

# COVER SHEET

**PW 8 0 3**  
S.E.C. Registration Number

**MANILA JOCKEY CLUB, INC.**

( Company's Full Name )

**14 T H F L O O R S T R A T A 1 0 0 B L D G .**  
**F . O R T I G A S J R . R O A D**  
**O R T I G A S C E N T E R , P A S I G C I T Y**

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

**ATTY. CHINO PAOLO Z. ROXAS**  
Contact Person

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Company's Telephone Number

**1 2** **3 1**  
Month Day  
Fiscal Year

### 2017 MANUAL ON CORPORATE GOVERNANCE

**FORM TYPE**

**0 6** **3 0**  
Month Day  
Annual Meeting

**Secondary License Type, If Applicable**

**Dept. Requiring this Doc.**

**Amended Articles Number/Section**

**Total No. of Stockholders**

**Total Amount of Borrowings**  
Domestic Foreign

To be accomplished by SEC Personnel concerned

**File Number**

LCU

**Document I.D.**

Cashier

**STAMPS**

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# MANILA JOCKEY CLUB, INC.

ORTIGAS CENTER OFFICE

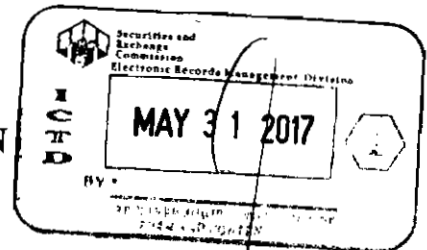
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31 May 2017

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*Corporate Governance and Finance Department*

**PHILIPPINE STOCK EXCHANGE, INC.**  
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**ATTENTION: JOSE VALERIANO B. ZUÑO III**  
*OIC – Disclosure Department*

Re : MANUAL ON CORPORATE GOVERNANCE (MAY 2017)

**Madam/Sir:**

Pursuant to SEC Memorandum Circular No. 19 (series of 2016), or the Code of Corporate Governance for Publicly-Listed Companies, **MANILA JOCKEY CLUB, INC.** submits its Manual on Corporate Governance, effective May 2017.

Thank you.

Yours truly,

~~CHINO PAOLO Z. BOZAS~~  
*Compliance Officer*



**MANILA JOCKEY CLUB, INC.**

**ORTIGAS CENTER OFFICE**

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# **MANUAL ON CORPORATE GOVERNANCE**

(May 2017)

Adopting the Provisions of the  
Code of Corporate Governance for  
Publicly-Listed Companies  
Effective 01 January 2017

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# I. INTRODUCTION

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## VISION

**Manila Jockey Club, Inc.** (hereinafter, "Corporation") desires to maximize the Corporation's long-term success, creating sustainable value for its shareholders, stakeholders, and the nation by committing to work in achieving the mission of the Corporation through the consistent pursuit of its core values.

## MISSION

The Corporation, through its board of directors and management, ~~commit 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.

## CORE VALUES

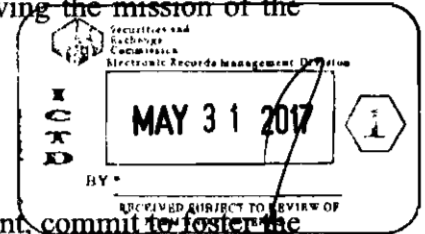
The Corporation recognizes its responsibility to its stockholders and the public to ensure that the Corporation is headed by a competent and working board of directors committed to achieving the Corporation's objectives, while establishing appropriate disclosure and transparency policies and procedures; maintaining a strong and effective internal control system; and cultivating a synergic relationship with its stockholders.

## COMMITMENT STATEMENT

The Board of Directors and Management of the Corporation hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (hereinafter, "Manual") and acknowledge the same as a guide to the attainment of their corporate goals.

## PURPOSE OF THE MANUAL

Through this Manual, the Corporation seeks to institutionalize the principles and best practices of good corporate governance in the entire organization, in the belief that good corporate governance is a critical component of sound strategic business management.



## **II. DEFINITION OF TERMS**

---

**Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

**Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

**Conglomerate** – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

**Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

**Internal control** – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

**Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

**Independent director** – 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.

**Internal audit department** - a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations.

**Executive director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation.

**Non-executive director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation.

**Non-audit work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.

**Related Party** – shall cover the company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company’s directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

**Related Party Transactions** – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

**Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the company’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

### **III. THE BOARD OF DIRECTORS**

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The Corporation shall be headed by a competent, working Board of Directors (hereinafter, “Board”) to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

#### **A) 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.

The Corporation shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2), pursuant to the Corporation’s By-Laws.

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

#### **B) Multiple Board Seats**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in 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 (hereinafter, "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.

#### **C) The Chairman of the Board and Chief Executive Officer**

The roles of Chairman 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.

The roles and responsibilities of the Chairman, among others, are as follows:

- a. Makes certain that the meeting agenda focuses on strategic matters, considering 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. Facilitates 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 inquires on reports submitted and representations made by Management;

The roles and responsibilities of the CEO, among others, are as follows:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;



- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation'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 corporation'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 corporation; and
- i. Serves as the link between internal operations and external stakeholders.

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

#### **D) Qualifications of Directors**

In addition to the qualifications for membership in the board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the board may provide for additional qualifications which include, among others, the following:

- (1) possess the knowledge, understanding, skills, experience, independence of mind given their responsibilities to the Board and in light of the entity's business;
- (2) have a record of integrity and good repute;
- (3) have sufficient time to carry out their responsibilities;
- (4) Membership in good standing in relevant industry, business or professional organizations; and
- (5) have the ability to promote a smooth interaction between board members.

#### **E) Disqualification of Directors**

##### **1. Permanent Disqualification**

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

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities

Regulation Code; (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; (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 Securities and Exchange Commission (hereinafter, "Commission"), Bangko Sentral ng Pilipinas (hereinafter, "BSP"), or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

This disqualification shall also apply if such person is the subject of an order of the Commission, BSP, 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 Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with member or participant of the organization.

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.
- (iv) Any person who has been adjudged by final judgment or order of the Commission, BSP, 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, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule regulation or order.

- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.
- (vi) Any person judicially declared as insolvent.
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously.
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

## 2. Temporary Disqualification

The board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 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.
- (ii) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- (iii) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- (iv) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

## **F) Responsibilities, Duties and Functions of the Board**

### 1. General Responsibility

The Corporation shall be headed by a competent, working Board to foster the long-term success of the corporation, and to sustain its

competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. 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. Duties and Functions

To ensure a high standard of best practice for the corporation and its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and 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. Adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies., including the business plans, operating budgets and Management's overall performances.
- c) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CFO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the corporation's stakeholders in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.

- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent 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.
- 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 in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

## **G) 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.

A director should observe the following norms of conduct:

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

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of director, he should

fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

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

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

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and acknowledgeable 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) **Act judiciously.**

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

- (iv) **Exercise independent judgment.**

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

- (v) **Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.**

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

- (vi) **Observe confidentiality.**

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as

director. He should not reveal confidential information to authorized persons without the authority of the Board.

#### **H) Internal Control Responsibilities of the Board.**

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a 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 corporation's governance, operations, and information systems, including the reliability and integrity of financial operations, the safeguarding of assets, and compliance with laws, rules, 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 CEO who is ultimately accountable for the corporation's organizational and operational controls.
  - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c) Evaluation of proposed senior management appointments;
  - d) Selection and appointment of qualified and competent management officers; and
  - f) Review for the corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
- (ii) The corporation shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may 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 on Professional Practice of Internal Auditing.

## **I) Board Meetings and Quorum Requirement**

The members of the Board should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

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 meeting.

To monitor the director's compliance with the attendance requirements, corporations shall 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 in a separate filing.

## **J) Remuneration of Directors and Officers**

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

The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers.

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

The Corporation'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 Corporation, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation allowances fees and fringe benefits to its directors and officers.



## **K) Board Committees**

The Board shall constitute the proper committees to assist it in good corporate governance.

- (i) The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Chairman of the Audit Committee should not be the chairman of the Board or any other committees. 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 corporations. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
  - c) Perform oversight functions over 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 the annual internal audit plan to ensure its conformity with the objectives of the corporation. 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 an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
  - g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.

- h) Review the reports submitted by the internal and external auditors.
- i) Review and approve the Interim and Annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - 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 the total fees paid to him and to the corporation'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, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report.
- l) Establish and identify the reporting line of the Internal Auditor to enable him 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. In addition, an independent quality assessment shall be requested from the Institute of Internal Auditors every five (5) years.

### **INDEPENDENT DIRECTORS**

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position. An Independent Director refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company.

- b. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies.
- c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election.
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies.
- e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister.
- f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies.
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer.
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election.
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment.

- j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders.
- k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

The Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

- Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.
- Any term beyond nine years for an independent director is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

(ii) The Board may also organize the following committees:

- a) A Nomination Committee which may be composed of at least three (3) members and one of whom should be an independent director, 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;

#### Qualifications

- Holder of at least one (1) share of stock of the Corporation.
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.
- He shall be at least twenty one (21) years old.
- He shall have proven to possess integrity and probity.
- He shall be assiduous.

### Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions.
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induce or procured the violation of, any provision of the Securities Regulation Code, 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.
- Any person judicially declared to be involved.
- 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.
- 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.

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

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.
- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.
- Being under preventive suspension by the Corporation.
- If the independent director becomes an officer or employee of the same corporation he shall be

automatically disqualified from being an independent director.

- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

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.

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

- The nature of the business of the Corporations which he is a director.
- Age of the director.
- Number of directorships/ active memberships and officerships in other corporations or organizations.
- Possible conflict of interest.

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

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 corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

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

#### Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent

with the Corporation's culture, strategy and control environment.

- Designated 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.
  - 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.
  - 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.
  - Disallow any director to decide his or her own remuneration.
  - Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
  - 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.
  - Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.
- c) The Corporation's framework on enterprise risk assessment and management is still in the planning stage. For the meantime, the Executive Committee performs the functions of the Risk and Governance Committees.

## **L) The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, assists the Board in its duties. He must be a separate individual from the Compliance Officer and is not a member of the Board. He is obliged to attend a training on corporate governance annually.

The Corporate Secretary is primarily responsible to the corporation and its shareholders, and has, among others, the following duties and responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings.
- b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation.
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise.
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.
- e. Advises on the establishment of board committees and their terms of reference.
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so.
- h. Performs required administrative functions.
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements.
- j. Performs such other duties and responsibilities as may be provided by the SEC.



#### **M) The Compliance Officer**

The Compliance Officer assists the Board in its duties. He must be a separate individual from the Corporate Secretary and is not a member of the Board. He must have a rank of Senior Vice-President or an equivalent position with adequate stature and authority in the Corporation. He is obliged to attend a training on corporate governance annually.

The Compliance Officer is a member of the company's management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders and shall report directly to the Chairman of the Board. He has, among others, the following duties and responsibilities:

- a. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies.
- b. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action.
- c. Ensures the integrity and accuracy of all documentary submissions to regulators.
- d. Appears before the SEC when summoned in relation to compliance with this Code.
- e. Collaborates with other departments to properly address compliance issues, which may be subject to investigation.
- f. Identifies possible areas of compliance issues and works towards the resolution of the same.
- g. Ensures the attendance of board members and key officers to relevant trainings.
- h. Performs such other duties and responsibilities as may be provided by the SEC.

#### **IV. ADEQUATE AND TIMELY INFORMATION**

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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.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

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.

## **V. ACCOUNTABILITY AND AUDIT**

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

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

Management should formulate, under the supervision of the Audit Committee, 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 corporation, 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 corporation for the benefit of all stockholders and other stakeholders;
- (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 corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;

- (iv) The corporation 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 to the corporation, 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 risk 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 the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Boards and Management the reasons why he has not fully complied with the said standards.
- B) 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 corporation and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

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

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the 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 the said reports.

## **VI. COMMUNICATIONS PROCESS**

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

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.

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

The Corporation should include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors. The Corporation's corporate governance policies, programs and procedures should be contained in its Manual, which should be submitted to the regulators and posted on the company's website.

## **VII. TRAINING PROCESS**

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

A director shall be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## **VIII. REPORTS AND DISCLOSURES**

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The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

The company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.

The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.

## **IX. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY INTERESTS**

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A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the corporation;

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

- (iii) Right to inspect corporate books and records;

All shareholders shall be allowed to inspect corporate 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.

- (iv) Right to information;

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.

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.

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 on the agenda of the stockholders' meeting, being within the definition of "legitimate purposes"

(v) Right to dividends; and

Shareholders shall have the right to receive dividends subject to the discretion of the Board.

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 corporate expansion projects or programs approved by the Board or b) when the corporation 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 Corporation, such as when there is a need for special reserve for probable contingencies.

(vi) Appraisal right.

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- 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;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

## B) VOTING REQUIREMENTS AND PROCEDURES

### a) For Election of Directors

The aforementioned action will require that the majority of the shares of the Company's common stock are present and represented and entitled to vote at the Annual Meeting.

Voting is executed through balloting or by other means approved by the stockholders.

Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes shall be declared elected.

### b) Ratification of all Acts of Management and the Board of Directors for the subject period.

The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.

Election is executed through balloting or by other means approved by the stockholders.

### c) Appointment of the External Auditor.

The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.

Election is executed through balloting or by other means approved by the stockholders.

## Article XVII Voting

“At all corporate meetings, each stockholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock. Xxx”

Canvassing of ballot and counting of votes shall be done by the Office of the Corporate Secretary.

#### a. Procedure on Voting and Vote Requirement

The voting on the matter of approval by the stockholders will be done through ballots which shall be collected and counted by the Corporate Secretary.

#### b. Procedure For Election of Regular and Independent Directors

- 1) There shall be two (2) rounds of voting. The first round shall be the election of the nine (9) regular directors, and the second round shall be the election of the two (2) independent directors. This is to ensure that the independent directors are duly elected by the stockholders as required by the SRC.
  - 2) Voting is by viva voce or by acclamation. However, the election must be by ballot if requested by any stockholder.
  - 3) Every stockholder has the right to cumulative voting.
  - 4) The votes shall be tallied by the Company's external auditor, under the supervision of the Corporate Secretary.
- C) It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. It shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. It shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person.
- D) The Board should ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the company's website. It shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
- E) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be 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.
- F) 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.
- G) The Board should 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 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.

- H) 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 corporation.

## **X. SELF-RATING SYSTEM**

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The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features, shall be conducted annually and be disclosed in the corporation's annual report.

## **XI. MONITORING AND ASSESSMENT**

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Each Committee shall report regularly to the Board of Directors.

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 XIII of this Manual.

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 Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

All business processes and practices being performed within any department or business unit of Model Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

## **XII. DISCLOSURE AND TRANSPARENCY**

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

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

### **XIII. PENALTIES FOR NON-COMPLIANCE**

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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:

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

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:



**ALFONSO R. REYNO, JR.**  
*Chairman of the Board and  
Chief Executive Officer*



~~SHINO PAULO REYES~~  
*Compliance Officer*