



MANUAL ON  
CORPORATE GOVERNANCE

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The Board of Directors of Xurpas Inc. approved and adopted this Manual on December 7, 2011. The structures and processes set forth in this Manual, the Articles of Incorporation and By-Laws, in conjunction with the commitment to the governance principles of transparency, accountability, fairness and integrity, form the basic framework of governance by which the Corporation's Board of Directors, officers, executives and employees shall strive to achieve the Corporation's strategic objectives, create value for all its stakeholders, and sustain its long term viability.

**ARTICLE I**  
**Definitions and Interpretation**

**1. Defined Terms**

The following terms used in this Manual are defined below:

<b>Advisory Board/Committee</b>	means the body composed of members appointed by the Board which exercises
<b>Articles of Incorporation</b>	Articles of Incorporation of the Corporation and all amendments thereto
<b>Board of Directors</b>	the governing body elected by the stockholders that exercises the powers of the Corporation, conducts all businesses, and controls its properties
<b>Board Committees</b>	one or all of the following Committees composed of Members of the Board of Directors:  <ul style="list-style-type: none"><li>a. Executive Committee</li><li>b. Compensation and Remuneration Committee</li><li>c. Nomination Committee</li><li>d. Audit and Risk Committee</li><li>e. Finance Committee</li><li>f. And such other Committees that the Board may constitute from time to time</li></ul>
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>By-Laws</b>	Corporation's By-Laws and all amendments thereto
<b>President</b>	President of the Corporation
<b>Chairman</b>	Chairman of the Board
<b>Code</b>	SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the "Revised Code of Corporate Governance"
<b>Commission</b>	Securities and Exchange Commission
<b>Company / Corporation</b>	Xurpas Inc.
<b>Corporate Governance</b>	the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders, which include, among others, customers, employees, suppliers, financiers, and the government and community in which it operates
<b>Corporation Code</b>	Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines

<b>Director</b>	a duly elected member of the Board
<b>Exchange</b>	Philippine Stock Exchange
<b>Executive</b>	Corporation’s executives with a rank of a Manager up to Senior Manager
<b>Internal Control</b>	the system established by the Board of Directors and Management for the accomplishment of the Corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules
<b>Internal Control System</b>	the framework under which the internal controls are developed and implemented (alone and in concert with other policies or procedures) to manage and control a particular risk, cost or business activity, or combination of risks or business activities to which the Corporation is exposed
<b>Internal Audit Department</b>	an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes
<b>Internal Auditor</b>	the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, the Internal Auditor is responsible for overseeing the service contract, the overall quality of these activities, and monitoring the engagement results
<b>Management</b>	the general body authorized by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation
<b>Manual</b>	this Manual on Corporate Governance, as may be amended from time to time
<b>Officers</b>	officers of the Corporation from the rank of Assistant Corporate Secretary up to Chairman of the Board, as defined by the Corporation’s By-Laws
<b>Securities Code</b>	Republic Act No. 8799, otherwise known as the Securities Regulation Code
<b>Senior Management</b>	otherwise known as “Executive Management”, or the individuals at the highest level of organizational management are responsible for the day-to-day management of the Corporation. They hold specific executive powers conferred to them by the Board of Directors and stockholders. They have the highest level of responsibility in the Corporation, with a position not lower

than Vice-President.

**Year** calendar year

**2. Interpretation**

- 2.1. Unless the context otherwise requires, words in the singular include the plural, and vice versa; and words importing any gender include all genders.
- 2.2. A reference to a statute or provision shall be construed as a reference to that statute or provision as amended, modified, or re-enacted.
- 2.3. The headings in this Manual are inserted solely for convenience of reference and do not limit or affect the interpretation of the provisions.
- 2.4. All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

## ARTICLE II GOVERNANCE

### 1. The Board of Directors

The Board of Directors is primarily responsible for the governance of the Corporation. Corollary to setting the strategies and policies to accomplish the corporate objectives, it shall provide an independent check on Management. The Board shall likewise review and comment on the strategic directions identified by Management.

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provides all members of the Board with accurate and timeline information that will enable the Board to comply with its responsibilities to its stockholders.

#### 1.1 Composition

The Board shall have seven (7) Directors, of which there shall be two (2) be Independent Directors. They shall be elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

#### 1.2 Qualifications

A member of the Board of Directors must possess the following qualifications:

- 1.2.1 Ownership of at least one (1) share of the capital stock of the Corporation;
- 1.2.2 A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education
- 1.2.3 Relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organization; and
- 1.2.4 Possesses integrity, probity and shall be diligent and assiduous in the performance of his function.

#### 1.3 Permanent Disqualification of Directors

The following persons are disqualified from being a director of the Corporation:

- 1.3.1 No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- 1.3.1.1 if he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Corporation, or
- 1.3.1.2 if he is an officer, manager or controlling person of, or the owner (either of record beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the corporation, when in the judgment of the Board, by at least two-thirds (2/3) votes, the law against combination in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- 1.3.1.3 If the board, in the exercise of its judgment in good faith, determines by at least two-thirds (2/3) vote that he is the nominee of any person set fourth in the 1.3.8.1 or 1.3.8.2
- 1.3.2 Any person convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or similar fraudulent acts or transgressions;
- 1.3.3 Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election as Director;
- 1.3.4 Any person judicially declared to be insolvent;
- 1.3.5 Any person who has been finally convicted by a competent judicial or administrative body of the following:
  - 1.3.5.1 any crime involving the purchase or sale of securities, as defined in the Securities Regulation Code;
  - 1.3.5.2 any crime arising out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or
  - 1.3.5.3 any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- 1.3.6 Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:
  - 1.3.6.1 acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker;
  - 1.3.6.2 acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company;

- 1.3.6.3 engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs 1.3.2.1 and 1.3.2.2 above, or willfully violating the laws that govern securities and banking activities.
- 1.3.7 The disqualification shall also apply when such person is currently the subject of an effective order of the Commission or any court or other administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code, or any others law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule or regulation issued by the Commission or Bangko Sentral ng Pilipinas, or has been otherwise restrained to engage in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling from membership, participation or association with a member or participant of the organization;
- 1.3.8 Any person finally found guilty by final judgment of a foreign court or financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause;
- 1.3.9 Any person who has previously committed patently unlawful acts and other acts deemed inimical to the reputation and interest of the Corporation, its subsidiaries or affiliates;
- 1.3.10 Any person who has committed acts causing undue injury to the Corporation, its subsidiaries or affiliates, or committed acts causing injury to another corporation while acting as an officer or director;
- 1.3.11 Any person who previously committed gross negligence or bad faith in directing the affairs of another corporation where he served as an officer or director;
- 1.3.12 In case of independent directors:
- 1.3.12.1 When he becomes an officer, employee, or consultant of the Corporation; and
- 1.3.12.2 The additional grounds for disqualification under Rule 38 of the Amended Implementing Rules and Regulations of the Securities and Regulation Code;
- 1.3.13 Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Corporation Code, Securities Regulation Code, as well as those that may be approved by the Board of Directors;

For purposes of the foregoing paragraphs, the term "subsidiary" means a corporation or entity in which the Corporation, directly or indirectly, owns, controls or has the power to vote at least a majority of the shares or interests. Likewise, the term "affiliate" as used in these preceding paragraphs means a corporation or entity in which the Corporation directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests.

Furthermore, for purposes of determining whether or not a person is engaged in a business or activity that competes with or antagonistic to that of the Corporation or any of its subsidiaries and affiliates, or if he is a controlling person, beneficial owner, or the nominee of another, or if he

suffers from the foregoing disqualifications, the Board of Directors may take into account such factors as business, professional and family relationships.

#### 1.4 **Grounds for Temporary Disqualification**

The following are grounds for temporary disqualification of incumbent directors:

- 1.4.1 Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing Rules and Regulation. This disqualification shall be in effect as long as his refusal persists;
- 1.4.2 Absence or non-participation for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors, during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- 1.4.3 Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- 1.4.4 Being under preventive suspension by the Corporation for any reason;
- 1.4.5 Conviction that has not yet become final referred to in the grounds for disqualification of directors;

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reason, the disqualification shall become permanent.

#### 1.5 **Independent Directors**

Independent directors must be independent of management and, apart from their fees and shareholdings, are free from any business or other relationship with the Corporation, which will or will reasonably be perceived to, materially interfere with their exercise of their independent judgment in carrying out their responsibilities.

An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the corporation, management or controlling shareholder at the time of his election or appointment and/or re-election as a director. An independent director includes, among other person, one who:

- 1.5.1 Is not an existing director, officer, executive or employee of the Corporation or of its related companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);
- 1.5.2 Does not own more than two (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders. If the beneficial security ownership of an independent director in the Corporation or in its related companies exceed two percent

(2%), the Corporation shall cease to consider him as an independent director until the beneficial security ownership of the director is reduced to two percent (2%) or lower;

- 1.5.3 Is not a relative of any director, officer, executive or substantial shareholder of the Corporation, or any of its related companies or any of its substantial shareholders. For this purpose, the term "relatives" includes spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- 1.5.4 Is not acting as a nominee or representative of any director, officer, executive or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholder;
- 1.5.5 Has not been employed in any executive capacity by the Corporation, any of its related companies or any of its substantial shareholders within the last two (2) years;
- 1.5.6 Is not retained or, within the last two (2) years, has not been retained as a professional adviser by the Corporation, any of its related companies or any of its substantial shareholders, either personally or through this firm; or
- 1.5.7 Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions that are conducted at arm's length and are immaterial.

When used in relation to the foregoing paragraphs, "related company" means another company that is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and "substantial shareholder" means any other person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

## **1.6 Policy on Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships outside of Xurpas. A director may hold any number of directorships outside of Xurpas provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation.

## **1.7 Board Meetings and Quorum Requirements**

Member of the Board should attend regular and special meeting of the Board in person or via teleconference or videoconference or by any other technological means allowed by the Commission.

## **1.8 General Responsibility of the Board for Good Governance**

- 1.8.1 A director's office is one of trust and confidence. He should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.
- 1.8.2 Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation

and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders.

- 1.8.3 To ensure good governance of the corporation, the Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
- 1.8.4 Consistent with a director's three-fold duty of obedience, diligence and loyalty to the Corporation, the Directors shall
  - 1.8.4.1 Act within the scope of power and authority of the Corporation and the Board, as prescribed in the Corporation's Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
  - 1.8.4.2 Exercise their best care, skill and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Corporation; and
  - 1.8.4.3 Act in the best interest of the Corporation and for the common benefit of the Corporation's stockholders and other stakeholders.

#### 1.9 **Specific Duties of the Board of Directors**

To ensure a high standard of best practice on governance for the Corporation and to promote and protect the interest of the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- 1.9.1 Install a process of selection to ensure a mix of competent Directors and Officers each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and adopt an effective succession planning program for Management;
- 1.9.2 Elect the President and other Officers;
- 1.9.3 Adopt a professional development program for Officers and succession planning for Corporate Executives;
- 1.9.4 Determine or validate the Corporation's purpose, its vision, mission and strategies to carry out its objectives;
- 1.9.5 Ensure that the Corporation complies with all relevant laws, rules and regulations, and codes of best business practices;
- 1.9.6 Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timeline and effective communication with them through an effective investor relations program;
- 1.9.7 Adopt a system of internal checks and balances and regularly evaluate the applicability thereof under changing conditions;

- 1.9.8 Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- 1.9.9 Ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment;
- 1.9.10 Properly discharge Board functions by meeting regularly and give due consideration to the independent views during Board meetings, which meetings should be duly recorded in the minutes;
- 1.9.11 Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws, and in existing rules and regulations;
- 1.9.12 Approve items that are reserved for Board approval, such as, but not limited to:
  - 1.9.12.1 Annual Reports and Financial Statements
  - 1.9.12.2 Dividends
  - 1.9.12.3 Financial Policies
  - 1.9.12.4 Budget
  - 1.9.12.5 Retirement Plan
  - 1.9.12.6 Safety/Asset Integrity Matters
- 1.9.13 Adopt a professional development program for employees and officers, and succession planning for senior management and key position in the Corporation;
- 1.9.14 Provide sound strategic policies and guidelines on key capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance;
- 1.9.15 Ensure that the Corporation complies with all relevant laws, regulation, and as far as possible, best business practices;
- 1.9.16 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 parent, and that of interlocking relationships by members of the Board;
- 1.9.17 Establish rules for 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;
- 1.9.18 Appoint a Compliance Officer who shall have a rank of at least a vice-president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer
- 1.9.19 Perform such other functions that may be required under existing laws, issuances and regulations.

## **1.10 Specific Responsibilities of each Director**

In addition to the duties and responsibilities of a Director set forth in the Corporation's By-Laws and existing relevant statutes, a director shall:

- 1.10.1 Conduct business transactions with the Corporation fairly, ensuring that personal interest does not affect his and the Board's independent judgment;
- 1.10.2 Devote time and attention necessary to properly discharge his duties and responsibilities. A director should attend and actively participate in Board meetings;
- 1.10.3 Act judiciously on matters brought before the Board of Directors, thoroughly evaluating the issues involved, asking questions and seeking clarifications as appropriate, before making any decision;
- 1.10.4 Exercise independent judgment. A director should review each problem or situation objectively and support plans and ideas that he believes are beneficial to the Corporation;
- 1.10.5 Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This includes a firm knowledge of the Corporation's Articles of Incorporation, By-Laws, the requirements of the PSE and the SEC for the conduct of the Corporation's business, and where applicable, the requirements of the other regulatory agencies that have jurisdiction over the Corporation;
- 1.10.6 Observe confidentiality on non-public information acquired by reason of his position as a Director. He should not disclose any information to any other person without authority of the Board.
- 1.10.7 Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.
- 1.10.8 Prior to assuming office, attend a seminar on corporation governance, which shall be conducted by a recognized private or government institution. If necessary, the Corporation shall allocate funds for this purpose.

## **1.11 Compensation and Liability Insurance Coverage of Directors**

- 1.11.1 The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them to attend the meetings of the Board and Board Committees, and perform the responsibilities and assume certain risks as a Board member. The compensation, which may be in the form of cash remuneration and/or stock option plans, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.
- 1.11.2 From the effective date of this Manual, no director shall be involved in deciding his own remuneration during his incumbent term.
- 1.11.3 The Corporation, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

## **2. BOARD COMMITTEES**

### **2.1 List of Committees**

To aid in ensuring the compliance with the principles of sound corporate governance and in accordance with the Corporation's By-Laws, the Board may create such committees as it may deem necessary to support it in the performance of its functions and to aid in good governance. As a minimum, however, the Board shall be supported by the following committees:

- 2.1.1 Executive Committee
- 2.1.2 Compensation and Remuneration Committee
- 2.1.3 Nomination Committee
- 2.1.4 Audit and Risk Committee
- 2.1.5 Finance Committee

The Board, however, may create and constitute such other Committees as it may deem necessary. Any such newly constituted Committee shall have such authority and responsibilities and shall perform such duties as the Board may prescribe.

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

### **2.2 Charter Requirement**

Each Board Committee shall have a separate Charter, which shall define and govern, among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedure for escalation to the Board of decisions of such Board Committee as provided in this Manual and the Corporation's Articles of Incorporation and By-Laws.

The Board shall approve the respective Charters of the Board Committees, which can only be amended, altered or varied through a Board action approving such amendment, alteration or variation.

Each Board Committee shall report or submit to the Board a summary of the actions taken by such Committee pursuant to the terms of their respective charters.

### **2.3 General Duties and Functions of Board Committees**

The general duties and functions of different Committees are set forth as a general guide in their respective operations, without prejudice to the promulgation of specific duties and internal committee protocols in their respective Charters duly-approved by the Board.

### **2.4 Executive Committee**

- 2.4.1 The Board shall appoint from among its members an Executive Committee composed of not less than three (3) members, a majority of whom shall be citizens of the Philippines, and shall designate one of such members as Chairman of the executive Committee, The proportion of non-Filipino national to citizens of the Philippines in the membership of the Executive Committee shall not at any time exceed the proportion that the number of shares of the Corporation held by aliens bears to the number of shares of the Corporation held by citizens of the Philippines as set forth in its Articles of Incorporation.

- 2.4.2 The Executive Committee, in accordance with the authority granted by the Board or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to:
- 2.4.2.1 approval of any action for which shareholders' approval is also required;
  - 2.4.2.2 the filling of vacancies on the Board or in Executive Committee
  - 2.4.2.3 the amendment or repeal of By-Laws or the adoption of new By-laws;
  - 2.4.2.4 the amendment or repeal of any resolution of the Board of Directors which by its terms is not so amendable or repealable;
  - 2.4.2.5 the distribution of cash dividends;
  - 2.4.2.6 the exercise of powers delegated by the Board exclusively to other committees, if any.

A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee, which is within the scope of its powers, shall not require ratification or approval for its validity and effectively, provided however that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts third parties shall be affected by any such revision or alteration.

## **2.5 Compensation and Remuneration Committee**

The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director. It shall have the following duties and responsibilities:

- 2.5.1 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 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;
- 2.5.2 Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
- 2.5.3 Develop a form on Full Business Interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- 2.5.4 Disallow any director to decide his own remuneration during his incumbent term;
- 2.5.5 Provide the Corporation's annual reports, information and proxy statements in a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the existing year;

- 2.5.6 Review the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;
- 2.5.7 Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

## 2.6 Nomination Committee

The Nomination Committee shall be composed of at least three (3) members including one (1) independent director. The Committee shall have the following functions:

- 2.6.1 Install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;
- 2.6.2 Encourage the selection of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;
- 2.6.3 Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.

## 2.7 Audit and Risk Committee

- 2.7.1 There shall be an Audit and Risk Committee composed of three (3) members, and at least one of whom shall be an independent director. The independent director shall be the chairman of the Audit and Risk Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.
- 2.7.2 The Audit and Risk Committee is expected, through the provisions of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall have the following particular duties and responsibilities;
  - 2.7.2.1 Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
  - 2.7.2.2 Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
  - 2.7.2.3 Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive; establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

- 2.7.2.4 Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
- 2.7.2.5 Provide oversight of the Corporation's internal and external auditors;
- 2.7.2.6 Pre-approve all audit plans, scope and frequency before the conduct of external audit;
- 2.7.2.7 Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than once audit firm is needed;
- 2.7.2.8 Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following:
  - 2.7.2.8.1 a definitive timetable within which the accounting system of the Corporation will be compliant with International Accounting Standards;
  - 2.7.2.8.2 an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;
- 2.7.2.9 Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a handbook on procedures and policies that will apply to the entire organization;
- 2.7.2.10 Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that the management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
- 2.7.2.11 Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with the accounting standards, and compliance with tax, legal and stock exchange requirements;
- 2.7.2.12 Recommend and review the appointment of external auditors and their remuneration;
- 2.7.2.13 Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in the relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The annual report must include the amount of non-audit work.

The internal Audit group of the Corporation will support the Audit and Risk Committee in the rendition of its functions.

## **2.8 Finance Committee**

There shall be a Finance Committee composed of at least three (3) members. The Finance Committee shall be responsible for reviewing and evaluating the financial affairs of the Corporation.

The finance Committee shall, prior to each annual stockholders' meeting, conduct an annual financial review and operations review, which shall cover the financial activities of the Corporation during the immediately preceding year. The Finance Committee shall fix its own rules of procedure.

## ARTICLE III MANAGEMENT

### 1. General Responsibilities of Management

- 1.1. Management decides on the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also establishes the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.
- 1.2. Management is primarily accountable to the Board for the operations of the Corporations. As part of its accountability, it is also obliged to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

### 2. Executive Officers of the Corporation

#### 2.1. Composition

The Executive Officers of the Corporation are the Chairman, the Vice-Chairman, the President and Chief Executive Officer, the treasurer and/or Chief Finance Officer, and the Corporate Secretary. The Board of Directors shall appoint the Executive Officers. In addition:

- 2.1.1 The Board of Directors may appoint a Council or Board of Advisors composed of persons of integrity and reputation and who have distinguished themselves in the areas of business, industry, government and law;
- 2.1.2 The roles of the Chairman and Chief Executive Officer may be separable to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO, if any, in its annual report to the Commission.

#### 2.2. Chairman of the Board

The Chairman of the Board shall, when present, preside at all meetings of the Board and shall advise and counsel the President. He shall –

- 2.2.1 Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;
- 2.2.2 Prepare the meeting agenda in consultation with the CEO;
- 2.2.3 Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- 2.2.4 Assist in ensuring compliance with the Corporation's guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

### **2.3. Vice-Chairman**

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

### **2.4. President/CEO**

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

- 2.8.1 Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- 2.8.2 See that all orders and resolutions of the Board of Directors are carried into effect;
- 2.8.3 Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- 2.8.4 Report to the Board from time to time all matters within its knowledge, which the interest of the Corporation may require to be brought to their notice.

The President/CEO shall have such other responsibilities as the Board of Directors may impose upon him.

### **2.5. The Treasurer**

The Treasurer of the Corporation shall be in charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- 2.5.1 Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- 2.5.2 Render an account to the President at least every quarter of the condition of the Corporation's funds and of all his transactions as the Treasurer;
- 2.5.3 Ensure that funds are available on a timely basis;
- 2.5.4 Optimize yields in temporary excess funds;
- 2.5.5 Provide relevant and timely capital market information;
- 2.5.6 Ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

## **2.6. The Chief Finance Officer (CFO)**

The Board of Directors shall appoint the Chief Finance Officer. The CFO, who may also be the Treasurer of the Corporation, shall be responsible for the following:

- 2.6.1 Provide Management with accurate, relevant, timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- 2.6.2 Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- 2.6.3 Promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;
- 2.6.4 Strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and charges in systems and procedures as necessitated by circumstances.

The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

## **2.7. The Corporate Secretary**

The Corporate Secretary shall be a resident and citizen of the Philippines. He is expected to work fairly and objectively with the Board, Management, the stockholders and other stakeholders. He must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have financial and accounting knowledge. The Corporate Secretary performs the following functions:

- 2.7.1 Serve as an adviser to the directors on their responsibilities and obligations;
- 2.7.2 Keep the minutes of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book kept for that purpose, shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- 2.7.3 Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- 2.7.4 Have charge of the stock certificate book and such other books and papers as the Board may direct;
- 2.7.5 Attend to the giving and serving of notices of Board and shareholder meetings;
- 2.7.6 Be fully informed and be part of the scheduling process of other activities of the Board;
- 2.7.7 Prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;

2.7.8 Oversee the adequate flow of information to the Board prior to meetings;

2.7.9 Ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange, if applicable.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

**ARTICLE IV**  
**GOVERNANCE POLICY ON CONFLICT OF INTEREST**

The Corporation's Directors and Officers must hold the Corporation's interest supreme. They may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of the Corporation and all its shareholders.

1. A conflict of interest exists when a director or an officer of the Corporation:
  - 1.1 Supplies or attempts to supply goods or services to the Corporation;
  - 1.2 Supplies or attempts to supply goods, services or information to an entity that competes with the Corporation;
  - 1.3 By virtue of his office, acquires or is attempts to acquire for himself a business opportunity that should belong to the Corporation;
  - 1.4 Is offered or receives consideration for delivering the corporation's business to a third party;
  - 1.5 Is engage or attempts to engage in a business or activity which competes with or works contrary to the best interests of the Corporation.
2. Any actual or potential conflict of interest arises on the part of directors should be fully disclosed and the concerned director should not participate in the deliberation and voting on the action to be taken to address the conflict. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
3. A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:
  - 3.1 The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - 3.2 The vote of such director was not necessary for the approval of the contact;
  - 3.3 The contract is fair and reasonable under the circumstances;
  - 3.4 In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with the director, such contract shall be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

4. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owing or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

5. The foregoing is without prejudice to the Corporation's existing Rules or Code of Conduct for its officers, employees and staff.

**ARTICLE V  
AUDIT AND COMPLIANCE**

**1. Internal Audit**

- 1.1 The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall provide the Board, Management and the stockholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the 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 extend of regulatory compliance.
- 1.2 It shall perform its auditing function faithfully by maintaining independence from the management and controlling shareholders.
- 1.3 The Chief Audit Executive shall be the head of the Internal Audit Group. The Chief Audit Executive shall preferably by a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit and Risk Committee of the Board of Directors.
- 1.4 The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing, otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the standards of the professional practice of internal auditing.

**2. External Audit**

- 2.1 The Board, through the Audit and Risk Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
- 2.2 The External Auditor shall:
  - 2.2.1 perform fair audit independently from the Corporation, its management and controlling shareholder, and other users may maintain confidence in the Corporation's accounting information;
  - 2.2.2 check whether any fact contradicts the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
  - 2.2.3 attend the annual stockholders' meeting and answer any question on audit reports and themselves, their work and their remuneration;
  - 2.2.4 perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the function of the auditor as external auditor.
- 2.3 The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.

- 2.4 The reasons for the resignation, dismissal, or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its reports.
- 2.5 If an external auditor believes that the statement made in annual reports, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall also present his views on said reports.

### **3. Compliance System**

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer.

The Compliance Officer shall perform the following duties:

- 3.1 Operationalize this Manual, and monitor compliance with the provisions and requirements of this Manual;
- 3.2 Appear before the Securities and Exchange Commission for any matters that the Commission may require clarification of;
- 3.3 Determine violations of the Manual and recommended penalty for these violations, which will be submitted to the Board for further review and approval;
- 3.4 Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reasons for the letter's deviation from the same;
- 3.5 Provide the Commission, if applicable, at the end of every fiscal year with a sworn certification that the Corporation has complied with the requirement for independent directors and their attendance at meetings in accordance with Sec. 11(7) of SEC Memorandum Circular No. 2. The certification may be submitted with the Corporation's current report (SEC Form 17-1) or on a separate filing;
- 3.6 Identify, monitor and control compliance risks;
- 3.7 Determine violations of this Manual and create a system for giving due notice, hearing, and due process for dealing with violations of the Manual;
- 3.8 Recommend the penalties for violations of the Manual, for further review and approval of the Board.

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.

**ARTICLE VI  
COMMUNICATION AND INFORMATION**

**1. Management's Responsibility for Information**

- 1.1 Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall;
  - 1.1.1 Report an assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
  - 1.1.2 Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their responsibilities;
  - 1.1.3 Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  - 1.1.4 Maintain a sound system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders.
  - 1.1.5 Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examination cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance operation, information system, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operation safeguarding of assets, and compliance with laws, rules, regulation, and contracts;
  - 1.1.6 Require the Chief Audit Executive to make an annual report to the Audit and Risk Committee on the internal audit department activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Risk Committee of the Board. Such annual report should include significant risk exposures and control issues, and other that the Board and Senior Management may need.
  - 1.1.7 Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statement and documents, budget, forecast and monthly internal financial statement. Management should also disclose and explain to the Board any variance between projections and actual results.

**2. The Investor Relations Function**

There shall be an Investor Relations Division within the Corporation, if applicable, which shall be tasked with:

- 2.1 The creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities; and
- 2.2 The formulation of a clear policy on communicating or relaying relevant information to the Corporation's stockholders and to the broader investor community accurately, effectively and sufficiently.

**3. Communication of this Manual**

This Manual shall be submitted to the Securities and Exchange Commission. It shall be available for inspection by any stockholder of the Corporation at its principal office during reasonable hours on a business day.

**ARTICLE VII  
STOCKHOLDERS' RIGHTS AND PROTECTION  
OF MINORITY STOCKHOLDERS' INTEREST**

**1. Stockholders' Right and Protection**

The Corporation recognizes that the most cogent proof of sound corporate governance is that which is visible to the eyes of its investors. Therefore the provisions of this Section on stockholders' rights and protection shall serve as a guide for all internal and external parties, as a means of corporate governance covenant between the Corporation and all its stockholders.

**2. Commitment to Respect Stockholders' Rights**

The Articles of Incorporation and all resolutions adopted by the Board establishing and designating series of serial preferred stock, fixing the number of shares to be included in each series and the rights, preferences and limitations of the shares of each series as filed with the Commission, which are deemed part of the Articles of Incorporation, shall lay down the specific rights and powers of stockholders with respect to the particular shares of stock they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

The Board shall be committed to respect the voting right, right to information, right to dividends and appraisal rights of the stockholders.

**2.1 Voting Right**

Owners of shares of common stock of the Corporation shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code, the Articles of Incorporation and the By-Laws.

At every meeting of the stockholders for the election of directors, owners of shares of common stock of the Corporation are entitled to one vote for each share of common stock owned by him. He may vote such number of shares for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall think fit.

A director shall not be removed without cause if such removal will deny minority stockholders their representation in the Board.

**2.2 Pre-emptive Right**

All stockholders shall have pre-emptive rights or the right to subscribe to or purchase any unissued shares of stock of the Corporation offered for subscription or purchase, except as provided in Section 39 of the Corporation Code which states that pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

### **2.3 Inspection Right**

All stockholders shall be allowed to inspect corporate books and records including minutes of board Meetings and stock registries; provided that, such right may be denied by the Board if the requesting stockholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determines it necessary to safeguard the rights and legitimate interest of the Corporation such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Corporation if such records were made available for inspection.

### **2.4 Right to Information**

Stockholders shall be provided, upon request, with periodic reports filed by the Corporation with the Commission (e.g. proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Corporation's shares, material transactions with the Corporation, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the By-Laws, the minority stockholders shall be granted the right to propose the holding of a meeting and to propose items in the agenda of such meeting, provided that such items are for legitimate business purposes. The determination of whether any proposed item in the agenda of the proposed meeting is for a legitimate business purpose shall rest solely upon the discretion of the Board.

### **2.5 Right to Dividends**

The Company is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash or property dividend declaration does not require any further approval from shareholders; however, any declaration of stock dividends will be subject to approval of the Company's shareholders holding at least two-thirds of the Company's outstanding capital stock. The Board may not declare dividends where to do so would impair its capital.

Upon declaration by the Company's Board of Directors and subject to the availability of unrestricted retained earnings, the Company may declare dividends of at least thirty percent (30%) of the prior year's net income after tax based on its audited financial statements as of such year, except: (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

In making a decision to declare dividends in the future, the Board may likewise take into account various factors, including:

- the level of the Company's cash, gearing, return on equity and retained earnings;

- the Company's results for, and the Company's financial condition at the end of the year, the year in respect of which the dividend is to be paid and the Company's expected financial performance;
- the Company's projected levels of capital expenditure and other investment plans; and
- such other factors as the Board deems appropriate.

## **2.6 Appraisal Right**

The stockholders 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, in any of the following instances:

- 2.6.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term or corporate existence;
- 2.6.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Corporation's property and assets; provided that, a sale or other disposition shall be deemed to cover substantially all of the corporate property or assets if thereby the Corporation would be rendered incapable of continuing the business or accomplishing the purpose for which it was organized;
- 2.6.3 In case of merger or consolidation; and
- 2.6.4 In case of investment of corporate funds in another corporation or business or for any other purpose other than the primary purpose for which the Corporation was organized and such investment is not reasonably necessary to accomplish the Corporation's primary purpose.

## **2.7 Duty To Promote Stockholders' Rights**

It shall be the duty of the Board to promote stockholder's rights, remove impediments to the exercise thereof and allow possibilities of seeking redress for violation of such rights. The Board shall encourage the exercise of stockholders' voting rights and the collective action towards solution of problems through appropriate mechanisms.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject of the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholder's favor.

They shall likewise be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions in accordance with applicable laws, rules and regulations.

## **2.8 Commitment to Disclose Material Information**

The Board shall, at all times commit to fully and timely disclose all the material information and/or transactions that could potentially affect the market price of the Corporation's shares or the interest of its stockholders and other shareholders and such other information which are required to be disclosed pursuant to the Securities Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, and remuneration of Directors and Officers and related party transactions.

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

## **2.9 Disclosure of Corporation's Corporate Governance Policies**

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

**ARTICLE VIII  
PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL**

To strictly encourage observance and implementation of the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's Directors, Officers, Executives and employees in case of violation of any provision of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, the subject person shall be suspended from holding office; provided that the duration of such suspension shall be at the reasonable discretion of the Board depending on the gravity of the violation;
3. For third violation, the maximum penalty of removal from office shall be imposed.

The willful commission of a third violation of any provision of this Manual by any Director, Officer, Executive or employee shall be a sufficient cause for removal from office of such Director, Officer, Executive or employee.

The Compliance Officer shall be responsible for determining violations after notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, subject to further approval by the Board.

**ARTICLE IX  
REVIEW AND AMENDMENT OF MANUAL**

1. The provisions of this Manual and the enforcement thereof shall be subject to quarterly review unless otherwise stated by the Board.
2. All business processes and practices of any of the Corporation's departments or business units that are not consistent with any portion of this Manual shall be revoked.
3. This Manual is subject to review and amendments to take into account the Corporation's changing needs, conditions prevailing in the industry and regulatory requirements.

**ARTICLE X  
ADOPTION AND EFFECTIVITY**

The Board of Directors approved and adopted this Manual on December 7, 2011. It shall be effective on January 1, 2012.

SIGNED ANY APPROVED BY:

**NICO JOSE S. NOLLEDO**

President and Chairman of the Board

**RAYMOND GERARD S. RACAZA**

Director, Treasurer and Vice President for Operations

**FERNANDO JUDE F. GARCIA**

Director, Corporate Secretary and Vice President for Technology