

PETROENERGY RESOURCES CORPORATION

REVISED MANUAL ON CORPORATE GOVERNANCE

(Revised in Compliance with SEC Memorandum Circular No. 6, Series of 2009)

1. COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board of Directors (the “Board”), Management, employees and shareholders of **PetroEnergy Resources Corporation** (the “Corporation”) believe that good corporate governance is a necessary component of sound strategic business management and, therefore, commit to the establishment and implementation of corporate governance rules in accordance with the Revised Code of Corporate Governance (the “Code”) issued by the Securities and Exchange Commission (SEC) through SEC Memorandum Circular No. 6, Series of 2009. These rules are embodied in this Revised Manual on Corporate Governance (the “Manual”). Efforts necessary to create awareness within the organization shall be undertaken as soon as possible.

2. DEFINITION OF TERMS

- 2.1 **Corporate Governance** – the framework of rules, systems and processes in the Corporation that governs the performance by the Board and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;
- 2.2 **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;
- 2.3 **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- 2.4 **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;

- 2.5 **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;
- 2.6 **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;
- 2.7 **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;
- 2.8 **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;
- 2.9 **Internal Control** – the system established by the Board and Management for the accomplishment of the Corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- 2.10 **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed;
- 2.11 **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

2.12 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;

2.13 Internal Auditor – the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

3. RULES OF INTERPRETATION

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

4. BOARD GOVERNANCE

The Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

4.1 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. At least two (2) directors shall be 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 be less than two (2).

There shall be a balance of executive and non-executive directors, including independent non-executives, such that no individual or small group of individuals can dominate the Board’s decision-making.

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

4.2 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 (“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.

4.3 The Chairman and Chief Executive Officer

The roles of the Chairman of the Board 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 Chairman and CEO upon their election.

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

4.3.1 Duties and Responsibilities of the Chairman:

- 4.3.1.1 Ensure proper governance of the Corporation through the Board of Directors;
- 4.3.1.2 Ensure efficient functioning of the Board. The Chairman will decide on all matters to be included in the agenda and preside at meetings of the stockholders and Board of Directors;

- 4.3.1.3 Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors;
- 4.3.1.4 Encourage and actively solicit views and opinions of other members of the Board in the process of arriving at a decision;
- 4.3.1.5 Ensure that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the Board;
- 4.3.1.6 Allow for, and even encourage, the expression of independent views that may be different from those proposed by top management;
- 4.3.1.7 Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman may deem necessary;
- 4.3.1.8 Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- 4.3.1.9 Maintain qualitative and timely lines of communication and information between the Board and Management.

4.3.2 Duties and Responsibilities of the CEO:

- 4.3.2.1 The CEO will be in-charge of, and will exercise, general management responsibilities over management development, public relations and advertising relations with agencies and instrumentalities of the Philippine government and industry associations;
- 4.3.2.2 In the absence or inability of the Chairman to act, the CEO will act in his stead and will exercise any and all such powers and perform any and all duties pertaining to the

office of the Chairman conferred upon it by the By-Laws and this Manual; and

4.3.2.3 The CEO will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

4.4 Qualifications of Directors

A director shall have the minimum qualifications provided for in the Corporation Code, Securities Regulation Code (SRC), and other relevant laws, including, among others, the following:

- 4.4.1 Holder of at least one (1) share of stock of the Corporation;
- 4.4.2 At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- 4.4.3 At least twenty-one (21) years old;
- 4.4.4 Has practical understanding of the business of the Corporation;
- 4.4.5 Has previous business experience;
- 4.4.6 Possesses integrity and probity; and
- 4.4.7 Assiduousness.

4.5 Disqualifications of Directors

4.5.1 Permanent Disqualifications

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

- 4.5.1.1 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 SRC;
- b. arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or
- c. arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.

4.5.1.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any 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;

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and

banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- 4.5.1.3 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;
- 4.5.1.4 Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
- 4.5.1.5 Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- 4.5.1.6 Any person judicially declared as insolvent;
- 4.5.1.7 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 in item nos. 4.5.1.1 to 4.5.1.5; and
- 4.5.1.8 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.

4.5.2 Temporary Disqualifications

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

- 4.5.2.1 Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- 4.5.2.2 Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during 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;
- 4.5.2.3 Dismissal or termination for cause as director of any corporation covered under the Code. The disqualification shall be in effect until he has cleared himself from any involvement in the alleged irregularity;
- 4.5.2.4 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; and
- 4.5.2.5 If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Note: 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.

4.6 Qualification of Independent Directors:

4.6.1 A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year “cooling-off period”.

4.6.2 Persons appointed as Chairman “Emeritus”, “Ex-Officio” Directors/Officers or Members of any Executive Advisory Board, or otherwise, appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year “cooling-off period” prior to his qualification as an independent director.

4.7 Responsibilities, Duties and Functions of the Board

4.7.1 Powers and Authority of the Board of Directors

The corporate powers of the Corporation shall be exercised, its business conducted and all its property shall be controlled and held by its Board of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to act for the Corporation with their best judgment.

4.7.2 General Responsibility

It is the Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the best interest 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.

4.7.3 Duties and Functions

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- 4.7.3.1 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;
- 4.7.3.2 Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- 4.7.3.3 Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
- 4.7.3.4 Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or Chief Financial Officer (CFO) shall exercise oversight responsibility over this program;
- 4.7.3.5 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;
- 4.7.3.6 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;

- 4.7.3.7 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;
- 4.7.3.8 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;
- 4.7.3.9 Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- 4.7.3.10 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;
- 4.7.3.11 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;
- 4.7.3.12 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; and

4.7.3.13 Appoint a Compliance Officer who shall have the rank of at least Vice President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

4.7.4 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:

- 4.7.4.1 Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation;
- 4.7.4.2 Devote the time and attention necessary to properly and effectively perform his duties and responsibilities;
- 4.7.4.3 Act judiciously;
- 4.7.4.4 Exercise independent judgment;
- 4.7.4.5 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 Securities and Exchange Commission and, where applicable, the requirements of relevant regulatory agencies;
- 4.7.4.6 Observe confidentiality; and
- 4.7.4.7 Ensure the continuing soundness, effectiveness, and adequacy of the Corporation's control environment.

4.7.5 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 and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

4.7.6 Board Meetings and Quorum Requirement

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

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

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

4.7.7 Remuneration of Directors and Officers

4.7.7.1 The Corporation should avoid paying more than what is necessary for purposes of running the Corporation successfully.

4.7.7.2 A portion of the executive directors' remuneration should be structured so as to link reward to corporate and individual performance.

4.7.7.3 The Corporation should 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. No director should be involved in deciding his/her own remuneration.

4.7.7.4 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 and indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

4.7.7.5 Directors' Fees

A per diem, as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting, shall be paid to each director for attendance at any meeting of the Board of Directors for each day of session; provided, however, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefor.

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

4.7.8 Board Committees

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

4.7.8.1 Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting member in the person of the HR Director/Manager.

- a. Duties and Responsibilities of the Nomination Committee:
 - i. The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications enumerated in Item Nos. 4.4, 4.5, and 4.6 above; and
 - ii. In consultation with the executive committee, re-define the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

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

4.7.8.2 Compensation and Remuneration Committee

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

- a. Duties and Responsibilities as to Compensation and Remuneration:
 - i. 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;
 - ii. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
 - iii. 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;
 - iv. Disallow any director to decide his or her own remuneration;

- v. 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;
- vi. 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 requirements that must be periodically met in their respective posts; and
- vii. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

4.7.8.3 Corporate Governance and Risk Management Committee

The Corporate Governance and Risk Management Committee shall be composed of at least three (3) members of the Board of Directors who shall possess a range of expertise as well as adequate knowledge of the Corporation's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

- a. Duties and Responsibilities as to Corporate Governance:
 - i. Assist the Board of Directors in fulfilling its corporate governance responsibilities;
 - ii. Be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its committees and executive

management; and shall also conduct an annual self-evaluation of its performance;

- iii. Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- iv. Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance;
- v. Decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value;
- vi. Monitor compliance of the submission of the Annual Corporate Governance Scorecard on the scope, nature and extent of the actions taken to meet the objectives of the Code; and
- vii. Be responsible for the amicable resolution of disputes and/or settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including regulatory authorities.

b. Duties and Responsibilities as to Risk Management Committee:

- i. In general, shall be responsible for the development and oversight of the Corporation's risk management program. It shall oversee the system of limits to discretionary authority that the Board delegates to Management, ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The core responsibilities as to Management Committee include the following:

- i. Identify and evaluate exposures. The committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen;
- ii. Develop risk management strategies. Develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
- iii. Implement the risk management plan. Communicate the risk management plan and loss control procedures to affected parties. The committee shall conduct regular discussions on the Corporation's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks;
- iv. Review and revise the plan as needed. The committee shall evaluate the risk management

plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The committee shall report regularly to the Board of Directors regarding the Corporation's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

4.7.8.4 Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board, who shall have accounting and finance backgrounds, one (1) of whom shall be an independent director and another with audit experience. The Chairman of the Audit Committee should be an independent director.

- a. Duties and Responsibilities of the Audit Committee:
 - i. Assist the Board in the performance of its oversight responsibility for the Corporation's financial reporting process, system of internal control, internal and external audit process, and monitoring of compliance with applicable laws, rules, and regulations;
 - ii. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and management activities;
 - iii. 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;

- iv. 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;
- v. 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;
- vi. Set up an internal audit department/division and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- vii. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security at least annually;
- viii. Review the reports submitted by the internal and external auditors;
- ix. Review the quarterly, semi-annual and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - (a) any change/s in accounting policies and practices;
 - (b) major judgmental areas;

- (c) significant adjustments resulting from the audit;
 - (d) going concern assumptions;
 - (e) compliance with accounting standards; and
 - (f) compliance with tax, legal and regulatory requirements.
- x. Coordinate, monitor and facilitate compliance laws, rules and regulations;
 - xi. 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 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
 - xii. 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.

4.7.9 The Corporate Secretary

The Corporate Secretary is an officer of the Corporation. His loyalty to mission, vision, and specific business objectives of the Corporation comes with his duties. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. Considering his varied functions and duties,

he must possess administrative and interpersonal skills; and if he is not the general counsel, he must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities. He must also have some financial and accounting skills.

4.7.9.1. Duties and Responsibilities of the Corporate Secretary:

- a. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- b. Inform the members of the Board of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- c. Serve as an adviser of the Board, and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- d. Work fairly and objectively with the Board, Management, and stockholders and other stakeholders;
- e. Have a working knowledge of the operations of the Corporation;
- f. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so; and maintain record of the same;
- g. Submit to the Securities and Exchange Commission (SEC), on or before January 30 of the following year, an annual sworn certification as to the attendance of the directors during Board meetings. The certification

may be submitted through SEC Form 17-C or in a separate filing;

- h. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- i. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.

5. IMPLEMENTING GUIDELINES

5.1 Compliance Officer

5.1.1 To ensure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. The Compliance Officer shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as the Compliance Officer.

Relative thereto, the appointment/designation of a Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondences relative to his/her functions as such shall be addressed to the said Officer.

5.1.2 The Compliance Officer shall perform the following duties:

5.1.2.1 Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of the

appropriate disciplinary action of the responsible parties and the adoption of measures to prevent a repetition of the violation;

5.1.2.2 Identify, monitor and control compliance risks;

5.1.2.3 Appear before the Securities and Exchange Commission when summoned in relation to compliance with the Code; and

5.1.2.4 Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason/s for such deviations.

5.2 Adequate and Timely Information

5.2.1 To enable the members of the Board to fulfill their duties and responsibilities, Management should provide them with complete, adequate, and timely information about the matters to be taken in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budget, forecasts and internal financial documents.

5.2.2 Members of the Board should be given access to Management and the Corporate Secretary to facilitate inquiries that would aid them in the proper performance of their duties and responsibilities.

5.2.3 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.

5.3 Accountability and Audit

5.3.1 The Board is primarily accountable to the stockholders who should be provided 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.

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

5.3.3 Management should formulate rules and procedures on financial reporting and internal control in accordance with the following:

5.3.3.1 The extent of Management's 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.

5.3.3.2 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.

5.3.3.3 The Corporation should consistently comply with the financial reporting requirements of the SEC.

5.3.4 Internal Auditor

5.3.4.1 The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

5.3.4.2 The Internal Auditor shall report to the Audit Committee.

5.3.4.3 The minimum internal control mechanisms for Management's operational responsibility shall center on

the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

5.3.4.4 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

- a. the nature and complexity of business and the business culture;
- b. the volume, size and complexity of transactions;
- c. the degree of risk;
- d. the degree of centralization and delegation of authority;
- e. the extent and effectiveness of information technology; and
- f. the extent of regulatory compliance.

5.3.4.5 The internal audit examinations should cover at least the following:

- a. the evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including the reliability and integrity of financial and operational information);
- b. effectiveness and efficiency of operations;
- c. safeguarding of assets; and
- d. compliance with laws, rules, regulations and contracts.

5.3.4.6 The status reports shall summarize recommendations, officers responsible and implementation dates.

- 5.3.4.7 The internal auditors shall have free and full access to all the Corporation's records, properties, and personnel relevant to the internal audit activity.
- 5.3.4.8 The Head of Internal Audit shall submit to the Audit Committee and Management an annual report on the Internal Audit's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee. The annual report should include significant risk exposure, control issues, and such other matters as may be needed or requested by the Board and/or Management.
- 5.3.4.9 The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. Otherwise, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

5.3.5 External Auditor

- 5.1.5.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor, duly accredited by the SEC, shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 5.1.5.2 The external auditor shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
- 5.1.5.3 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. The 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. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

5.1.5.4 The external auditor of the Corporation shall not, at the same time, provide internal audit services to the Corporation. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

5.1.5.5 The Corporation's external auditor shall be rotated, or the signing partner of the external auditor assigned to the Corporation shall be changed, every five (5) years or earlier.

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

5.4 Code of Ethics and Business Conduct

The Corporation must set a Code of Ethics and Business Conduct and personnel policies to be strictly observed and followed by all its directors, officers, and employees. The same should be distributed to all for their information. Any updates therein must be also disseminated.

6. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

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

6.1.1 Voting Right

6.1.1.1 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.

- 6.1.1.2 In case the stockholders cannot attend the annual and special stockholders' meetings, 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.
- 6.1.1.3 The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- 6.1.1.4 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- 6.1.1.5 Cumulative voting shall be used in the election of directors.
- 6.1.1.6 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

6.1.2 Pre-emptive Right

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.

6.1.3 Power of Inspection

All shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost.

6.1.4 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 discretion of the Board.

6.1.5.2 The Corporation 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.

6.1.6 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:

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 corporate property and assets as provided in the Corporation Code; and

6.1.6.3 In case of merger or consolidation.

6.1.7 Grievance Procedure

A stockholder may file a complaint in writing and submit the same to the Corporate Secretary for purposes of endorsement to the Compensation, Remuneration and Governance Committee.

6.1.8 Disclosure of Material Non-Public Information

The Corporation is prohibited to communicate material non-public information to any person, unless the Corporation is ready to

simultaneously disclose the material non-public information to the Philippine Stock Exchange (PSE). However, this rule shall not apply if the disclosure is made to the following:

6.1.8.1 A person who is bound by duty to maintain trust and confidence to the Corporation such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and

6.1.8.2 A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

7. COMMUNICATION PROCESS

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

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

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

7.4 A downloadable softcopy of this Manual will be posted in the Corporation's website

8. TRAINING PROCESS

8.1 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.

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

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

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

9.2 All material information, i.e., anything that could potentially affect its viability or the interest of its stockholders and other stakeholders, shall be publicly and timely disclosed. Such information shall include, among others earnings results, acquisition or disposal of assets, off balance sheet transactions, related party transactions, 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 dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and other stakeholders.

9.3 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

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

9.5 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.

10. MONITORING AND ASSESSMENT

10.1 Each Committee shall report regularly to the Board of Directors.

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

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

10.4 This Manual shall be subject to annual review unless the frequency is amended by the Board.

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

11. REGULAR REVIEW OF THE MANUAL AND THE SCORECARD

To monitor the Corporation's compliance with the Revised Code of Corporate Governance as implemented by this Manual, the Corporation, through its Compliance Officer, shall accomplish annually a scorecard on the scope, nature, and extent of the actions taken to meet the objectives of the Code.

12. SANCTIONS

12.1 Internal Sanctions:

12.1.1 Non-compliance with any of the provisions in this Manual by the Corporation's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers and staff shall subject erring associate/s, after due notice and hearing, to sanctions as provided

for under the Corporation's applicable Human Resources Policy Manual.

12.1.2 It shall be the duty of the Compliance Officer to determine any violation of the principles and best practices contained in this Manual through notice and hearing.

The Compliance Officer shall likewise recommend to the Chairman of the Board the penalty to be imposed for such violation. The said recommendation shall be further reviewed and approved by the Board of Directors.

12.2 Sanctions Imposed by the SEC:

A fine of not more than Two Hundred Thousand Pesos (P200,000.00) shall, after due notice and hearing, be imposed for every year that a covered corporation violates the provisions of the Code, without prejudice to other sanctions that the SEC may be authorized to impose under the law, provided, however, that any violation of the SRC punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.

Signed with the Authority of the Board of Directors:

HELEN Y. DEE
Chairman of the Board

Date: _____