

MANUAL ON CORPORATE GOVERNANCE

OF

STA. LUCIA LAND, INC.

Approved on 27 April 2017

We, the members of the Board of Directors and Management of **STA. LUCIA LAND, INC.** (the "Corporation"), hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide us in the attainment of our corporate goals.

1. OBJECTIVE

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

The Board of Directors and Management, employees and shareholders, 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. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To ensure adherence to corporate principles and best practices, the Board of Directors shall designate a Compliance Officer who shall hold the position of a Vice President or its equivalent position with adequate stature and authority in the Corporation. He/She should not be a member of the Board of Directors and shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He/She shall perform the following duties:

- a. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, Articles of Incorporation and By-laws, among others)
- b. Monitor, review, evaluate and ensure compliance by the Corporation, its officers and directors with the provisions and requirements of the Code on Corporate Governance for Publicly Listed Companies, this Manual and the rules and regulations of regulatory agencies;

- c. Appear before the Securities and Exchange Commission ("SEC") upon summons in relation to compliance with the Code on Corporate Governance for Publicly Listed Companies and on similar matters that need to be clarified;
- d. Determine violation/s of the Manual, report such violation and recommend to the Board the imposition of the appropriate penalty/ies for such violation/s for further review and approval of the Board;
- e. Ensure the integrity and accuracy of all documentary submissions to regulators;
- f. 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;
- g. Identify, monitor and control compliance risks and identify possible areas of compliance issues and work towards the resolution of the same;
- h. Ensure the attendance of board members and key officers to relevant trainings; and
- i. Attend trainings on corporate governance on an annual basis.

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

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors. In this regard, the Corporation should be headed by a competent, working board 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 long-term best interests of its shareholders and other stakeholders.

The Board should review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures.

2.2.1.1. Composition of the Board

Ideally, the Board should be composed of individuals having a collective working knowledge, experience or expertise that is relevant to the Corporation's business. "The Board shall be composed of nine (9) members, including two (2) Independent Directors,¹ elected by the stockholders."

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process² provided that, as far as practicable, a majority of the directors shall be non-executive directors. Further, non-executive directors should concurrently serve as directors to no more than five (5) publicly listed companies.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in other stock and non-stock corporations, provided that non-executive directors should concurrently serve as directors to no more than five (5) publicly listed companies. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve shall not be compromised.

2.2.1.2. The Chairman and the Chief Executive Officer ("CEO")

The roles of Chair and CEO should 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 Chair and CEO upon their election.

¹ The Board is of the view that the presence of two (2) independent directors in the Board sufficiently ensures the exercise of independent judgment on corporate affairs and proper oversight of managerial performance. Nonetheless, the Board is willing to consider complying in the future with the SEC recommendation as stated in the Code of Corporate Governance for Publicly-Listed Companies (the "Code") that the Board be composed of at least three (3) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board.

² An executive director is one who is also the head of a department or unit of the Corporation or performs any work related to its operations.

The Corporation shall disclose the relationship between the Chairman and the CEO upon their election. The Chairman and the CEO shall exercise the duties and functions provided for in Sections 2 and 3 of the Corporation's By-Laws, respectively.

2.2.1.2.1 Responsibilities of the Chairman

In addition to the duties of a Chairman as specified in the Corporation's By-laws, he/she shall exercise the following duties:

- a. Ensure 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;
- b. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Ensure that performance of the Board is evaluated at least once a year and discussed/followed up on.

2.2.1.3. Qualifications of Directors

A director of the Corporation must possess the following qualifications:

- a. He/she must be a holder of at least one (1) share of the capital stock of the Corporation, which share shall stand in his name in the books of the Corporation.

- b. He/she must be competent.
- c. He/she must be of legal age.
- d. He/she shall have proven to possess integrity and probity.
- e. He/she shall be assiduous.

In addition to the qualifications for membership in the Board stated above, as well as those provided in the Corporation Code, Securities and Regulation Code ("SRC") and other relevant laws, the Board may provide for additional qualifications, which may include, among others, the following:

- a. College education or equivalent academic degree;
- b. Practical understanding of the business of the Corporation;
- c. Membership in good standing in relevant industry, business or professional organizations; and
- d. Previous business experience.

Independent directors shall have the following additional qualifications:

- a. 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;
- b. Is not, and has not been in the three (3) 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 shareholders and its related companies;
- c. 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 covered company, its subsidiaries, associates, affiliates or related companies;

- d. Is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- e. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- f. Is not a securities broker-dealer of listed companies and registered issuers of securities;
- g. Is not retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, 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;
- h. Does not engage or has not engaged, whether by himself/herself or with other persons or through a firm of which he/she is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment;
- i. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and

- xvi. Oversee that a sound enterprise risk management ("ERM") framework is in place to effectively identify, monitor, assess and manage key business risks;
- xvii. Approve a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties and which should serve as a guide to the directors in the performance of their functions and in the evaluation of the performance of the Board;
- xviii. Create the Corporation's Audit Committee, Corporate Governance Committee, Board Risk Oversight Committee³ and Related Party Transaction Committee and approve charters for such committees. If the foregoing committees are not established, the functions of these committees, as specified in the Code of Corporate Governance for Publicly-Listed Companies, shall be performed as a whole by the Board or by any other committee designated by the Board;
- xix. Ensure that the independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position;
- xx. Designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

The lead director shall have the following functions, among others:

- Serve as an intermediary between the Chairman and the other directors when necessary;
- Convene and chair meetings of the non-executive directors; and
- Contribute to the performance evaluation of the Chairman, as required

³ Based upon the determination of the Board, the size, risk profile and complexity of operations of the Corporation do not necessitate the creation of a Board Risk Oversight Committee and a Related Party Transactions Committee. The functions of these committees, as specified in the Code, shall be performed as a whole by the Board.

xxi. Adopt a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders, and conduct an annual self-assessment of the Board's performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment should be supported by an external facilitator

xxii. Adopt a Code of Business Conduct and Ethics which shall contain a policy on whistleblowing which allow employees to freely communicate concerns about illegal/unethical practices and an anti-corruption policy and program. The Code of Business Conduct and Ethics should be properly disseminated to the Board, senior management and employees, and ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies;

2.2.1.5.3. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress. For this purpose, a director should observe the following norms of conduct:

- i. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;

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 interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a 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. To devote time and attention necessary to properly discharge his duties and responsibilities;

A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly 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 Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

In addition, a director should notify the Board before accepting a directorship in another company in order for the Board to assess if his/her present responsibilities and commitment to the Corporation will be affected and if such director can still adequately provide what is expected of him/her.

- iii. To 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. To exercise independent judgment;

To avoid groupthink and ensure that optimal decision-making is achieved a director should view each problem or situation objectively. If a disagreement with other directors arises, he/she should carefully evaluate and explain his position. He/she should not be afraid to take an unpopular position. Corollarily, he/she should support plans and ideas that he/she thinks are beneficial to the Corporation.

- v. To have a working knowledge of the statutory and regulatory requirements affecting the corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;

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

A director should attend relevant trainings and/or seminars once a year which shall cover courses on corporate governance matters relevant to the Corporation, including audit, internal controls, risk management, sustainability and strategy. Attendance in an orientation program which shall cover SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct shall be mandatory for first-time directors.

vi. To 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.

vii. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.2.1.5.4. Internal Control Responsibilities of the Board

The Board shall ensure that the Corporation is properly and effectively managed and supervised. In furtherance thereof, the Board shall have the following oversight functions:

- i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
- ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- iii. Evaluation of proposed senior management appointments;
- iv. Selection and appointment of qualified and competent management officers; and

- v. Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan, if already in place.

2.2.1.6. Meetings

At all meetings of the Board, the presence of a majority of the directors shall be necessary to constitute a quorum, and a vote of a majority thereof shall be necessary to adopt a resolution or to authorize a corporate act. However, at least one independent director should be present in every meeting of the Board.

The members of the Board may attend its regular and special meetings either in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.

To monitor the director's compliance with the attendance requirement, the Corporate Secretary of the Corporation, in accordance with Section 2.2.3.2 hereof, shall issue and submit a certification to the SEC, on or before the 30th of January of the following year, about the directors' record of attendance in Board meetings.

2.2.1.7. Remuneration of Directors

The levels of remuneration of the members of the Board should be sufficient to be able to attract and retain the services of qualified and competent individuals and should reflect the direct correlation of remuneration and performance. Such annual compensation which may be paid to the Corporation's directors and top four (4) management officers shall be disclosed in the Corporation's annual reports and information and proxy statements in a clear, concise and understandable manner.

No director should participate in discussions or deliberations involving his/her own remuneration.

2.2.2. Board Committees

The Board shall constitute the following committees to aid in complying with the principles of good corporate governance.

2.2.2.1. Audit Committee

2.2.2.1.1 The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, shall be independent and all of whom must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance.

The Chairman of this Committee should not be the chairman of the Board or of any other committees.

2.2.2.1.2. The Audit Committee shall have the following specific functions:

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b. Provide oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
- c. Provide oversight of the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d. Review and approve audit scope and frequency and the annual internal audit plan. The plan shall include the audit scope, resources and budget necessary to implement it;
- e. Discuss with the external auditor before the audit commences the nature, scope and expenses of the audit, and ensure proper coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

- f. Establish an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- g. Receive and review reports of internal and external auditors and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- h. Review and approve the quarterly, half-year (interim) and annual financial statements before submission to the Board, focusing particularly on:
- Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal, and regulatory requirements
- i. Coordinate, monitor and facilitate compliance with existing laws, rules and regulations;
- j. Establish and identify the reporting line of the Chief Audit Executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive shall report directly to the Audit Committee. The Audit Committee shall ensure that the internal auditors shall have free and full access to all the Corporation's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan

- k. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;
- l. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets;
- m. Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- n. Establish and identify the reporting line of the Internal Auditor to enable him/her to properly fulfill his/her duties and responsibilities. For this purpose, he/she should directly report to the Audit Committee;
- o. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- p. Prior to the commencement of the audit, discuss 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
- q. Evaluate and determine 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 independence⁴. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

⁴ As defined under the Code of Ethics for Professional Accountants.

- r. Review the disposition of the recommendations in the External Auditor's management letter;
- s. Perform oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- t. Coordinate, monitor and facilitate compliance with laws, rules and regulations; and
- u. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, 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.

2.2.2.2. Corporate Governance Committee

2.2.2.2.1. The Board shall create a Corporate Governance Committee which shall have at least three (3) members the majority of whom should be independent directors, including the Chairman.

2.2.2.2.2. The Corporate Governance Committee shall have the following specific functions:

- a. 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;
- b. 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;

- c. 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;
- d. 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;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- h. 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 operates; and
- i. Performs the functions previously performed by the Nomination Committee, viz:
 - It shall accept nominations from all shareholders to encourage shareholders' participation, pre-screen and prepare a short list of all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications prescribed above.
 - In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of

the CEO 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.

- The Nomination Committee shall consider, among others, the following guidelines in the determination of the number of directorships for the Board: (i) The nature of the business of the corporations of which he/she is a director; (ii) Age of the director; (iii) Number of directorships/active memberships and officerships in other corporations or organizations; and (iv) Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming directors, which among others, compel all directors to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their duties as directors once elected.

2.2.3. The Corporate Secretary

2.2.3.1. General Qualifications and Responsibility

The Corporate Secretary must be a Filipino and a resident of the Philippines. The Corporate Secretary should not, at the same time, be the Compliance Officer of the Corporation nor be a member of the Board of Directors. The Corporate Secretary should annually attend a training on corporate governance.

The Corporate Secretary should be fully informed of the different activities of the Corporation and hence, participate in scheduling said activities. He/She must also have the schedule of meetings and the agenda thereof at least for the current year and notify the Board before every meeting in accordance with the By-Laws.

2.2.3.2. Specific Functions

The Corporate Secretary has, in addition to the functions specified in the By-Laws, the following functions and duties:

- a. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings.
- b. Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- c. Keep abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- d. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advise on the establishment of board committees and their terms of reference;
- f. Oversee the drafting of the by-laws and ensure that the by-laws conform with regulatory requirements;
- g. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- h. Be loyal to the mission, vision and objectives of the Corporation;
- i. Get instructions from the CEO regarding the agenda of every meeting, and where practicable, put the Board on notice of the same before every meeting at least five (5) working days in advance. He/she must observe the notice requirements stated in the By-Laws;

- j. Work fairly and objectively with the Board, Management, stockholders and other stakeholders; assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- k. Have appropriate administrative and interpersonal skills;
- l. Have a working knowledge of the operations of the Corporation and perform required administrative functions;
- m. Attend all Board meetings and maintain record of the same, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- n. Keep the Stock Certificate Book and the Stock and Transfer Book of the Corporation and make the necessary entries thereof, and keep the Corporate Seal;
- o. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- p. Submit to the SEC, on or before the 30th of January of the following year, an annual certification as to the attendance of the directors during Board meetings; and
- q. Perform such other functions delegated to him by the Board.

2.2.4. Supply Information

In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings on an on-going basis.

Management should have an obligation to supply the Board with complete, adequate information in a timely manner. Reliance purely on what is volunteered by Management is unlikely to be sufficient in all circumstances and further inquiries may be required if the particular director is to fulfill his or her duties properly. Hence, the Board may have separate and independent access to the Corporation's senior management.

Directors should also have a separate and independent access to the Corporate Secretary.

The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense. In this regard, the Corporate Secretary shall provide information to the professional consultant as may be required in accordance with the interest of the Corporation.

2.2.5. Accountability and Audit

2.2.5.1. Guidelines

The Board is primarily accountable to the shareholders and stakeholders, and Management is primarily accountable to the Board. The Management should provide all members of the Board with a balanced and understandable account of the corporation's performance, position and prospects on a monthly basis, which will serve as the basis for the Board's report to the shareholders. This responsibility should extend to interim and other price sensitive public reports and reports to regulators (if required). Management, under the supervision of the Audit Committee, should be primarily responsible in making financial reporting and internal control in accordance with the following guidelines:

- a. Present a balanced and understandable assessment of the Corporation's position and prospects. The Board's responsibility to present a balanced and understandable assessment should extend to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- b. Explain the extent of their responsibility in the preparation of the financial statements and accounts of the Corporation for which there should be a statement by the auditors about their reporting responsibilities;
- c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- d. Maintain a sound system of internal control to safeguard the integrity of the financial reports, the stakeholders' investment and the company's assets for the benefit of all shareholders and other stakeholders;
- e. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the

organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules and regulations, and contracts.

- f. Require the Chief Audit Executive to render to the Audit Committee and senior management an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management. The Chief Audit Executive's annual report shall likewise be made available to the stockholders of the Corporation. Internal auditors shall report that their activities are "conducted in accordance with the International Standards on the Professional Practice of Internal Auditing". Otherwise, the Chief Audit Executive shall disclose to the Board and senior management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.
- g. Ensure compliance with all financial reporting requirements of the SEC.

2.2.5.2. External Auditor

- a. The Board, through the Audit 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 financial statements shall have been prepared and presented to the stockholders. Such external auditor cannot at the same time provide the services of an internal auditor to the same client. Other non-audit work should not be in conflict with the functions of the external auditor.
- b. The external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.

- c. The reason/s 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 or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused reference to the subject matter of the disagreement in connection with its report. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.
- d. If an external auditor believes that the statements made in an annual report, information statement, proxy statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall also present his views in said reports.

2.2.5.3. Internal Auditor

- a. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, 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;
- b. The Internal Auditor shall report to the Audit Committee;
- c. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.
- d. 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;

- e. The Internal Auditor shall provide 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 (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;
- f. The Internal Auditor shall perform regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- g. The Internal Auditor shall perform consulting and advisory services related to governance and control as appropriate for the organization;
- h. The Internal Auditor shall perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- i. The Internal Auditor shall review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the company;
- j. The Internal Auditor shall evaluate 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;
- k. The Internal Auditor shall evaluate specific operations at the request of the Board or Management, as appropriate; and
- l. The Internal Auditor shall monitor and evaluate governance processes.

2.2.5.4. Chief Audit Executive

- a. The Chief Audit Executive who shall be appointed by the Board, shall periodically review the internal audit charter and presents it to senior management and the Board Audit Committee for approval;

- b. The Chief Audit Executive shall establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. The Chief Audit Executive shall communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. The Chief Audit Executive shall spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- e. The Chief Audit Executive shall report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. The Chief Audit Executive shall present findings and recommendations to the Audit Committee and shall give advice to senior management and the Board on how to improve internal processes

2.2.5.5 Chief Risk Officer

Whenever the Board determines that the Corporation's size, risk profile and complexity of operations, require the appointment of a Chief Risk Officer who shall have the adequate authority, stature and shall be provided with the necessary resources and support to fulfill his/her responsibilities as the ultimate champion of Enterprise Risk Management.

3. COMMUNICATION PROCESS

- 3.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 3.2. 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. TRAINING PROCESS

- 4.1. The Corporation shall orient its officers and staff to operationalize this Manual.

4.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

5. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

The Corporation shall publicly disclose all material information, i.e., anything that could potentially affect share price such as information on earning results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership. Other information including remuneration (including stock options) of all directors and senior management, corporate strategy and off balance sheet transactions shall also be disclosed.

In view of the foregoing, the Corporation shall file all the required and necessary disclosure requirements under the PSE and SEC Disclosure Rules, including, but not limited to, the Corporation's Annual Report.

The Board shall therefore commit at all times to full disclosure of material information dealings. 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.

6. INVESTORS' RIGHTS AND PROTECTION

The Board incorporates hereto by reference the shareholders' rights provided for in the Corporation Code and in the Articles of Incorporation and By-Laws of the Corporation and commits to respect and uphold the same. Among others, the Board shall respect the rights of the stockholders including those provided for in the Corporation Code, namely:

- a. Right to vote on all matters that require their consent or approval;
- b. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
- c. Right to nominate candidates to the Board of Directors;
- d. Nomination process;
- e. Pre-emptive right to all stock issuances of the Corporation;
- f. Right to inspect corporate books and records;
- g. Right to information;
- h. Right to dividends; and
- i. Appraisal right.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders 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.

The Board encourages active shareholder participation. In this regard, it shall send the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, where practicable, at least twenty eight (28) days before the meeting. Provided that, failure to send the notice in accordance with the foregoing shall not invalidate a meeting or any action taken therein. The Corporation shall, in all cases, be primarily be guided by Article 1, Section 1.03 of the Corporation's Amended By-Laws with respect to the notice requirement.

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

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

All shareholders may propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting provided that the proposal shall be done by shareholders owning at least ten percent (10%) of the outstanding capital stock of the Corporation. The Board shall give minority stockholders 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.

7. MONITORING AND ASSESSMENT

- 7.1. Each Committee shall report regularly to the Board of Directors.
- 7.2. 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 8 of this Manual.
- 7.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's Annual Report (SEC Form 17-A). The adoption of such performance evaluation system must be covered by a Board approval.
- 7.4. This Manual shall be subject to quarterly review unless the Board decides otherwise.
- 7.5. All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual are deemed repealed unless modified to comply.

8. **PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- 8.1 To strictly observe and implement the provisions of this Manual, penalties shall be imposed on the company'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, as will be provided for in the pertinent rules and regulations that will be adopted by the Board of Directors.
- 8.2 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.

Signed:



VICENTE R. SANTOS
Chairman of the Board



MARIZA SANTOS-TAN
Compliance Officer