

PHOENIX SEMICONDUCTOR PHILIPPINES CORP.

MANUAL OF CORPORATE GOVERNANCE

Table of Contents

I.	Introduction	2
	1.1 Objective	2
	1.2 Rules of Interpretation	2
	1.3 Effectivity	2
II.	Governance Structure	3
	2.1 Board of Directors	3
	2.1.1 Composition of the Board	3
	2.1.2 Qualification of Director	4
	2.1.3 Disqualification of Director	5
	2.1.3.1 Permanent Disqualification	5
	2.1.3.2 Temporary Disqualification	7
	2.1.4 Responsibility of the Board of Director	8
	2.1.5 Functions and duties of the Board	9
	2.1.6 Duties and responsibilities of a Director	11
	2.1.7 Internal control responsibilities of the Board	12
	2.1.8 Board meetings and quorum requirement	14
	2.1.9 Training of the directors	14
	2.1.10 Board Committees	14
	2.2 Multiple board seats	17
	2.3 Executive officers	17
	2.3.1 The Chairman and President/CEO	17
	2.3.2 The other executive officers	18
	2.3.3 The corporate secretary	18
	2.3.4 The compliance officer	19
	2.4 Remuneration of directors and officers	20
	2.5 Succession planning for the board and senior management	20
III.	Communication Process	20
IV.	Supply of adequate and timely information	21
V.	Accountability and audit	21
VI.	Stockholder's rights and protection of minority stockholder's interest	24
	6.1 Voting right	24
	6.2 Power of inspection	24

Table of Contents

6.3	Right to information	24
6.4	Right to dividends	25
6.5	Appraisal right	25
6.6	Promotion of shareholder's right	25
VII.	Governance self-rating and evaluation of systems	26
VIII.	Disclosure and transparency	26
IX.	Corporate Governance scorecard	27
X.	Administrative sanctions	27
XI.	Definition of terms	27

PHOENIX SEMICONDUCTOR PHILIPPINES CORP.

MANUAL OF CORPORATE GOVERNANCE

I. INTRODUCTION

PHOENIX SEMICONDUCTOR PHILIPPINES CORP. (“PSPC” or the “Corporation”), its Board of Directors (the “Board” or “BOD”), officers and employees are committed to maintain a high standard of corporate governance in the attainment of its corporate goals.

1.1 Objective

This Manual of Corporate Governance (the “Manual”) shall serve as a guide for PSPC, its BOD, officers and employees to strive to enhance the value of the Corporation and optimize shareholders value by:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management and internal controls
- d. Reliable financial and operational information,
- e. Cost effective and profitable business operations,
- f. Compliance with laws, rules, regulations and contracts and

1.2 Rules of interpretation

1.2.1 All references to the masculine gender in the provisions of this Manual shall likewise cover the feminine gender.

1.2.2 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, and shall not prejudice the Corporation.

1.3 Effectivity

- II. This Manual of Corporate Governance shall be effective on April 1, 2014. **GOVERNANCE STRUCTURE**

2.1 **Board of Directors**

The primary function of the BOD is to provide effective leadership and direction to enhance the long-term value of the Corporation to its stakeholders. The Board oversees the business affairs of the Corporation. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

2.1.1 **Composition of the Board**

The Board shall be composed of seven (7) directors to be elected by the stockholders in accordance with the law and the by-laws of the Corporation.

At least two (2) directors shall be an independent director or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, in no case less than two (2) as provided by law.

The stockholders may elect a mix of executive and non-executive directors (which include independent directors), to allow a healthy balance of ideas, opinions, wisdom and experience on the management and business of the Corporation. The non-executive directors should possess such qualification and stature that would enable them to effectively participate in the deliberations of the Board.

Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

- i. Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
- ii. Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- iii. Is not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;
- iv. Has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years;
- v. Is not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;
- vi. Has not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial or insignificant.

2.1.2 Qualifications of Directors

A director must have at least one share of stock of the Corporation. A director who ceases to be the owner of at least one (1) share of the capital stock of the Corporation shall cease to be a director in accordance with the Corporation Code.

Majority of the directors should be residents of the Philippines.

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 consider any of the following qualifications as may be applicable:

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

2.1.3 Disqualification of Directors

2.1.3.1 Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director as provided by law:

- (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 (“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;
- (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 (“SEC” or “Commission”) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading

advisor, or floor broker; (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 subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

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

- (iii) Any person convicted by final judgment or order by a 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, 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 ceases to be such when he becomes an officer, employee or consultant of the 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 in sub-paragraphs (i) to (iv) above;
- (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.

2.1.3.2 Temporary Disqualification

A director may be temporarily disqualified from being a director in the Corporation for the following reasons as provided by law:

- (i) Refusal to comply with the disclosure requirements of Securities Regulation Code and its implementing regulations. The disqualification shall be in effect as the refusal persists.
- (ii) 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, or other similar reasons, or the performance of an order by or a duty to the Corporation. This disqualification shall apply for the purpose of the succeeding election.
- (iii) Dismissal/termination from directorship in another listed corporation for irregularity, fraud or other valid causes. This disqualification shall be in effect until such person has cleared himself of any involvement in the alleged irregularity, fraud or

other valid cause for termination or such cause does not apply to the Corporation (e.g. disqualification as a competitor in another line of business not related to the business of the Corporation).

- (iv) 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.
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

2.1.4 Responsibility of the Board and the Directors

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

A director owes the duty to be obedient, loyal and diligent to the Corporation. Obedience imposes on the directors the obligation to act only within the corporate powers of the Corporation as defined under its articles of incorporation and by-laws and by the Corporation Code and other applicable laws. Directors should manage the Corporation with reasonable diligence, care and prudence. They cannot be held liable for mistakes or errors in the exercise of their business judgment when they act in good faith with due care and prudence.

A director has fiduciary responsibility to the Corporation and its stockholders. His duty to be loyal requires him to act in the best interest of the Corporation,

and prevents him from acquiring for himself a business opportunity which belongs to the Corporation.

To ensure good governance of the Corporation, the Board should establish the Corporation's vision and mission, strategic objectives, policies and procedures that shall guide and direct the business and corporate activities of the Corporation and the means to attain the same, and mechanism for monitoring Management's performance. The management of the day-to-day affairs of the Corporation is the responsibility of Management. The directors shall keep themselves sufficiently informed about the general condition of the business and the manner in which it is being conducted, so that they may become aware of the difficulties and problems that must be met and solved by the Corporation.

2.1.5 Functions and Duties of the Board

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

- (i) Select and appoint the President/CEO, Chief Finance Officer ("CFO") and other senior officers of the Corporation. The executive officers shall have the requisite maturity, motivation, integrity, competence and professionalism necessary to effectively perform their duties and responsibilities to the Corporation. The Board may adopt a professional development program for employees and officers, and a succession planning program for management.
- (ii) Provide strategies and general policies to maintain the viability and promote the growth and success of the Corporation. It must periodically evaluate and monitor implementation of such strategies and policies, business plans and operating budgets as well as management's over-all performance and provide sound strategic policies and guidelines to the Corporation on major capital expenditures.

- (iii) Ensure the faithful compliance by the Corporation of all applicable laws, regulations and applicable best business practices.
- (iv) Establish a policy on communicating or relating with stockholders and other stakeholders of the Corporation through an effective investors relations program. A senior officer designated by the Board shall exercise oversight responsibility over this program.
- (v) Provide a system of internal checks and balances. A regular review of the effectiveness of such system should be conducted.
- (vi) Identify and monitor key risk areas and key performance indicators.
- (vii) Meet at least once a quarter. All such meetings should be duly minuted. Independent views during Board meetings should be encouraged and given due consideration.
- (viii) Pass upon the qualification of nominees to the Board, establish a nomination committee to which it can delegate such function or 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.
- (ix) Identify the sectors 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 as may be necessary and maintain a meaningful CSR Program.
- (x) 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 interlocking director relationships by members of the Board to protect the interest of the Corporation.

- (xi) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- (xii) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with the Corporation Code, and applicable laws, rules and regulations.
- (xiii) Appoint a Compliance Officer who shall have the rank of at least vice president. The Corporate Secretary, preferably a lawyer, may also be designated as Compliance Officer.

2.1.6 Duties and Responsibilities of a Director

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

The specific duties and responsibilities of a Director include the following:

- (i) To conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions or does not conflict with the interest 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 a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation,

or stands to acquire or gain financial advantage at the expense of the corporation.

- (ii) To attend Board meetings regularly and devote time and attention necessary to properly discharge his duties and responsibilities as a director.

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work.

- (iii) To act judiciously on matters referred to the Board.

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

- (iv) To exercise independent judgment in deciding Board matters.
- (v) To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, without prejudice to obtaining advise of legal counsel on appropriate issues.
- (vi) To observe confidentiality on all proprietary, confidential and non-public information that comes to his possession as director.

2.1.7 Internal Control Responsibilities of the Board

The control environment of the corporation consists of:

- The Board which ensures the corporation is properly and effectively managed and supervised;
- A Management that actively manages and operates the corporation in a sound and prudent manner;

- The organizational and procedural controls supported by effective management information and risk management reporting systems; and
- An independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and the integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules and contracts.

The internal control mechanism for the Board's oversight responsibility includes:

- (i) Defining the duties and responsibilities of the President/CEO
- (ii) Selecting or approving an individual with appropriate competence, vision, integrity and experience to fill the President/CEO role;
- (iii) Reviewing proposed senior management appointments;
- (iv) Ensuring the selection, appointment and retention of qualified and competent management;
- (v) Reviewing the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan.
- (vi) Appointing an internal auditor / internal audit department, through the Audit Committee through which the Board, senior management and stockholders may be provided with reasonable assurance that its key organizational and procedural control are effective, appropriate and complied with. The auditor and/or Audit Committee shall be guided by the International Standards on Professional Practice of Internal Auditing.

2.1.8 Board Meetings and Quorum Requirement

Directors should attend meetings of the Board in person, or by use of modern technology through teleconference devices.

The independent director should attend all Board Meetings. However, the absence of an independent director shall not affect the quorum requirements. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings, unless he is duly notified of the meeting and fails to attend the same, or if the independent director resigns or ceases to be an independent director pending the appointment of or of his replacement.

2.1.9 Training of directors

The Company must conduct a comprehensive orientation program which will be presented by the CEO and senior management, to familiarize new directors with business and governance policies. The orientation program gives directors an understanding of the Company's business to enable them to assimilate into their new roles. The program also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

2.1.10 Board Committees

The Board has delegated certain functions to various board committees, namely the Audit Committee (AC), Nominating Committee (NC), Remuneration Committee (RC) and Risk Management Committee (RMC). Each of the various board committees has its own written terms of reference and whose action are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

1. Audit Committee

The Audit Committee shall consist of at least three (3) directors, who shall preferably have an accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chairperson of the Audit Committee should be an independent director. The committee shall have the following functions:

- (i) 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;
- (ii) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk of the Corporation;
- (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 the both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (iv) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (v) Coordinate, monitor and facilitate compliance with laws, rules and regulations as may be directed by the Board. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report to the Audit Committee;
- (vi) 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;

Note: A more detailed discussion of the purpose, authority duties and responsibilities of the Audit Committee is found in the Audit Committee Charter.

2. Nomination Committee

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;

3. Remuneration Committee

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.

Members of the Remuneration Committee shall not participate in the discussion with respect to his own remuneration, unless the same shall apply to all Directors.

4. Risk Management Committee

A Risk Management Committee establishes fundamental policies to guide all personnel, including senior executive management and the BOD, who are directly or indirectly involved in the strategic, operations, compliance and financial activities of the Company. This will serve as the guide to enable the concerned Company personnel to make appropriate actions and decisions pertaining to the management of the Company's portfolio of risks.

Note: A more detailed discussion of the duties and responsibilities of the Risk Management Committee is found in the Enterprise Risk Management Policy.

2.2 Multiple Board Seats

A director shall exercise due discretion in accepting directorship positions in other corporation, provided that such simultaneous service would not impair the director's ability to serve effectively on the Corporation's Board.

2.3 Executive Officers

2.3.1 The Chairman and President/CEO

The Roles of Chairman (of the BOD) and the President/CEO shall, 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 shall be made between the Chairman and President/CEO upon their election.

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

The duties and responsibilities of the Chairman in relation to the Board shall be provided in the By-laws, and may include, the following:

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary;
- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President/CEO, Management and directors; and
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management.

The Chairman or in his incapacity or absence, the President/CEO, shall preside at all meetings of the BOD and of the stockholders. The President/CEO shall have general supervision, administration and management of the business of the Corporation. The President/CEO shall jointly establish general administrative and operating policies and guidelines.

2.3.2 The Other Executive Officers

The COO, CFO and other officers shall have the qualifications, duties and responsibilities specified in the by-laws of the Corporation or as may be specified or designated by the BOD, or by the President/CEO. All officers of the Corporation shall familiarize themselves with and shall comply with their duties and responsibilities under this Manual.

2.3.3 The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. The Corporate Secretary shall have the qualification, duties and responsibilities specified in the by-laws of the Corporation, or as may further be specified or designated by the BOD.

The Corporate Secretary shall gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation. He shall advise and monitor that Board procedures are being followed and applicable rules and regulations are complied with.

- (i) The Corporate Secretary shall deal with the BOD, management, stockholders and other stakeholders professionally and objectively. To the extent feasible, the Corporate Secretary shall have sufficient administrative skills, interpersonal skills, legal skills and financial skills as may reasonably be necessary to allow him to perform his duties and responsibilities as Corporate Secretary.
- (ii) The Corporate Secretary shall be part of the scheduling of the different Board or stockholders meetings. He shall prepare a schedule of regular Board meetings for the current year in coordination

with the Board. He should send notices to all Directors before each Board meetings.

- (iii) The Corporate Secretary shall serve as an adviser to the directors and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations as directors of the Corporation.
- (iv) The Corporate Secretary shall attend and take the minutes of all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so. In his absence, the Assistant Corporate Secretary or a person designated by the Board shall take the minutes of the meeting.
- (v) If the Corporate Secretary is also the Compliance Officer, he shall perform all the duties and responsibility of said officer as provided hereunder and other existing laws, rules and regulations.
- (vi) The Corporate Secretary shall be loyal to the mission, vision and objectives of the Corporation; work fairly and objectively with the Board, Management and stockholders; have a working knowledge of the operations of the Corporation; and ensure that all Board procedures, rules and regulations are strictly followed by the members.

2.3.4 The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

- (i) Monitor compliance by the Corporation with the latest Manual of Corporate Governance 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 appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;

- (ii) Appear before the SEC when summoned in relation to compliance with the latest Manual of Corporate Governance; and
- (iii) Prepare and submit to SEC an annual corporate governance report

2.4 Remuneration of Directors and Officers

Levels of remuneration shall be sufficient to attract and retain the directors and officers needed to run the Corporation successfully.

Corporations may establish formal and transparent procedure for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers. No director should participate in deciding his own remuneration, unless it applies to all Directors.

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, in the aggregate, during the preceding fiscal year as provided by law.

2.5 Succession planning for the Board and senior management

Succession planning is an important part of the governance process. The Nomination Committee (NC) seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

III. COMMUNICATION PROCESS

This Manual of Corporate Governance shall be made available to any director, officer, or employee of the Corporation. This Manual shall form part

of the records of the Corporation that is available for inspection by any stockholder of the Corporation at reasonable hours or business days.

The Chairman of the Board shall promote pragmatic compliance of this Corporate Governance Manual.

The Corporation shall conduct information campaigns, orientation program or workshops on Corporation Governance under this Manual to its directors, officers and employees.

IV. SUPPLY OF ADEQUATE AND TIMELY INFORMATION

Directors should be provided with complete, adequate and timely information prior to Board meetings on an on-going basis.

Management shall have an obligation to supply the Board with such information. The Board shall have separate and independent access to the senior management of the Corporation, including the Corporate Secretary.

The Board may provide a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice concerning matters pending before the Board, if necessary, at the Corporation's expense.

V. ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the shareholders, and Management is primarily accountable to the Board. The Board should provide the shareholders with a fair, balanced and comprehensive assessment of the Corporation's performance position on a quarterly basis including interim and other reports to regulators as required by law.

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 following guidelines:

- (i) Present a fair assessment of the Corporation's financial position;
- (ii) Explain the responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- (iii) Report that the business is a going concern, with supporting assumptions or qualification, if necessary;
- (iv) Provide a sound system of internal control to safeguard shareholders' investment and the Corporation's assets;
- (v) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover the evaluation of adequacy and effectiveness of control encompassing 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.
- (vi) The Corporation shall comply with the financial reporting requirements of the Commission.
- (vii) 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 Board and Management the reasons why he has not fully complied with the said standards.

- (viii) 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;

Selection/appointment, resignation, dismissal or cessation of service of an External Auditor

- (i) The Board, after consultation with the Audit Committee, shall recommend to the stockholders a licensed and accredited external auditor who shall undertake an independent audit and provide assurance on the way in which financial statements have been prepared and represented. Such external auditor cannot at the same time provide the services of an internal auditor to the Corporation. Other non-audit work should not be in conflict with the functions of the external auditor, or pose a threat to his independence.
- (ii) The external auditor shall be rotated or the handling partner of the auditing Firm handling the external audit shall be changed at least every five (5) years.
- (iii) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved would have cause making reference to the subject matter of the disagreement in connection with its report. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.
- (iv) If an external auditor believes that the statements made in an annual report, information statement or proxy statements filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

VI. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

6.1 Voting Right

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

Although directors may be removed with or without cause, the Corporation Code prohibits removal without cause if it will deny minority shareholders representation in the Board.

6.2 Power of Inspection

Shareholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall be provided with a copy of the annual report, including financial statements, without cost or restrictions in accordance with law.

6.3 Right to Information

The shareholders shall be provided, upon request, with reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers, as may be required by law and applicable disclosure rules.

The minority shareholders have the same right of information as other shareholders of the Corporation. They may propose the holding of a meeting, in accordance with the by-laws, and propose items in the agenda of the meeting, provided the items are for legitimate business purposes, in accordance with law.

6.4 Right to Dividends

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

6.5 Appraisal Right

Section 82 of the Corporation Code allows the exercise of the shareholders' appraisal rights under 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.

6.6 Promotion of Shareholders Right

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 on the validity of a proxy should be resolved in the stockholder's favor.

The Board shall promote shareholder rights in accordance with law, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for violation of their rights in accordance with law. The exercise of shareholders' voting rights and solution of collective act on problems through appropriate mechanisms shall be encouraged in accordance with

applicable law. Excessive and other administrative or practical impediments to shareholders participation in meetings and/or voting in person should be removed. The Board shall allow the electronic filing and distribution of shareholder information necessary to make informed decisions as may be allowed by law.

VII. GOVERNANCE SELF RATING AND EVALUATION SYSTEMS

The Board may establish an internal self-rating and evaluation system to determine and measure compliance with this Manual and may provide for sanctions for willful breach of this Manual depending on gravity of the violation, and the relative importance and practicality of the provision violated.

The establishment of such evaluation system, including the features thereof, may be disclosed in the annual report (SEC Form 17-A), or in such other appropriate form of report. The adoption of such performance evaluation system shall be covered by a Board resolution.

This Manual shall be subject to periodic review as may be provided by the Board.

VIII. DISCLOSURE AND TRANSPARENCY

The Corporation shall comply with all disclosure requirements under law. 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.

All material information, i.e. anything that could potentially affect share price, should be publicly and timely disclosed in the manner provided by law. Such information would include earnings results, acquisition or disposal of major asset, board changes, related party transactions, shareholdings of directors and changes to ownership. Other information that should be disclosed includes remuneration of all directors and senior management as provided in applicable disclosure rules, corporate strategy, and off-balance sheet transactions. All disclosed information should be released via the approved

stock exchange procedure for company announcements or through the annual report and other structured or unstructured reports provided by law.

IX. CORPORATE GOVERNANCE SCORECARD

The Corporation shall accomplish annually a scorecard on the scope, nature and extent of the actions the Corporation has taken to meet the objectives of the latest Manual of Corporate Governance pursuant to existing circulars as well as rules and regulations of the SEC and other regulatory bodies.

X. ADMINISTRATIVE SANCTIONS

It shall be the responsibility of the Compliance Officer to determine sanctions for any violation of any provision of this manual including the recommendation to the Chairman of the Board, after notice and hearing, the imposable penalty for approval.

First offense, the subject person shall be reprimanded.

Second offense, the subject person shall be suspended from office. Duration of the suspension shall depend on the gravity of the violation.

Third offense, the subject person shall be suspended from office plus a monetary penalty as determined by the Board. Maximum penalty of removal from office.

XI. DEFINITION OF TERMS

a.) Corporate Governance – the framework of rules, systems and processes in the corporation that governs the performance by the BOD and Management of their respective duties and responsibilities to the stockholders;

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

- c.) Exchange** – an organized market place or facility that brings together buyers and sellers and executes trades of securities and/or commodities;
- d.) Management** – the officers/body/committees given the authority under the by-laws and by the BOD to implement the policies it has laid down in the conduct of the business of the Corporation;
- e.) 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 reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
- f.) 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.
- g.) Internal control** – the system established by the BOD 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;
- h.) 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 a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- i.) 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;

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