



Digitel Mobile Phils., Inc.

CORPORATE GOVERNANCE MANUAL AND POLICIES

Quezon City, Philippines
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Digitel Mobile Phils., Inc.

Corporate Governance Manual and Policies

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DIGITEL MOBILE PHILS., INC.

REVISED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, Officers, Executives and Employees of Digital Mobile Phils., Inc. (the "Company") hereby commit themselves to the principles of sound corporate governance provided in this Revised Manual on Corporate Governance, and acknowledge that the same may serve as a guide in the attainment of the Company's corporate goals.

1. Preliminary

This Revised Manual on Corporate Governance is adopted pursuant to SEC Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission on June 22, 2009, otherwise known as the "Revised Code of Corporate Governance". This Revised Manual supersedes the previous Manual on Corporate Governance adopted pursuant to SEC Memorandum Circular No. 2, Series of 2002, and shall take effect immediately upon signing thereof.

2. Definitions and Interpretation

2.1 Defined Terms

The following terms are used in this Manual with the respective meanings ascribed to such terms below, unless the context otherwise requires:

"Articles of Incorporation"	means the Amended Articles of Incorporation of the Company and all amendments thereto;
"Board"	means the Board of Directors of the Company, as constituted from time to time;
"Board Committees"	means the Nomination and Audit Committees and such other Committees which the Board may constitute from time to time;
"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;
“BSP”	means the Bangko Sentral ng Pilipinas;
“By-Laws”	means the Amended By-Laws of the Company and all amendments thereto;
“Chairman”	means the Chairman of the Board;
“Code”	means SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the “Revised Code of Corporate Governance”;
“Commission”	means the Philippine Securities and Exchange Commission;
“Company”	means Digitel Mobile Phils., Inc.
“Corporation Code”	means Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines;
“Corporate Governance”	the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders;
“Director”	means a duly elected member of the Board;
“Exchange”	means the Philippine Stock Exchange;
“Executives”	means the executives of the Company with the rank of Manager up to Assistant Vice President;
“Executive Director”	means a Director who is at the same time appointed to head a department/unit within the Company or performs any work related to its operation;
“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, and more specifically identified and described in **Annex A** hereof;

“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;

“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;

“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;

“Internal control”

the system established by the Board of Directors 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;

“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;
“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;
“Manual”	means this Revised Manual on Corporate Governance as the same may be amended from time to time;
“Non-audit work”	the other serviced 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.
“Officers”	means the officers of the Company with the rank of Vice President and above;
“Securities Regulation Code”	means Republic Act No. 8799 otherwise known as the Securities Regulation Code; and
“Year”	means a calendar year.

2.2 Rules of Interpretation

- (a) Unless the context otherwise requires:
- (i) Words in the singular include the plural, and vice versa; and
 - (ii) Words importing any gender include all genders.
- (b) A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provisions which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.

- (c) The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.
- (d) All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation.

3. Objective

This Revised Manual shall institutionalize the principles of sound corporate governance in the entire Company.

The Board, Officers, Executives and Employees of the Company believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to foster awareness thereof within the Company as soon as possible.

4. Governance Structure

4.1 Board of Directors

The Board of Directors (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.

4.1.1 Composition of the Board

- (a) The Board shall be composed of such number of Directors provided in the Articles of Incorporation, duly elected by the stockholders entitled to vote in accordance with the By-Laws, the Corporation Code and Securities Regulation Code. The Directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board occurring for any reason other than by removal of a Director by the stockholders or by the expiration of term may be filled by the vote of at least a majority of the remaining Directors, if still constituting a quorum. A Director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

- (b) The Board shall have such number of Independent Directors constituting at least twenty percent (20%) of the total membership of the Board, but which shall in no case be less than two (2). The meaning of and qualifications for independent directorship in the Company shall be those set forth in **Annex A**, as may be amended from time to time to include additional qualifications provided under any amendments to the Corporation Code, Securities Regulation Code, Governance Code and other relevant laws, rules and regulations, and such other qualifications approved by the Board and incorporated in amendments to the By-Laws.
- (c) The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.
- (d) The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

4.1.2 Qualifications for or Disqualifications from Directorship

- (a) The minimum qualifications for directorship in the Company shall be those set forth in **Annex B**, as may be amended from time to time to include additional qualifications provided under any amendments to the Corporation Code, Securities Regulation Code, Governance Code and other relevant laws, rules and regulations, and such other qualifications approved by the Board and incorporated in amendments to the By-Laws.
- (b) The grounds for disqualification from directorship in the Company shall be those set forth in **Annex C**, as may be amended from time to time to include additional grounds for disqualification provided under any amendments to the Corporation Code, Securities Regulation Code, Governance Code and other relevant laws, rules and regulations, and such other grounds for disqualification approved by the Board and incorporated in amendments to the By-Laws.

4.1.3 General Responsibilities, Duties and Functions of the Board and the Directors

Compliance with the principles of good corporate governance instituted in this Manual shall be the paramount responsibility of, and shall start with, the Board.

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 interest of its stockholders.

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.

The Board shall exercise the corporate powers, conduct the business, and control the properties of the Company in consonance with the corporate governance principles instituted in this Manual and shall be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

Consistent with a director's three-fold duty of obedience, diligence and loyalty to the corporation he serves, the Directors shall:

- (a) act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-Laws, and legislative franchise of the Company and in existing laws, rules and regulations;
- (b) exercise their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
- (c) act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders.

4.1.4 Specific Responsibilities, Duties and Functions of the Board

To ensure a high standard of governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders, the Board shall:

- (a) implement a process of selection of Directors to ensure a mix of knowledge, expertise and experience and balance among independent, non-executive and executive directors in the context of the needs of the Board, and that each Director can add value

and contribute independent judgment to the formulation of sound corporate strategies and policies;

- (b) constitute an Audit Committee, a Nomination Committee, an Executive Compensation Committee, and such other committees which it deems necessary to assist the Board in the performance of its duties and responsibilities;
- (c) select and appoint the CEO and other Officers;
- (d) determine and review, together with Management, the Company's vision, mission and strategic objectives;
- (e) oversee Management's implementation of business strategies, plans and policies and periodically evaluate Management's overall performance;
- (f) oversee Management's establishment and maintenance of effective and adequate financial reporting and internal control systems;
- (g) oversee Management's adoption and implementation of a system for identifying, monitoring and managing key risk areas, and review Management's reports to the Board on major risk exposures of the Company and the actions taken to monitor, minimize, control or manage such risks;
- (h) oversee Management's adoption of compensation plans and professional development programs for Officers and succession planning for senior Management;
- (i) ensure that the Company has an internal audit system that can reasonably assure the Board and Management that the Company's key organizational and operational controls are complied with;
- (j) ensure that the Company has an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors;
- (k) ensure that the Company complies with all relevant laws, rules and regulations and endeavors to adopt best business practices;
- (l) ensure that the Company has an effective investor relations program that will keep stockholders and investors informed of important developments in the Company;

- (m) ensure that the Company has a program for communicating with the sectors in the community in which the Company operates or which are directly affected by its operations;
- (n) ensure that the Company establishes appropriate corporate governance policies and procedures pursuant to this Manual and the Governance Code, including, but not limited to, policies on conflict of interest and related party transactions, and oversee the effective implementation thereof;
- (o) 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 Company's internal control system in order to maintain its adequacy and effectiveness;
- (p) ensure that the Board and Board Committees are enabled to obtain independent professional advice at the Company's expense and have access to Management as they may deem necessary or appropriate to carry out their duties;
- (q) formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company 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; and,
- (r) establish and maintain an alternative dispute resolution system in the Company, subject to applicable laws, rules and regulations, and the By-Laws, that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.

4.1.5 Specific Duties and Responsibilities of a Director

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

A director should observe the following norms of conduct:

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

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of 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) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- (iii) Act judiciously.

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

- (iv) Exercise independent judgment.

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

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

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

- (vi) Observe confidentiality

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

4.1.6 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 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.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
 - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
 - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - c) Evaluation of proposed senior management appointments;
 - d) Selection and appointment of qualified and competent management officers; and

- e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the systems of effective organizational and operational controls may, among others, take into consideration the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- (iii) The Company shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

4.1.7 Board Meetings and Quorum Requirements

- (a) The Board shall schedule and hold regular meetings in accordance with its By-Laws and convene for special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials shall be furnished to the Directors prior to each meeting, which meeting must be duly minuted.
- (b) Every Director shall attend each Board meeting, except when justifiable causes prevent his attendance, to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness, death of an immediate family member, or serious accident.
- (c) In any meeting of the Board, an Independent Director should always be in attendance to promote transparency. However, unless otherwise provided in the By-Laws, the absence of an Independent Director shall not affect the quorum requirement.
- (d) In order to monitor the Directors' compliance with the attendance requirement, the Company shall submit to the Commission on or before January 30th of each year, a sworn certification on the Directors' attendance in Board meetings held during the immediately preceding year.

- (e) The Board shall hold executive sessions with the Independent Directors and non-Executive Directors, excluding Executive Directors, at least once a year and at such other times as the Board may deem necessary or appropriate. Such executive sessions shall be presided by the Chairman of the Board, except if said Chairman is an Executive Director, in which case, by an Independent Director or non-Executive Director designated by the Board.

4.1.8 Remuneration of Directors and Officers

Directors shall not receive any compensation, as such, except for reasonable per diems, unless such compensation is provided in the By-Laws or granted by a vote of the stockholders representing at least a majority of the outstanding capital stock of the Company. The Directors shall not decide on their own compensation, other than per diems.

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

The Company may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation.

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

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

4.1.9 Directorship in other Boards / 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. In any case, the capacity of Directors to diligently and efficiently perform their duties and responsibilities to the Company

should not be compromised.

4.2 Board Committees

To aid in ensuring compliance with the principles of good corporate governance, the Board may constitute an Audit Committee, a Nomination Committee and an Executive Compensation Committee. The Board may form other committees as it may deem appropriate.

4.2.1 Appointment of Members

- (a) The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.
- (b) The Board shall ensure that: (i) the Audit Committee shall consist of at least three (3) Directors who shall preferably have accounting and finance backgrounds, one of whom shall be an Independent Director and another with audit experience. The Chair of the Audit Committee should be an Independent Director; (ii) the Nomination Committee shall be composed of at least three (3) members and the chair of whom should be an Independent Director; and (iii) the Executive Compensation Committee shall be composed of at least three (3) members and one of whom should be an Independent Director.

4.2.2 Charters

- (a) Each Board Committee shall have a Charter which shall define and govern, among other matters, its purposes, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedures for escalation to the Board of decisions of such Board Committee.
- (b) The respective Charters of the Board Committees shall be approved by the Board and shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board.

4.2.3 Purposes

- (a) The primary purposes of the Audit Committee, Nomination Committee and Executive Compensation Committee shall be those set out in the **Annexes D, E and F**, respectively.
- (b) Each Board Committee shall submit to the Board at least once a year a report of its accomplishments and a self-assessment of its performance.

4.3 The Chairman

The Chairman shall assist in ensuring compliance with and performance of the corporate governance policies and practices.

In accordance with applicable regulations, the roles of Chairman and the CEO should, as practicable, be separate for an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. There should be a delineation of functions between the Chairman and the CEO.

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

The Chairman shall ensure that Board meetings are held in accordance with the By-Laws and annual schedule approved by the Board. He shall supervise the preparation of the agenda of each meeting in coordination with the Corporate Secretary, taking into consideration the proposals of the CEO, Management and Directors of the Company. He shall provide leadership for the Board and ensure that the Board works effectively and performs its duties responsibly. He shall also ensure that the lines of communication and flow of information between Management and the Board are maintained.

4.4 The CEO and Management

4.4.1 Duties and Responsibilities:

- (a) The CEO shall have general care, management and administration of the business operations of the Company. He shall ensure that: (i) the business and affairs of the Company are managed in a sound and prudent manner; and (ii) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

- (b) The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis.
- (c) In order to enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide the Directors/Board with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director or the Board, make presentations on specific topics and respond to further inquiries in relation thereto during Board meetings. The Directors shall have independent access to Management.
- (d) Management shall formulate, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures in accordance with the following guidelines:
 - (i) The extent of Management's responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly explained;
 - (ii) An effective system of internal control that will ensure the integrity of the financial reports, effectiveness and efficiency of operations, protection of assets and compliance with laws, rules, regulations and contracts should be maintained;
 - (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's financial reporting, 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 laws, rules, regulations and contracts;
 - (iv) The Company should consistently comply with the financial reporting requirements of the Commission;
 - (v) The External Auditor should be rotated or changed every five (5) years, or its lead audit partner primarily responsible for the audit of the Company or the review thereof should

be changed with the same frequency, in accordance with applicable laws and regulations; and

- (vi) The Internal Auditor or the internal audit organization, through the Internal Audit Head/Chief Audit Officer, should submit to the Audit Committee and Management a quarterly or annual report on the internal audit 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 Audit Committee/Board and Management. The Internal Auditor or the Internal Audit Head/Chief Audit Officer should certify that the internal audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing and disclose to the Audit Committee/Board and Management the reasons for non-compliance therewith.

4.4.2 Compensation

The compensation of the CEO and other Officers shall be subject to review and approval by the Executive Compensation Committee. Equity-based plans and long-term incentive plans for Officers which the Executive Compensation Committee may recommend shall be subject to review and approval by the Board and, as applicable, stockholders' approval.

4.5 The Corporate Secretary and Assistant Corporate Secretary

4.5.1 Qualifications

- (a) The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and residents of the Philippines.
- (b) They must possess appropriate administrative, interpersonal and legal skills, be aware of the laws, rules and regulations necessary in the performance of their duties or responsibilities, and have at least an understanding of basic financial and accounting matters.
- (c) They must have a working knowledge of the operations of the Company.

4.5.2 Duties and Responsibilities

- (a) As Officers, the Corporate Secretary and Assistant Corporate Secretary must be loyal to the mission, vision and objectives of the Company.
- (b) The duties and responsibilities of the Corporate Secretary and Assistant Corporate Secretary shall be those provided in Article VIII of the By-Laws. In addition to said duties and responsibilities, the Corporate Secretary and/or Assistant Corporate Secretary shall:
 - (i) be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and Board Committees, as well as other official records of the Company;
 - (ii) work fairly and objectively with the Board, Management and stockholders;
 - (iii) inform the Directors, in accordance with the By-Laws, of the schedule and agenda of Board meetings and ensure that Management provides them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval;
 - (iv) attend all Board meetings, except when justifiable causes, such as illness, death of an immediate family member or serious accident, prevent them from doing so;
 - (v) ensure that all Board procedures, rules and regulations are strictly followed by the Directors; and
 - (vi) if the Corporate Secretary or Assistant Corporate Secretary is also the compliance officer, perform all the duties and responsibilities of the said officer as provided for in this Manual and the Governance Code.

4.6 Internal Auditor

4.6.1 Internal Audit Functions

- (a) The Company shall have in place an internal audit system whereby an internal audit organization conducts independent and objective internal audit activities designed to add value to and improve the Company's operations and to 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 through which the Board,

be changed with the same frequency, in accordance with applicable laws and regulations; and

- (vi) The Internal Auditor or the internal audit organization, through the Internal Audit Head/Chief Audit Officer, should submit to the Audit Committee and Management a quarterly or annual report on the internal audit 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 Audit Committee/Board and Management. The Internal Auditor or the Internal Audit Head/Chief Audit Officer should certify that the internal audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing and disclose to the Audit Committee/Board and Management the reasons for non-compliance therewith.

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- (c) They must have a working knowledge of the operations of the Company.

4.5.2 Duties and Responsibilities

Management and stockholders of the Company shall be provided with reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective and complied with.

- (b) Internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls covering the Company's financial reporting, 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 laws, rules, regulations and contracts.

4.6.2 Internal Audit Head or Chief Audit Officer

- (a) The Internal Audit Head or Chief Audit Officer shall be the head of the Company's internal audit organization and shall functionally report to the Audit Committee.
- (b) He shall be responsible for the internal audit activities and submit to the Audit Committee an annual internal audit plan conforming with the objectives of the Company, which plan shall include the audit scope, resources and budget necessary to implement it.
- (c) He shall submit to the Audit Committee and Management a quarterly or annual report on the internal audit organization's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit Committee.
- (d) He shall certify that internal audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing and, if otherwise, the reasons for non-compliance.

4.7 External Auditor

4.7.1 Selection/Appointment/Resignation/Dismissal

- (a) The Audit Committee shall select and appoint an External Auditor duly accredited by the Commission, or remove and replace such External Auditor as the Audit Committee deems necessary.

- (b) If an External Auditor resigns or is removed or ceases to perform service to the Company, the reasons therefor and the date thereof shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial disclosures or auditing procedures which the former External Auditor and the Company failed to resolve satisfactorily.
- (c) The External Auditor or the lead partner thereof primarily responsible for the audit of the Company or the review thereof shall be rotated or changed at least once every five (5) years.

4.7.2 Functions and Restrictions

- (a) The External Auditor shall enable an environment of sound corporate governance as reflected in the financial records and reports of the Company. The External Auditor shall undertake an independent audit and provide an objective assurance on the manner by which the Company's financial statements have been prepared and presented. If the External Auditor believes that any statement made in the Company's annual report, information or proxy statement or any report filed with the Commission or any regulatory body during the period of its engagement is incorrect or incomplete, the External Auditor shall present its views in said reports.
- (b) The External Auditor of the Company shall not at the same time be engaged as the internal auditor thereof.
- (c) When the External Auditor is tasked to perform non-audit work, the Company shall ensure that said non-audit work shall not be in conflict with its functions as an independent auditor. "Non-audit work" refers to other services offered by the External Auditor to the Company that are not directly related and relevant to its statutory audit functions, such as payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services and other services, that may compromise the independence and objectivity of the External Auditor.

4.8 Corporate Governance and Compliance Officer

4.8.1 Appointment

To ensure adherence to sound corporate governance principles and best practices, the Board shall designate a Corporate Governance and Compliance Officer who shall hold the position of at least a Vice President or its equivalent. The Corporate Governance and Compliance Officer shall have direct reporting responsibilities to the Chairman.

4.8.2 Duties of the Corporate Governance and Compliance Officer

The Corporate Governance and Compliance Officer shall have the following governance and compliance functions:

- (a) to monitor compliance with the provisions and requirements of this Manual, the Governance Code and such other laws, circulars, rules and regulations issued in relation thereto (the "CG Rules"), report violation(s) of the provisions of this Manual, the Governance Code and the CG Rules to the Chairman and Nomination Committee and recommend the imposition of disciplinary action for such violation(s) and the adoption of measures to prevent the repetition of such violation(s), subject to further review and approval by the Board;
- (b) to issue a certification every January 30th of each year on the extent of the Company's compliance with the provisions of this Manual and the Governance Code for the immediately preceding year and, if there are any deviations, to explain the reason for such deviations;
- (c) to appear before the Commission when summoned in relation to compliance with the Governance Code or the CG Rules; and
- (d) to assist the Board and the Nomination Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the corporate governance structure and policies of the Company, and to assist in the conduct of a self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees.

5. Adequate and Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

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

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

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

6. Accountability and Audit

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

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

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained;

- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
- (iv) The corporation should consistently comply with the financial reporting requirement of the Commission;

The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conduct 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 reason why he has not fully complied with the said standards.

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

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

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

any regulation body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

7. Stockholders' Rights and Protection of Minority Stockholders' Interests

7.1 Stockholders' Rights

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board establishing and designating classes or series of shares of stock of the Company (the "Constitutive Documents"). These rights are as follows:

- (a) Right to vote on all matters that require their approval pursuant to the relevant provisions of the Corporation Code and the Constitutive Documents. At every meeting of the stockholders for the election of directors, owners of shares of common stock of the Company are entitled to cumulative voting in accordance with the By-Laws.
- (b) Pre-emptive right or the right to subscribe to or purchase any unissued shares of stock of the Company offered for subscription or purchase, except as provided in the Seventh Article of the Articles of Incorporation; and in Section 39 of the Corporation Code which states that pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public, or to shares to be issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.
- (c) Right to inspect corporate books and records including minutes of Board meetings and stock registries; provided that, such right may be denied by the Board if the requesting stockholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determines it necessary to safeguard the rights and legitimate interest of the Company such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Company if such records were made available for inspection.

- (d) Right to receive information which is required to be disclosed by the Company pursuant to the Corporation Code or Securities Regulation Code.
- (e) Right to dividends subject to the provisions of the Corporation Code and the Constitutive Documents.
- (f) Appraisal right or the right to dissent and demand payment of the fair value of their shares in the instances provided for under Section 42 (investment of corporate funds in another corporation or business unless the investment is reasonably necessary to accomplish the primary purpose of the Company) and Section 81 (amendment of articles of incorporation which has the effect of changing or restricting rights of stockholders or class of shares, or authorizing preferences superior to those of outstanding shares of any class, or shortening or extending the term of corporate existence; sale, lease, exchange, mortgage, pledge or disposition of all or substantially all of the corporate property and assets; and merger or consolidation) and in the manner provided under Section 82 of the Corporation Code.

7.2 Duty to Promote Stockholders' Rights

- (a) The Board should promote stockholder's rights and facilitate the exercise thereof. Stockholders may seek redress for violation of their rights as such in accordance with applicable laws.
- (b) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. Stockholders should be encouraged to personally attend such meetings and they should be apprised ahead of time of their right to appoint a proxy in case they could not personally attend such meeting. The exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor, subject to the requirements of the applicable laws, regulations and the By-Laws.
- (c) The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Relevant and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- (d) Subject to the requirements of applicable laws, regulations and the by-laws, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

8. Disclosure and Transparency

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

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

8.1 Commitment to Disclose Material Information

The Board commits to cause the timely disclosure of material information and/or transactions that could potentially affect the market price of the Company's shares and such other information which are required to be disclosed pursuant to the Securities Regulation Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, related party transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, and remuneration of Directors and Officers.

The Board shall cause the filing with the Commission and the Exchange of all written disclosures or reports on material information and/or transactions in accordance with the Securities Regulation Code and its Implementing Rules and Regulations and the established procedures of the Commission and the Exchange regarding such matters.

8.2 Selective Disclosure of Non-Public Material Information

The Company, its Directors, Officers, Executives and Employees shall not communicate material non-public information about and involving the Company, including any act, transaction, development or event unless the Company is ready to simultaneously disclose the material non-public information to the Commission, Exchange and other regulatory bodies having jurisdiction. This rule shall not apply if the disclosure is made to:

- (a) A person who is bound by a duty to maintain trust and confidence to the Company such as but not limited to the Company's consultants, auditors, legal counsels, investment bankers, financial advisers; and
- (b) 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.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties who do not fall under letters (a) and (b) above, ahead of the disclosure to be made to the Exchange and the general public, shall be considered as a violation of this rule.

Material information means any information about or involving the Company's affairs, events and conditions that has a significant impact in the Company's operations such as, but not limited to, those relating to the Company's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market price of the Company's shares.

The Board shall ensure that internal controls are established that will ensure that the Company, its Directors, Officers, Executives and Employees and any other person who is privy to the Company's material non-public information shall comply with the requirement of this rule.

9. **Reportorial or Disclosure System of Company's Corporate Governance Policies**

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Board Committee or Officer through the Company's Corporate Governance and Compliance Officer.

10. **Monitoring and Assessment**

10.1 Evaluation System

The Board shall establish an evaluation system or a scorecard to determine and measure compliance with the provisions of this Manual. The adoption of such performance evaluation system shall be covered by an appropriate Board approval. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such other form of report

applicable to the Company. Any violation thereof shall subject the responsible Director, Officer, Executive or employee to the penalty provided under Section 10 of this Manual.

10.2 Periodic Review of Manual

This Manual shall be subject to quarterly review or such other frequency as may be determined by the Board.

10.3 All business processes and practices of the Company that are not consistent with the corporate governance policies set out in this Manual shall be revoked or upgraded to make them compliant with such policies.

11. Communication Process

11.1 Inspection of Manual

This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days and subject to other express limitations provided by the Corporation Code and other relevant laws, circulars, rules and regulations.

11.2 Dissemination of Manual

The Directors, Officers, Executives and department/group/division heads shall ensure the comprehensive dissemination of this Manual to all employees and related third parties, and shall likewise enjoin their compliance with the provisions hereof. An adequate number of printed copies of this Manual shall be reproduced under the supervision of the Head of the Human Resources Department, with a minimum of at least one (1) hard copy thereof furnished to every department/group/division.

11.3 Orientation Process

If necessary, funds shall be allocated by the Treasurer of the Company for the purpose of conducting orientation programs or workshops to disseminate and implement the provisions of this Manual. A Director should, if he deems it necessary for the purpose of acquiring a thorough knowledge of corporate governance, attend a seminar on said subject conducted by a duly licensed private or government institute accredited or recognized by the Commission.

12. Penalties for Non-Compliance with the Manual

The Corporate Governance and Compliance Officer shall be responsible for promptly reporting to the Chairman of the Board any violation of this Manual. He shall, after proper investigation, notice and hearing, determine and recommend to the Chairman the appropriate penalty for such violation, consistent with and guided by the provisions of the Company Code of Discipline, subject to further review and approval by the Board.

Signed:



MANUEL V. PANGILINAN
Chairman of the Board

Date: August 06, 2012

ANNEX A – INDEPENDENT DIRECTOR

“Independent Director” means a person who is independent of management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company and includes, among other persons, one who:

- (i) is not a director or officer of the Company or any of its related companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);
- (ii) was not a director (other than an Independent Director) of the Company who resigned or whose term ended within the last two (2) years;
- (iii) was not the chairman emeritus or an ex-officio director/officer or a member of the advisory board of the Company or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last one (1) year;
- (iv) does not own more than two percent (2%) of the shares of stock of the Company or any of its related companies or any of its substantial shareholders;
- (v) is not a relative of any director, officer or substantial shareholder of the Company or 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;
- (vi) is not acting as a nominee or representative of any director or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
- (vii) has not been employed in any executive capacity by the Company or any of its related companies or any of its substantial shareholders within the last five (5) years;
- (viii) is not retained or, within the last five (5) years, has not been retained as a professional adviser by the Company or any of its related companies or any of its substantial shareholders, either personally or through his firm;
- (ix) has not engaged and does not engage in any transaction with the Company or any of its related companies or 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;

- (x) is not employed as an officer or executive of another entity where any of the Company's officers or executives serves on that entity's Compensation Committee;
- (xi) is not affiliated with or employed by or, within the last five (5) years, has not been affiliated with or employed by the Company's present or former external auditors or their affiliates; or
- (xii) is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

When used in relation to a company, "related company" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

To qualify for nomination as an Independent Director, a person must possess all of the qualifications and have none of the disqualifications for directorship in the Company as set forth in **Annexes B** and **C**, respectively, and must meet the independence criteria enumerated above and such other criteria provided under applicable law or regulation or determined by the Board of Directors or the Nomination Committee.

An incumbent Independent Director shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or the Nomination Committee: (a) he ceases to meet any of the independence criteria provided above, or (b) he becomes disqualified from directorship based on any of the grounds for disqualification in accordance with **Annex C**.

ANNEX B – QUALIFICATIONS FOR DIRECTORSHIP

- i. Must own at least one (1) share of stock of the Company standing in his name on the books of the Company;
- ii. Must have a college education or equivalent academic degree;
- iii. Must be at least twenty-one (21) years old;
- iv. Must possess integrity and probity;
- v. Must have a practical understanding of the business of the Company or previous business experience;
- vi. Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable;
- vii. Must have membership in good standing in relevant industry, business or professional organizations.

The Nomination Committee may consider and recommend to the Board other qualifications which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company, including, but not limited to, membership in good standing in relevant industry, business or professional organization.

ANNEX C – GROUNDS FOR DISQUALIFICATION FROM DIRECTORSHIP

Permanent Disqualification

1. Permanent Disqualification

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

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or in 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 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 to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a 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;

Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

- (v) Any person judicially declared as insolvent;
- (vi) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;
- (vii) 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.
- (viii) Any employee, officer, manager or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least thirty per cent (30%) of the capital stock) or entity engaged in a business that the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the Company or any of its subsidiaries; and,
- (ix) Any employee, officer, manager or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation or entity engaged in any line of business of the Company or any of its subsidiaries, when in the judgment of the Board, by at least a majority vote, the laws against combinations and restraint of trade shall be violated by such person's membership in the Board.

Temporary Disqualification

The Nomination Committee may consider and recommend to the Board temporary disqualification of a Director based on any of the following grounds:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations, which disqualification shall be in effect as long as said refusal persists;
- (ii) Absence in more than fifty percent (50%) of all Board meetings, both regular and special, during his incumbency or any twelve (12) month period during said incumbency, unless the absence is due to justifiable causes such as illness, death of an immediate family member or serious accident. This disqualification applies for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by the Governance Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;

- (iv) Being under preventive suspension by the Company (in the case of an Executive Director); and
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
- (vi) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

Any temporary disqualification of a Director recommended by the Nomination Committee to be valid and effective must be approved by the Board and comply with the requirements of applicable laws, rules and regulations.

A temporarily disqualified Director shall, within the period prescribed by the Board, which shall not be less than 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.

The Nomination Committee may consider and recommend to the Board other grounds for disqualification which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company.

ANNEX D – AUDIT COMMITTEE

The primary purpose(s) and function(s) of the Audit Committee shall be the following:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- h) Review of the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to 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;
- l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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

ANNEX E - NOMINATION COMMITTEE

The primary purposes of the Committee are to:

1. Review and evaluate the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board;
2. Identify persons believed to be qualified to become members of the Board and/or the Board Committees;
3. Assist the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees; and
4. Assist the Board in developing and implementing the Board's performance evaluation process.

ANNEX F – EXECUTIVE COMPENSATION COMMITTEE

The primary purposes of the Committee are to:

1. Provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company;
2. Oversee the development and administration of the Company's executive compensation programs, including long term incentive plans and equity based plans for Officers and Executives; and
3. Assist the Board in the performance evaluation of and succession planning for Officers including the CEO and in overseeing the development and implementation of professional development programs for Officers.