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

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Revised Manual on Corporate Governance
Approved on 10 June 2014

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Month Day
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Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

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Remarks = pls. use black ink for scanning purposes

REVISED MANUAL ON CORPORATE GOVERNANCE

OF

STA. LUCIA LAND, INC.

Approved on 20 June 2014



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. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- a. Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies;
- b. Appear before the Securities and Exchange Commission ("SEC") upon summons on similar matters that need to be clarified;
- c. Determine violation/s of the Manual and recommend penalty/ies for violation/s thereof for further review and approval of the Board;

- d. 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; and
- e. Identify, monitor and control compliance risks.

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.

2.2.1.1. Composition of the Board

The Board shall be composed of eleven (11) members elected by the shareholders.¹ It shall have at least two (2) independent directors or such number of independent directors, which shall constitute at least twenty percent (20%) of the members of such board, whichever is lesser.

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 process.²

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. 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

¹ At present, the Board of Directors of the Corporation has eleven (11) members, two (2) of whom are Independent Directors.

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.

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 fully-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, as much as practicable, 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.

If the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

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.

2.2.1.3. Qualifications of Directors

A director of the Corporation must possess the following qualifications:

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

2.2.1.4. Disqualification of Directors

2.2.1.4.1. Permanent Disqualification:

The following shall be grounds for the permanent disqualification of a director:

- a. Any person who has been finally convicted by a competent judicial or administrative body of any of the following: (i) any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures, commission merchant, commodity trading advisor, floor broker; or (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or

continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, SRC or any other law administered by the Commission or Bangko Sentral ng Pilipinas or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization;

- c. Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions;
- d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Corporation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the Commission, or any rule, regulation or order of the Commission;
- e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

- f. Any person judicially declared to be insolvent;
- g. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (a) to (e) hereof;
- h. Any affiliated person who is ineligible, by reason of paragraphs (a) to (f) hereof to serve or act in the capacities listed in paragraphs (a) to (f) hereof; and
- i. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

2.2.1.4.2. Temporary Disqualification:

The following shall be grounds for the temporary disqualification of a director:

- a. 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.
- b. 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.
- c. Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance³. 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.

³ SEC Memorandum Circular No. 06-09.

- d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

2.2.1.5. Duties, Functions and Responsibilities of 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 shareholders and other stakeholders **which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.** The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2.1.5.1. General Responsibility of Directors

A director's office is one of trust and confidence. He should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the corporation towards sustained progress over the long term. A director assumes certain responsibilities to different constituencies or stakeholders, who have the right to expect that the institution is being run in a prudent and sound manner.

To ensure good governance of the Corporation, the Board should establish the Corporation's vision and mission, strategic objectives, policies and procedures that may guide and direct the activities of the Corporation and the means to attain the same as well as the mechanism for monitoring Management's performance. While the management of the

day-to-day affairs of the Corporation is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing Management action.

2.2.1.5.2. Duties and Functions

To insure a high standard of best practice for the Corporation, its shareholders and its stakeholders, the Board should conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities which include, among others, the following:

- i. Install a process of selection to ensure a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies; appoint competent, professional, honest and highly-motivated management officers; and adopt an effective succession planning program for Management.
- ii. Determine the Corporation's purpose and value; provide for sound strategies and general policies to ensure that it attains its objectives; and periodically evaluate and monitor the implementation of such policies and strategies, as well as the business plans, operating budgets and Management's overall performance. These shall include strategic policies and guidelines on major capital expenditures and programs that can sustain the Corporation's long-term viability and strength.
- iii. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
- iv. 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.

- v. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them accurately, effectively and sufficiently. There must be an accounting rendered to them regularly in order to serve their legitimate interests. Such stakeholders should include the sectors in the community in which the Corporation operates or are directly affected by its operations.
- vi. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. A regular review of the adequacy and effectiveness of such system must be conducted so that the decision-making capability and the integrity of corporate operations and reporting systems are maintained at a high level at all times.
- vii. Endeavor to provide appropriate technology and systems rating to account for available resources to ensure a position of a strong and meaningful competitor. Identify key risk areas and key performance indicators and monitor these factors with due diligence.
- viii. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- ix. Constitute an Audit and Compliance Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- x. 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.

- xi. Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted.
- xii. Keep Board authority within the powers of the Corporation as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations. Conduct and maintain the affairs of the Corporation within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations.
- xiii. Provide the shareholders with a balanced and understandable assessment of the Corporation's performance, position and prospects on a quarterly basis.
- xiv. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

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.

- 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;

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 an unpopular position. Corollarily, he should support plans and ideas that he 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.

- vi. To observe confidentiality; and

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. 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.

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) Board members, preferably with accounting and finance background, one of whom shall be an independent director and another should have related audit experience.

The Chairman of this Committee should be an independent director.

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. Responsible for the setting-up of 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. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h. 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;
- i. Review the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:

- Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumption
 - Compliance with accounting standards
 - Compliance with tax, legal, and stock exchange requirements
- j. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations;
- k. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Corporation's total expenditure on consultancy. The committee shall 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 should be disclosed in the annual report;
- l. 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.

2.2.2.2. Nomination Committee

2.2.2.2.1. The Board shall create a Nomination Committee which shall have three (3) voting members, one of whom shall be an independent director.

2.2.2.2.2. The Nomination Committee shall have the following specific functions:

- a. It shall 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 prescribe above.
- b. 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.
- c. 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 which he is a director;
 - (ii) Age of the director;
 - (iii) Number of directorships/active memberships and officer ships 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.

- d. 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.

2.2.2.3. Compensation and Remuneration Committee

2.2.2.3.1 The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

2.2.2.3.2. The Compensation and Remuneration Committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, if any, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

2.2.3. 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 be fully informed of the different activities of the Corporation and hence, participate in scheduling said activities. He 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. 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;
- b. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- c. Be loyal to the mission, vision and objectives of the Corporation;
- d. Get instructions from the CEO regarding the agenda of every meeting, and put the Board on notice of the same before every meeting. He/she must observe the notice requirements stated in the By-Laws;

- e. 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;
- f. Have appropriate administrative and interpersonal skills;
- g. 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;
- h. Have a working knowledge of the operations of the Corporation;
- i. 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 from doing so;
- j. 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;
- k. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- l. 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.
- m. 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.

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 as provided for in the Corporation Code, namely:

- a. Right to vote on all matters that require their consent or approval;
- b. Pre-emptive right to all stock issuances of the Corporation;
- c. Right to inspect corporate books and records;
- d. Right to information;
- e. Right to dividends; and
- f. 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.

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.

Although all stockholders should be treated equally or without discrimination, 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