

ATOK-BIG WEDGE CO., INC.
REVISED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors (the “Board”) and Management of ATOK-BIG WEDGE CO., INC. (the “Company”/“Corporation”) hereby commit themselves to the principles and best practices contained in this Revised Manual on Corporate Governance (“Manual”), and acknowledge that the same may guide the attainment of the Company’s corporate goals.

1. OBJECTIVE

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

The Board of Directors and Management, employees and stakeholders, 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 assist the Board in its duties and ensure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall hold the position of a Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- a. Ensure proper on-boarding of new directors (i.e. orientation on the company’s business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, the Code of Corporate Governance for Public Companies and Registered Issuers (the “Code”), rules and regulations and all governance issuances of regulatory agencies;
- c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under the rules and regulations of the Securities and Exchange Commission (“SEC”/“Commission”);

- e. Appears before the SEC when summoned in relation to compliance with the Code and other relevant rules and regulations;
- f. Collaborates with other departments within the Company to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the Board and the SEC.

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

2.2. Plan of Compliance

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

It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness and growth in a manner consistent with its fiduciary responsibility, corporate objectives and the long-term best interests of its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2.1.1. Composition of the Board

The Board shall be composed of at least five (5), but not more than fifteen (15) members, who are elected by the stockholders entitled to vote at the annual meeting and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation. This includes the two (2), or such other number as may be required by law, independent directors.

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.

The non-executive directors should possess such qualifications and

statute that would enable them to effectively participate in the deliberations of the Board.

2.2.1.2. Multiple Board Seats

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 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 should not be compromised.

2.2.1.3. The Chair and Chief Executive Officer

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 the 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, which may include the designation of a lead director among the independent directors.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

- a. Makes certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees 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. Ensures that the Board sufficiently challenges and inquiries on reports submitted and representations made by Management;
- e. Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

The CEO has the following roles and responsibilities, among others:

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

2.2.1.4. General Responsibility

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2.2.1.5 Specific Duties and Functions of the Board

To ensure a high standard of best practice for the Company and its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of the following functions:

- a. Implement a process for the selection of directors who 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. Ensure and adopt an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the Company. Approves the selection and assesses the performance of the Management;
- b. Oversee the development of and approve the Company's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength.
- c. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program;
- e. Identify the corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f. Adopt a system of checks and balances within the Board. A

regular review of the effectiveness of such system should be conducted to ensure integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness;

- g. Identify key risks areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operations and financial viability;
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions ("RPT") between and among the Company and its 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;
- i. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j. Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Company and its stockholders, and between the Company and third parties, including regulatory authorities; To this end, the Company may adopt the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to amicably and fairly settle such disputes, conflicts, or differences, in order to ease the tedious process of court litigation;
- k. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- l. Keep the activities and decision of the Board within its authority under the Articles of Incorporation, By-laws and in existing laws, rules and regulations.
- m. Appoint a Compliance Officer who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company.

- n. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders/members and all other stakeholders.
- o. Align the remuneration of key officers and management with the long-term interests of the Company by formulating and adopting a policy specifying the relationship between remuneration and performance.

2.2.1.6. 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 Company towards sustained progress.

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions or conflict with the interests of the Company;

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 shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall 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 Company.

- b. To devote time and attention necessary to properly discharge duties and responsibilities;
- c. A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company'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 clarifications and explanations.

- d. 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.

- e. 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 Company.

- f. To have a working knowledge of the statutory and regulatory requirements affecting the Company, 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 Company's competitiveness.

- g. 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.

2.2.1.4 Internal Control Responsibilities

The control environment of the Company consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) the Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules and regulations, and contracts.

- i. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
 - a. Definition of the duties and responsibilities of the President and/or Chief Executive Officer who is ultimately responsible for the Company's organizational and operational controls;
 - b. Selection of the person who possesses the ability, integrity and expertise essential for the position of President and/or Chief Executive Officer;
 - c. Evaluation of proposed senior management appointments;
 - d. Selection and appointment of qualified and competent management officers; and
 - e. Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- ii. Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- iii. Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that the Company's key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards of Professional Practice of Internal Auditing.

2.2.1.5 Independent Directors

The Corporation shall, to the extent required by law or regulation, have at least two (2) independent directors or .

An independent director is a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Corporation.

The independent director is subject to the same general responsibilities and specific duties and responsibilities of a director as set forth in this Manual. While an independent director should always attend Board meetings, his absence shall not affect the quorum requirement.

2.2.1.6 Board Meetings and Quorum Requirement

The meetings of the Board should attend its regular and special meetings in person through teleconferencing conducted in accordance with the rules and regulations of the Commission.

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

To monitor the directors' compliance with the attendance requirements, the Company will submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

2.2.1.7 Remuneration of Directors and Officers

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Company will establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Company. No director should participate in deciding on his remuneration.

The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of the Company, the Commission may, in exceptional cases, e.g. when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

2.2.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute the following Committees to assist it in good corporate governance:

2.2.2.1 Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) members, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

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

Qualifications for membership to the Board of Directors:

- a. Holder of at least one (1) share of stock of the Company;
- b. He shall have at least a college education or equivalent academic degree;
- c. Practical understanding of the business of the Company;
- d. He shall be at least twenty one (21) years old;
- e. Membership in good standing in relevant industry, business or professional organizations; and
- f. Previous business experience.

Additional Qualification for Independent Directors

He shall, apart from his fees and shareholdings, be independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with this exercise of independent judgment in carrying out his responsibilities as a director of the Company.

Grounds for Permanent Disqualification from Membership in the Board of Directors:

- i. Any person convicted by final judgment or order by a

competent judicial or competent administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- ii. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraph a and b above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or the BSP, or has otherwise been retrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

- iii. Any person convicted by final judgment or order by a competent judicial or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- iv. Any person who has been adjudged by final judgment or order of the Commission, or a court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the

Corporation Code, the Securities Regulation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or the BSP;

- v. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- vi. Any person judicially declared to be insolvent;
- vii. 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 the foregoing paragraphs; and
- viii. 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.

Grounds for Temporary Disqualification from Membership in the Board of Directors:

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

- i. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- ii. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his/her incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- iii. Dismissal/termination for cause as in another corporation covered by the Code of Corporate Governance. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination; and
- iv. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

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.

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

2.2.2.0.1. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- a. The nature of the business of the Company which he is a director;
- b. Age of the director;
- c. Number of directorships/active memberships and officerships in other companies or organizations; and
- d. Possible conflict of interest.

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

2.2.2.0.2. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other Corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other Companies. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.2 Compensation and Remuneration Committee

The Compensation or Remuneration Committee shall be composed of at least three (3) members, at least one of whom shall be an independent director, to establish the formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company' s culture, strategy and the business environment in which it operates.

The Compensation and Remuneration Committee shall have the following functions:

- a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Company officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.
- b. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully.
- c. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- d. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- e. Disallow any director to decide his/her own remuneration.
- f. Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous business year and the ensuing year.
- g. Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- h. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.
- i. Performs the functions of the Corporate Governance Committee, in the absence thereof.

2.2.2.3 Audit Committee

The audit committee shall be composed of at least three (3)

members of the Board, at least one (1) of whom shall be an independent director and another with audit experience. Members of the audit committee shall preferably have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chair of the Audit Committee should be an independent director.

The Audit Committee shall have the following 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 Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c. Perform oversight functions over the Company's internal and external auditors. It shall 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 functions;
- d. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it.
- e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f. Organize and oversee an internal audit department ("IA Department") and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g. Through the IA Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting and security of physical information and assets;
- h. Review the reports submitted by the internal and external auditors;

- i. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters;
 - i. Any change/s in accounting policies and practices
 - ii. Areas where a significant amount of judgment has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. 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, if allowed, shall be disclosed in the Company's annual report and Annual Corporate Governance Report.
- l. Establish and identify the reporting line of the Internal Auditor to enable to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

- m. In case of the absence of an RPT Committee, determines any potential reputational risk issues that may arise as a result of or in connection with RPTs.
- n. Performs the functions of the Board Risk Oversight Committee (BROC), in the absence thereof.

2.2.3. The Corporate Secretary

- 2.2.3.1 The Corporate Secretary, who should be a Filipino and a resident of the Philippines, is an officer of the Company.

2.2.3.2 He shall have the following responsibilities:

- 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 Company;
- b. Be loyal to the mission, vision and objectives of the Company;
- c. Work fairly and objectively with the Board, Management stockholders and other stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If he is at the same time the Company's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the Company;
- g. Inform the members of the Board, in accordance with the by-laws of the Company, the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- j. Submit to the Commission, on or before January 30 of the following year, an annual certification as to the attendance of the directors during Board meetings.

2.2.4. External Auditor

- 2.4.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 2.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company'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.

- 2.4.3. The external auditor of the Company shall not at the same time provide the services of an internal auditor to the same client. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 2.4.4. The Company's external auditor shall be rotated or the engagement partner shall be changed every five (5) years or earlier.
- 2.4.5. If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.5. Internal Auditor

- 2.5.1. The Company 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.
- 2.5.2. The Internal Auditor shall report to the Audit Committee.
- 2.5.3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.
- 2.5.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- 2.5.5. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3. ADEQUATE AND TIMELY INFORMATION

- 3.1. To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete,

adequate and timely information about the matters to be taken in their meetings.

- 3.2. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.
- 3.3. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- 3.4. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

4. ACCOUNTABILITY AND AUDIT

- 4.1. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.
- 4.2. Management shall, under the supervision of the Audit Committee, formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
 - i. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
 - ii. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders should be maintained;
 - iii. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and

efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

- iv. The Company should consistently comply with the financial reporting requirements of the Commission;
- v. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risks exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

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

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

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

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

- 5.1. All material information about the Company, which could adversely affect its viability or the interests of its stockholders and other stakeholders, shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, off balance sheet transactions, board changes, related party transactions, shareholdings of directors, changes to ownership and direct and indirect remuneration of members of the Board and Management.

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.

- 5.2. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Company's Compliance Officer;
- 5.3. All disclosed information shall be released via the approved stock exchange procedure for Company announcements as well as through the annual report.
- 5.4. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

6. SHAREHOLDERS' BENEFIT

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

6.1 Investors' Rights and Protection

6.1.1 Rights of Investors/Minority Interests

The Board shall be committed to respect the rights of the stockholders.

6.1.2 Voting Rights

- 6.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

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

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

6.1.3 Power of Inspection

All shareholders shall be allowed to inspect Company's books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

6.1.1.4 Right to Information

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

6.1.4.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

6.1.4.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

6.1.5 Right to Dividends

6.1.5.1 Shareholders shall have the right to receive dividends subject to the Company's dividend policy.

6.1.5.2 The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite Company expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement

with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies as required by regulatory bodies.

6.1.6 Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 80 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

6.1.6.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

6.1.6.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's assets as provided in the Revised Corporation Code;

6.1.6.3 In case of merger or consolidation; and

6.1.6.4 In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

6.2 It shall be the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person or by proxy. Accurate and timely information should 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. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

6.3 The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should

be encouraged to personally attend such meetings. If they cannot attend, they should 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 stockholders' favor.

- 6.4 Although all stockholders should be treated equally or without discrimination, the Board should 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 Company.

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 Section 8 of this Manual.
- 7.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's Annual Report (SEC Form 17-A) or in such form of report that is applicable to the Company. 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 same frequency is amended by the Board.
- 7.5 All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

8 ONBOARDING AND TRAINING PROCESS

8.1. Onboarding for First-Time Directors

The Board, through the Corporate Secretary, shall ensure that first-time Directors receive a comprehensive onboarding orientation prior to attending their first board meeting. The onboarding session shall include an overview of a director's duties and responsibilities as members of the Board and Board Committees, the Company's corporate governance policies and programs, and the Company's overall operations, which may include meetings with the Board, key officers and management.

8.2. Continuous Training and Development Program for Directors and Officers

- a. The Company's Directors and corporate officers are encouraged to participate in continuous training and development programs (the "Programs") to enhance their understanding of their roles and to develop and maintain the required knowledge to discharge their functions effectively.

All incumbent Directors and key officers (as identified by the Board of Directors) are also encouraged to attend training programs, seminars and/or workshops annually on topics relevant to the Company and to their respective roles, either through in-house training or external courses accredited by the SEC. The Board Secretariat may arrange for in-house seminars on SEC-prescribed topics that are of relevance to the Company, such as industry developments, emerging risks, new laws, and new regulations.

- b. Directors and key officers who attend relevant programs, seminars, and/or workshops shall provide the Corporate Secretary with a copy of his or her certificate of attendance thereof, which certificate shall be submitted to the SEC.
- c. The Corporate Secretary shall keep records of attendance and participation of each Director and key officer at the required training programs, seminars, and/or workshops, as well as the details thereof.

9 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, 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:

- 9.1 In case of first violation, the subject person shall be reprimanded.
- 9.2 Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- 9.3 For third violation, the maximum penalty of removal from office shall be imposed.
- 9.4 The commission of a third violation of this manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

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:



ROBERTO V. ONGPIN

Chairman



CLIBURN ANTHONY A. ORBE

Compliance Officer