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FRCCI: Amended Manual on Corporate Governance

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To: mcdela Fuente@zglaw.com

Dear Customer,

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S.E.C. Registration Number

F O N T A N A R E S O R T & C O U N T R Y C L U B ,
I N C .

(Company's Full Name)

F O N T A N A C L U B H O U S E , F O N T A N A

L E I S U R E P A R K S , C . M . R E C T O

J I G H W A Y , C F Z , P H I L I P P I N E S

(Business Address : No. Street City / Town / Province)

JUAN MIGUEL VICTOR C. DE LA FUENTE

Contact Person

889-6060

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

AMENDMENT OF MANUAL ON CORPORATE GOVERNANCE

FORM TYPE

0 9 last Monday

Month

Day

Special Meeting

N.A.

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

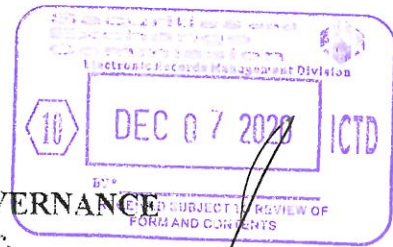
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AMENDED MANUAL ON CORPORATE GOVERNANCE

Fontana Resort and Country Club, Inc.



The Board of Directors (the "Board") and Management, (i.e. officers and staff) of Fontana Resort & Country Club Inc. (the "**Corporation**") hereby commit themselves to the principles and best practices contained in this **Amended Manual on Corporate Governance ("Manual")** and acknowledge that the same may guide the attainment of our corporate goals.

In the event of conflict between the terms of this Manual and the Articles of Incorporation ("AOI") and By-Laws of the Corporation, the AOI and By-Laws shall prevail.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board and Management, employees and members believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

2. BOARD OF DIRECTORS

The Board of Directors shall be composed of five (5) members, three (3) non-independent directors and two (2) independent directors, who shall be nominated, and subsequently elected during the Annual Stockholders' Meeting.

The qualifications and disqualifications, and duties and responsibilities of the Board members are set out below.

3. COMPLIANCE SYSTEM

3.1. Compliance Officer

3.1.1. To ensure adherence to the corporate governance principles and best practices, the Board shall designate a Compliance Officer, and shall have direct reporting responsibilities to the Board.

3.1.2. He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Identify and monitor compliance by the Corporation, its officers and directors with the relevant laws, rules and regulations, this Manual, and governance issuances of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns in coordination with the appropriate departments and the Board of Directors;

- Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under Securities and Exchange Commission ("SEC") rules and regulations;
- Appear before the SEC upon summons on similar matters that need to be clarified by the same;
- Determine and report violations/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;
- Collaborates with other departments within the Corporation to properly address compliance issues, which may be subject to investigation;
- Ensure proper onboarding of new directors and key officers (i.e., orientation on the corporation's business, charter, articles of incorporation and by-laws, among others) and their attendance to relevant trainings;
- Identify, monitor and control compliance issues and risks, and work towards the resolution of the same;
- Ensure the attendance of the Board members and key officers to relevant trainings; and
- Perform such other duties and responsibilities as may be provided by the Board and SEC.

2.1.3. The appointment of the compliance officer shall be immediately disclosed to the SEC through SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

3.2. Plan of Compliance

3.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its members and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board

members shall act on a fully informed basis to the extent allowed under the relevant circumstances, in good faith, with due diligence and care. The Board shall 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. It shall also adopt a Code of Business Conduct and Ethics formalizing ethical values that must pervade throughout the Corporation. An anti-corruption policy must also be adopted by the Board. The Board shall at all times have at least two independent directors or such number as to constitute at least one-third of the members of the Board, whichever is higher.

To ensure that there is constant engagement with the Corporation's members, the Board shall establish Membership Office.

3.2.1.1. Board Composition

3.2.1.1.1. The Board shall have at least five (5), but not more than fifteen (15), members who are elected by the members.

3.2.1.1.2. The Board shall have at least two (2) independent directors or such number as to constitute at least one-third of the members of the Board, whichever is higher. An independent director must serve for a maximum cumulative term of nine (9) years after which he shall be perpetually barred from re-election in the Corporation, but may continue to qualify for nomination and election as a non-independent director.

In the instance that the Corporation wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek members' approval during the annual members' meeting.

An independent director refers to a person who, ideally:

- Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- Is not, and has not been in the three years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial members and its related companies;
- Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and

responsibilities within three (3) years immediately preceding his election;

- Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- Is not a relative of a director, officer, or substantial member of the Corporation or any of its related companies or of any of its substantial members. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial member, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial member, in any transaction with the Corporation or any of its related companies or substantial members, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within two (2) years immediately preceding the date of his election;
- Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial members; and
- Is not employed as an executive officer of another corporation where any of the Corporation's executives serve as directors.

3.2.1.1.3. Non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the

deliberations of the Board and help secure objective, independent judgment on corporate affairs and to carry proper checks and balances.

3.2.1.1.4 The Board as a whole must be composed of directors with a collective working knowledge, experience or expertise relating to hotel and resort management.

3.2.2.1.2. The Chairman and Chief Executive Officer (“CEO”)/President

The position and roles of the Chairman and CEO/President shall be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.

The CEO/President shall have a good working knowledge of the corporation’s industry and market and keeps up-to-date with its core business purpose.

3.2.1.2.1. Roles and Responsibility of the Chairman

- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on

3.2.1.2.2. Roles and Responsibility of the CEO

- Implements the Corporation’s strategic direction and formulates and implements its strategic plan on the direction of the business;

- Communicates and implements the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
- Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- Directs, evaluates and guides the work of the key officers of the Corporation;
- Manages the Corporation's resources prudently and ensures a proper balance of the same;
- Provides the Board with timely information and interfaces between the Board and the employees;
- Builds the corporate culture and motivates the employees of the Corporation; and
- Serves as the link between internal operations and external stakeholders.

3.2.1.3.2.2.1.1. General Responsibility

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

3.2.1.4.2. Specific Duties and Functions of the Board

To ensure a high standard of best practice for the Corporation, its members and its stakeholders, the Board shall:

- a) Develop and implement a policy on Board nomination and election of Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. The Board shall appoint competent, professional, honest and highly-motivated management officers. The Board shall adopt an effective succession planning program for directors, key officers, and Management.
- b) Provide sound strategic policies and guidelines to the Corporation on major 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 the business plans, operating budgets and Management's overall performance.

- c) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation, if feasible. The Corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the Corporation's stakeholders in the community in which the Corporation operates or are directly affected by its operations, formulate a clear policy of accurate, timely and effective communication with them in order to promote cooperation between them and the Corporation.
- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness. The Board shall oversee the implementation of key control functions, such as risk management, compliance and internal audit, and reviewing the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan.
- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability. The Board shall oversee that a sound enterprise risk management framework is in place. The Board shall define the Corporation's level of risk tolerance and provide oversight over its risk management policies and procedures.
- h) 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 corporation, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board. The Board shall initiate policies and measures geared towards promotion of transparency, prevention of abuse, and protection of the interest of all members.

- i) Constitute an Audit Committee, Membership Committee, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during the Board meeting should be encouraged and given due consideration.
- l) Keep the activities and decisions of the Board within its authority under the AOI and by-laws, and in accordance with existing laws, rules and regulation.
- m) Appoint a Compliance Officer who shall have the rank of Senior Vice President.
- n) Establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, is at par with the standards set by the Board.
- o) Oversee that an appropriate internal control system, which includes the setting-up of a mechanism for monitoring and managing potential/actual conflicts of interest of Management, the board members and the members.
- p) Ensure that the Corporation is socially responsible and ensure that the Corporation's interaction serves the environment and stakeholders in a positive and progressive manner.
- q) The Board should establish policies and programs for its employees covering, among others, the following:
 - Health, safety and welfare;
 - Training and development; and
 - Reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the Corporation
 - Suitable whistleblowing framework

3.2.1.53. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- (i) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interest of the corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interest. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation or stands to acquire or gain financial advantage at the expense of the corporation.

- (ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should also devote sufficient time to familiarize himself with the Corporation's business. He should be constantly be aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in the Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- (iii) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

- (iv) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the corporation.

- (v) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and bylaws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

- (vi) Observe confidentiality.

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

3.2.1. Board Meetings and Quorum Requirement

Independent directors shall always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

To monitor the directors' compliance with the attendance requirements, the Corporations shall submit to the SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.

3.2.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees, as follows:

3.2.2.1. Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting Directors, one of whom must be an independent director. The decision of the Committee shall be binding on the Corporation if concurred in by at least two (2) members and such decision shall be divulged to the stockholders during the relevant Annual Meeting.

Subject to the provisions provided herein and in the By-Laws, only those parties nominated and qualified as provided herein and in the By-Laws shall be included in the list of nominees or candidates to the Board of Directors to be presented to the stockholders during the annual meeting.

2.2.2.1.1 It shall pre-screen and shortlist all candidates nominated to become a member of the Board of directors in accordance with the following qualifications and disqualifications:

- Qualifications
 - Holder of at least one (1) share of stock of the Corporation;
 - College degree or equivalent academic degree holder;

- He shall have sufficient experience in managing the business; and
- He shall be of sufficient age, with integrity and diligence.
- Disqualifications
- Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code (“SRC”); (b) arises 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 (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust corporation, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust corporation, investment house, or investment corporation; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code (“RCC”), SRC or any other law, rules and regulations administered by the SEC, or has otherwise been 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 him from membership, participation or association with a member or participant of the organization;

- Any person convicted by the final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, *estafa*, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by the final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the RCC, SRC or any other law administered by the SEC, or any of its rule, regulation or order;

- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Corporation;
- Any person judicially declared as insolvent;
- Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violation or misconduct similar to any other acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
- Other grounds as may be provided by the SEC pursuant to the provisions of the RCC, SRC and other related laws.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliated exceeds two percent (2%) of its capital stock. The disqualification shall be lifted if the limit is later complied with.
- If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final, he being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director.

A temporary director shall, within sixty (60) business days from such disqualification, work to resolve or remove the cause of his temporary disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2.2.2.1.2. In consultation with the Executive or Management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

2.2.2.1.3. The Nomination Committee shall consider the following guidelines in the determination of nominated directors:

- Age and health of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorship shall be five (5) public companies and/or registered issuers of the director also sits in at least three (3) publicly-listed companies.

3.2.2.2. Compensation and Remuneration Committee

3.2.2.2.1 The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director. They shall be appointed by the Board. The director who is a member of this Committee shall not take part in the determination of the compensation of the Board members.

3.2.2.2.2 Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- 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.

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive

directors may be structured or be based on corporate and individual performance.

Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

For employees in control functions (e.g. risk, compliance and internal audit), their remuneration is determined independently from any business line being overseen, and their performance measures are based principally on the achievement of their objectives.

- Develop a form on Full Business Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under oath all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- Develop a 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.

3.2.2.3 Audit Committee

3.2.2.3.1 The Audit Committee shall be composed of at least three (3) appropriately qualified members of the Board, who preferably have accounting and finance backgrounds. The chairman of the committee shall be an independent director and another member must have audit experience. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

3.2.2.3.2 Duties and Responsibilities

- Recommends the approval of the Internal Audit Charter ("IA Charter"), which formally defines the role of Internal Audit and the audit plan. It shall also assist the Board in the performance of its oversight responsibility over the implementation of the IA Charter and the financial reporting process system;
- Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control

system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the corporation's financial data, and (d) ensure , audit process, and monitoring of compliance with applicable laws, rules and regulations;

- Oversees the IA Department, and recommends the appointment and removal of the internal audit head or Chief Audit Executive ("CAE"). Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Review all reports prepared by the internal audit head or CAE as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- Establishes and identifies the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- Reviews and approves the Interim and Annual Financial Statements and external auditors. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised

- Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- Reviews the disposition of the recommendations in the External Auditor's management letter;
 - Performs oversight functions over the Corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
 - Coordinates, monitors and facilitates compliance with laws, rules and regulations;
 - Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
 - The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
 - Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
 - Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
 - Advises the Board on the Corporation's risk appetite levels and risk tolerance limits;
 - Reviews at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the corporation;

- Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- Provides oversight over Management's activities and functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risk exposure of the Corporation. This function includes regularly receiving information on risk exposures of the Corporation, and risk crisis management activities from Management; including overseeing the internal and external auditors;
- Reports to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary;
- Evaluates on an ongoing basis the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transaction ("RPTs") are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
 - The related party's relationship to the corporation and interest in the transaction;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The benefits to the corporation of the proposed RPT;
 - The availability of other sources of comparable products or services; and
 - An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the corporation's RPT exposures, and policies on conflicts of interest or

potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the corporation's affiliation or transactions with other related parties;

- Reports to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
 - Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
 - Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.
-
- Oversee the upgrade to international standards of the accounting and auditing processes, practices and methodologies, and oversee the development of the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
 - Oversee the development of a transparent financial management system such as the creation of an internal audit department that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

.3.3 The Corporate Secretary

3.3.3.1 The Corporate Secretary is an officer of the Corporation and who is not a member of the Board. He is tasked to assist the Board in the performance of its duties. His loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

3.3.3.2 The Corporate Secretary shall be a Filipino citizen.

3.3.3.3 To the extent required by the functions of his office, he shall exert best efforts to exercise or seek advice or assistance with respect to the administrative, interpersonal, legal, financial and accounting skills and shall annually attend a training on corporate governance.

3.3.3.4 Duties and Responsibilities

The Corporate Secretary shall perform his duties and obligations imposed on him by the RCC and the By-Laws, and to the extent required and in a manner consistent with the same, he shall carry out the following duties:

- Assist the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- Keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the Corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- Be loyal to the mission, vision and objectives of the Corporation;
- Work fairly and objectively with the Board, Management, and stockholders and other stakeholders, and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its members as well as other stakeholders;
- Advise the Board on the establishment of Board committees and their terms of reference;
- Have appropriate administrative and interpersonal skills;
- If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- Have a working knowledge of the operations of the Corporation;
- Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- Perform all required administrative functions;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;

- Performs such other duties and responsibilities as may be provided by the Board and the SEC.

3.3.4. External Auditor

3.3.4.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and records of the Corporation. An external auditor shall be selected, appointed, reappointed, and removed by the Board and stockholders upon recommendation of the Audit Committee. Likewise, the external auditor's fees will be decided upon the recommendation of the Audit Committee

3.3.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be fairly reported in the Corporation's annual and current reports.

3.3.4.3. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor. Should the external auditor perform any non-audit services for the Corporation, the nature of such non-audit services performed shall be disclosed by the external auditor in the Annual Report

3.3.4.4. The external auditor or the handling partner of the Corporation's external auditor shall be changed every five (5) years or earlier.

3.3.4.5. If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

3.3.4.6. The Audit Committee shall assess the integrity and independence of external auditor and exercise effective oversight to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process.

3.3.4.7 Non-executive directors shall have separate periodic meetings with the external auditor and internal audit head with any executive director present to ensure that proper checks and balances are in place within the Corporation.

3.3.4. Internal Auditor

2.3.5.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor to be appointed by the Board, which shall provide an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations and through which its Board, senior management, and stockholders shall be provided with reasonable

assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

3.3.5.2. The Internal Auditor shall report to the Audit Committee.

3.3.5.3. The minimum internal control mechanisms for Management's operational responsibility shall center on the CEO or the COO/General Manager, being ultimately accountable for the Corporation's organizational and procedural controls.

3.3.5.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3.3.5.5. The following are the functions of the internal auditor, among others:

- Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- Performs consulting and advisory services related to governance and control as appropriate for the organization;
- Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- Evaluates specific operations at the request of the Board or Management, as appropriate; and
- Monitors and evaluates governance processes.

The Corporation's internal audit may be housed within the Corporation or outsourced to a qualified independent third party service providers.

4. COMMUNICATION PROCESS

4.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

4.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

4.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the human resources department, with a minimum of at least one (1) hard copy of the Manual per department.

4.4. The Corporation shall include in its website a dedicated section for corporate governance, which is accessible and user-friendly. Said website section will provide a timely and up-to-date information relevant to investors and other interested stakeholders.

4.5 The Corporation shall create an efficient communication channels, which aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior of Board members without fear of retribution.

5. TRAINING PROCESS

5.1. If necessary, funds shall be allocated by the CFO or the equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

5.2. A first-time director shall, before assuming his post and as when practicable and necessary, be required to attend an orientation program to apprise him of his duties and responsibilities as a director. The orientation program shall covers SEC-mandated topics on corporate governance and includes an introduction to the Corporation's business, AOI and By- laws, and Code of Business Conduct and Ethics.

5.3 All directors shall attend an annual continuing training program for them to be continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.

6. ADEQUATE AND TIMELY INFORMATION

Management shall provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to

enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.

7. REPORTORIAL OR DISCLOSURE SYSTEM OF THE CORPORATION'S CORPORATE GOVERNANCE POLICIES

7.1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer;

7.2. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

7.3. Other information that shall always be disclosed includes remuneration of all directors and senior management corporate strategy, and off-balance sheet transactions, the Corporation's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.

7.4. All disclosed information shall be released via the approved stock exchange procedure for Corporation announcements as well as through the annual report.

7.5. All directors and officers shall disclose/report to the Corporation any dealings in the Corporation's shares by the said directors and officers within five (5) business days.

7.6. . It shall cause the filing of all required information for the interest of the stakeholders. It shall also fully disclose all relevant and material information on individual Board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

7.6 The Corporation shall file its Annual Corporate Governance Report (AGCR) with the SEC and shall post and continuously update the same on the Corporation's website. The AGCR should contain the following disclosures, among others:

- A policy on disclosure of all relevant and material information on individual Board members and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;
- Board and executive remuneration, as well as the level and mix of the same;

- Accurate disclosure to the public of every material fact or event that occurs in the corporation, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its members/members and other stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
- The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses;
- The attendance record of the Corporation's directors for the previous year; and
- Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.

8. ACCOUNTABILITY AND AUDIT

8.1. The Board is primarily accountable to the members. It shall 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.

The Board shall also conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board shall institute a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors, and committees and such system shall allow for a feedback mechanism from the members.

It is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

The Board shall be primarily responsible in monitoring and assessing the performance of the Management led by the CEO and control functions led by their respective heads. The Board shall also establish an effective performance evaluation framework, which shall include the standard or criteria for assessment of the Management.

Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

8.1.1. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;

8.1.2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation shall be maintained for the benefit of all stockholders and other stakeholders;

8.1.3. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;

8.1.4. The Corporation shall consistently comply with the financial reporting requirements of the SEC;

8.1.5. The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, shall be changed with the same frequency. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

8.2. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

9. MEMBER'S BENEFIT

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors:

9.1. Members' Rights and Protection

The Board shall be committed to respect the following rights of the members:

9.1.1. Voting Right

9.1.1.1. Members shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the RCC.

9.1.1.2. Cumulative voting shall be used in the election of directors.

9.1.1.3. A director shall not be removed without cause if it will deny minority members representation in the Board.

9.1.2. Pre-emptive Right

All members shall have pre-emptive rights, unless the same is denied in the AOI or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The AOI shall lay down the specific rights and powers of members with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the RCC.

9.1.3. Power of Inspection

All members shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the RCC and shall be furnished with annual reports, including financial statements, without cost or restrictions.

9.1.4. Right to Information

9.1.4.1. The members shall be provided, upon request, with periodic reports which disclose professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealing with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.

9.1.4.2. To the extent permitted by the RCC and the By-Laws, the minority members shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

9.1.4.3. To the extent permitted by the RCC and the By-Laws, the minority members shall have access to any and all information relating to

the matters for which the Management is accountable for and to those relating to matters for which the Management shall include such information and, if not included, then the minority members shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

9.1.5. Right to Dividends

No profit shall inure to the benefit of any member. Hence, no dividend shall at any time be declared and/or paid. Members shall be entitled only to their proportionate share in the assets of the Corporation at the time of its dissolution or liquidation.

9.1.6. Appraisal Right

The members shall have the 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 RCC of the Philippines, under any of the following circumstances:

- In case any amendment to the AOI 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 of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the RCC;
- In case of merger or consolidation; and
- In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

9.1.7. It shall be the duty of the directors to promote member rights, remove impediments to the exercise of members' rights and allow members to seek redress for violation of their rights. They shall encourage the exercise of members' voting rights and the solution of collective action problems through appropriate mechanisms such as the use of proxies. They shall be instrumental in removing excessive costs and other administrative or practical impediments to members participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of member information necessary to make informed decisions subject to legal constraints.

9.2. Conduct of Members' Meeting

9.2.1. The Board shall be transparent and fair in the conduct of the annual and special members' meetings of the Corporation. The members shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to 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 the stockholder's favor.

9.2.2. It is the duty of the Board to promote the rights of the members, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

9.2.3. The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the members' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the members to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all members shall be treated equally or without discrimination, the Board shall give minority members the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

10. MONITORING AND TRANSPARENCY ASSESSMENT

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all information about the Corporation which can adversely affect its viability or the interests of its members and other stakeholders shall be publicly and timely disclosed. Such Information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheets transactions, RPTs, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.

The Board shall therefore commit at all times to full disclosure of material information dealings within three (3) business days. It shall also disclose non-financial information.. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

10.1. Each Committee shall report regularly to the Board.

10.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 12 of this Manual.

It shall be the duty of the Compliance Officer, together with the Audit Committee, to perform the following duties and functions:

- Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;

- Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Proposes and plans relevant trainings for the members of the Board;
- Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it opera

10.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

10.4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board. For purposes of transparency, the Corporation's corporate governance policies, programs and procedures contained in this Manual shall be posted on the Corporation's website.

10.5. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant to the extent and in accordance with the RCC, AOI and By-Laws.

11. MEMBERS' RIGHTS

11.1 The Corporation's members shall have the rights provided for under the RCC, AOI and By-Laws:

11.2 The Notice of Annual and Special Members' meeting containing sufficient and relevant information shall be sent to the members at least twenty-one (21) days before the scheduled meeting.

11.3 The Board should encourage active member participation by making the result of the votes on matters taken during the recent Annual or Special Members' Meeting publicly available the next working day. In addition, the Minutes of the Annual or Special Members' Meeting should be available on the Corporation website within five (5) business days from the date of the meeting.

11.4. An alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner shall be made available at the option of the member.

12. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL


12.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual.

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration and appropriateness of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office may be imposed.

12.2. The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

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


MARY B. DE JESUS
Chairman of the Board


RODEL V. POY LORENZO
Compliance Officer