Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	✓ Company complies with the voting requirement under the Corporation Code of the Philippines.
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	Section 4, Article II of the Amended By-laws states "Written notice for any regular or special meeting of stockholder may be sent -xxx- at least fourteen (14) days before the meeting if it is regular, or at least seven (7) days before the meeting if it is special. -xxx-" MVC's By-Laws is in consonance with Section 50, Title VI of the Corporation Code which provides "-xxx- That written notice of regular meetings shall be sent to all stockholders or members of record at least two (2) weeks prior to the meeting, unless a different period is required by the by-laws.  Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, That at least one (1) week written notice shall be sent to all stockholders or members, unless otherwise provided in the by-laws. -xxx-"
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	✓ Provided for in the Bylaws and included in the Information Statement submitted by the company.
6.7	Ensure that all relevant questions during the AGM are answered.	✓ Shown in the minutes of the stockholders'

		meetings which are available in the company's website.
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	✓ Stated in the Manual on Corporate Governance and ACGR of the company which are available in its website.
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	✓
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	✓ Shown in the Public Ownership Report regularly submitted by the Company to the PSE.
6.11	Have a communications strategy to promote effective communication with shareholders.	✓ The Company's contact details are available in the Company's website and in its disclosures with the PSE and SEC. The company receives calls from stockholders from time to time.
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	✓ The company complies with the public float requirement imposed by the PSE. The company's public float is 60.048% as of 31 December 2014.
6.13	Have a transparent dividend policy.	✓ Provided for in the Bylaws, ACGR and Manual on Corporate Governance.
<b>Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME</b>		
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	✓ Provided for in the Manual on Corporate Governance and ACGR.
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	✓ The Company discloses material agreements thru the PSE and SEC.
7.3	Disclose its director and executive compensation policy.	✓ Stated in the company's Information Statement and Annual Report.
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	✓ Stated in the company's Information Statement, Annual Report
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	✓ Quarterly Reports and consolidated financial statements are regularly submitted by the company and copies of the said documents are available in the company's website.



7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	✓	The company submitted its amended Manual on Corporate Governance on 25 July 2014, copy of which is available in the company's website. Likewise, the Company submitted its Consolidated Update on its ACGR on 13 January 2015.
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	✓	Contained in the minutes of the stockholders meetings and the disclosures to the PSE and SEC, which are posted in the company's website.
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	✓	Transactions of directors, officers and controlling shareholders, if there's any, are disclosed promptly by the company to the PSE and SEC.
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	✓	Disclosed in the company's Annual Report, if there's any.
<b>Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS</b>			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	✓	Stated in the Company's ACGR.
8.2	Have in place a workplace development program.	✓	The Company provides training to employees depending on the needs of their jobs.
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	✓	The Company's annual pay review and year-end incentives are based on the employee's performance and the company's success in meeting its objectives.
8.4	Have in place a community involvement program.	✓	Stated in the ACGR and Information Statement
8.5	Have in place an environment-related program.	✓	Stated in the ACGR
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	✓	The company has written policies and procedures covering suppliers and customers. MVC likewise has a written Code of Business Conduct to guide the company and its employees in dealing with other parties.

<b>Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING</b>		
9.1	Develop and disclose a policy governing the company's transactions with related parties.	✓ Stated in the Annual Report, ACGR and Manual On Corporate Governance
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	✓ Provisions re RPT are provided for in the ACGR
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	✓ Voting procedure is stated in the By-laws, ACGR and Manual on Corporate Governance.
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	✓ Stated in the Manual on Corporate Governance, ACGR and Annual Report
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	✓ Stated in the Annual Report and ACGR
9.6	Have a clear policy in dealing with material non-public information by company insiders.	✓ Stated in the ACGR
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	✓ Disclosures are timely made to the SEC and PSE in accordance with the Manual on Corporate Governance and ACGR
<b>Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, &amp; ENFORCEMENT</b>		
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	✓ The Company has a written Code of Business Conduct.
10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	✓ Stated in the Manual on Corporate Governance and ACGR
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	✓ Have not sought exemption from corporate governance rules yet.

10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	✓	Stated in the ACGR
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	✓	The Company has a Compliance Officer
10.6	Respect intellectual property rights.	✓	The Company recognizes and respects intellectual property rights.
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	✓	Stated in the ACGR

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this 30<sup>th</sup> March 2015 in Makati City.

  
**JOSE O. JULIANO**  
 Independent director

  
**EDWIN L. UMALI**  
 President