

PILIPINO TELEPHONE CORPORATION

MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, officers and employees of **Pilipino Telephone Corporation** hereby commit themselves to the principles of sound corporate governance provided in this 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 Manual of Corporate Governance is adopted pursuant to SEC Memorandum Circular No. 2, Series of 2002 issued by the Securities and Exchange Commission on April 5, 2002.

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 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, Compensation and Audit Committees and such other Committees which the Board may constitute from time to time;
“BSP”	means the Bangko Sentral ng Pilipinas;
“By-Laws”	means the By-Laws of the Company and all amendments thereto;
“CEO”	means the Chief Executive Officer of the Company;
“Chairman”	means the Chairman of the Board;

“Code”	means SEC Memorandum Circular No. 2, Series of 2002, otherwise known as the “Code of Corporate Governance”;
“Commission”	means the Philippine Securities and Exchange Commission;
“Company”	means Pilipino Telephone Corporation;
“Corporation Code”	means Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines;
“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;
“Independent Director”	shall have the meaning ascribed to such term in Section 5.1.1(b) hereof;
“Manual”	means this Manual on Corporate Governance as the same may be amended from time to time;
“Officers”	means the officers of the Company with the rank of Vice President and above;
“Securities Code”	means Republic Act No. 8799 otherwise known as the Securities Regulation Code; and
“year”	means a calendar year.

2.2 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 provision 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.

3. Objective

This 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. Compliance System

4.1 Compliance Officer

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

4.2 Duties of Compliance Officer

The Compliance Officer shall perform the following duties:

- (a) to monitor compliance with the provisions and requirements of this Manual, the Code and such other laws, circulars, rules and regulations issued in relation thereto;
- (b) to appear before the Commission upon due receipt of a summon on matters relating to the Company's compliance with this Manual, the Code and such other laws, circulars, rules and regulations issued in relation thereto;
- (c) to determine violation(s) of the provision of this Manual and recommend penalty for such violation(s), subject to further review and approval of the Board;

- (d) to issue a certification every January 30th of each year on the extent of the Company's compliance with the provisions of this Manual for the immediately preceding fiscal year of the Company, explaining if necessary the reason(s) for the latter's deviation from the same; and
- (e) to identify, monitor and control compliance risks.

4.3 Disclosure of Appointment of Compliance Officer

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

5. Plan of Governance

5.1 Board of Directors

5.1.1 Composition

- (a) The Board shall be composed of the number of Directors provided in the Articles of Incorporation which shall at least be five (5) and not more than fifteen (15). A majority of the Directors shall be residents of the Philippines.
- (b) The Board shall have at least two (2) Independent Directors or such Independent Directors shall constitute at least twenty percent (20%) of the members of the Board, whichever is lesser. "**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 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 substantial shareholder of the Company or of its related companies or any of its substantial shareholders;
 - (iii) 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;

- (iv) is not acting as a nominee or representative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;
- (v) has not been employed in any executive capacity by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years;
- (vi) is not retained or, within the last five (5) years, has not been retained as a professional adviser by the Company, any of its related companies or any of its substantial shareholders, personally or through his firm; or
- (vii) has not engaged and does not engage in any transaction with the Company 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 arms length and are immaterial.

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.

5.1.2 General Responsibilities of the Board

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

The Board shall exercise the corporate powers and conduct and manage the business and affairs of the Company in consonance with the principles of sound corporate governance 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.

A director's office is one of trust and confidence. As such, a Director shall act in a manner characterized by transparency, accountability and fairness.

5.1.3 Specific 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) install a process of selection to ensure a mix of competent Directors and Officers each of whom can add value and can contribute independent judgment to the formulation of sound corporate strategies and policies;
- (b) select and appoint the CEO and other Officers;
- (c) adopt a professional development program for Officers and succession planning for senior management;
- (d) determine the Company's purpose, its vision, mission, and strategies to carry out its objectives;
- (e) ensure that the Company complies with all relevant laws, rules and regulations and codes of best business practices;
- (f) identify the Company's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- (g) adopt a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions;
- (h) identify key risk areas and key performance indicators and monitor these factors with due diligence;
- (i) ensure the continuing soundness, effectiveness and adequacy of the Company's internal control environment;
- (j) properly discharge Board functions by meeting regularly, and give due consideration to independent views during Board meetings, which meetings shall be duly minuted; and

- (k) adopt procedures for the Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice and to have access to management.

5.1.4 Specific Duties and Responsibilities of a Director

A Director shall have the following duties and responsibilities:

- (a) to conduct business transactions with the Company fairly, ensuring that personal interests do not affect his independent judgment and the Board's decisions;
- (b) to devote time and attention necessary to properly discharge his duties and responsibilities;
- (c) to act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
- (d) to exercise independent judgment;
- (e) to have a working knowledge of the statutory and regulatory requirements affecting the Company and its operations, including the provisions of the Company's Articles of Incorporation, By-Laws and legislative franchise, the requirements of the Commission and, where applicable, the requirements of other regulatory agencies having jurisdiction over the Company; and
- (f) to observe confidentiality of non-public information acquired by reason of his position as a Director.

5.1.5 Board Meetings

The Board shall schedule and hold regular meetings and convene for special meetings when required by business exigencies. Every Director shall attend such meetings, except when justifiable causes prevent his attendance, to ensure that the quorum requirement will be met.

In any meeting of the Board, an Independent Director should always be in attendance. However, the absence of an Independent Director may not affect the quorum requirement if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Justifiable causes include but are not limited to grave illness, or death of an immediate family member, or serious accidents.

5.2 Board Committees

To aid in ensuring compliance with the principles of sound corporate governance, the Board shall constitute Committees including without limitation a Nomination Committee, a Compensation Committee and an Audit Committee. The principal duties and responsibilities of the aforementioned Committees shall be as specified in Section 5.2.3 hereof:

5.2.1 Charters of the Board Committees

- (a) Each Board Committee shall have a Charter which shall define and govern, among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities and conduct of meetings 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.

5.2.2 Appointment of Members of the Board Committees

- (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 a Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.
- (b) The Nomination Committee shall have as members at least three (3) Directors (one of whom must be Independent Director) and the Head of the Human Resources Department; the Compensation Committee shall have at least three (3) members, one of whom must be an Independent Director; and the Audit Committee shall have as members at least three (3) Directors, one of whom, including the chairman of the Audit Committee (who shall be chosen from among the members), must be an Independent Director. Each member of the Audit Committee must have an understanding, at least, or competence, at most, of the Company's financial management system and environment.

5.2.3 Principal Duties and Responsibilities of the Board Committees

The principal duties and responsibilities of the Nomination Committee, Compensation Committee and audit Committee shall be those set out below:

5.2.3.1 Nomination Committee

- (a) To pre-screen and shortlist candidates nominated to become a member of the Board in accordance with the following qualifications and

disqualifications and such other factors which the Nomination Committee may deem appropriate such as judgment, skill, experience with other business organizations of a size comparable to that of the Company and the interplay of a candidate's experience with the experience of other Directors:

Qualifications:

- (i) owner of at least one (1) share of stock of the Company standing in his name on the books of the Company;
- (ii) at least a college graduate or, in the absence of such college degree or formal education, with sufficient experience in managing a business;
- (iii) at least twenty-one (21) years old;
- (iv) shall have been proven to possess integrity and probity; and
- (v) shall be assiduous.

Disqualifications:

- (i) conviction by final judgment of an offense involving moral turpitude or similar fraudulent acts or transgressions;
- (ii) conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election as a Director;
- (iii) judicial declaration of insolvency;
- (iv) final findings by the Commission or a court or other administrative body of having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP; and
- (v) final findings of guilt by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause (iv).

- (b) To consider and recommend to the Board the temporary disqualification of a Director based on any of the following grounds:
 - (i) refusal to fully disclose the extent of business interest as required under the Securities Code and its Implementing Rules and Regulations; provided that this disqualification shall be in effect as long as said refusal persists;
 - (ii) absence or non-participation for whatever reason(s) for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency; provided that this disqualification applies for purposes of the succeeding election;
 - (i) dismissal/termination from directorship in another corporation, the shares of which are listed on the Exchange, for cause; provided that this disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
 - (ii) being under preventive suspension by the Company; and
 - (iii) conviction that has not yet become final involving offenses referred to in the grounds for disqualification of directors set out above.
- (c) To determine whether a candidate's directorships in other corporations would affect his capacity to serve and perform his duties as a Director diligently and recommend to the Board any limit on the number of directorships in other corporations of a Director taking into consideration the following factors:
 - (i) the nature of the business of the Company;
 - (ii) the number of directorships/active memberships and officerships of a Director in other corporations or organizations;
 - (iii) any possible conflict of interest; and
 - (iv) the age of the Director.
- (d) To ensure that the Executive Directors, the Independent Directors and non-Executive Directors who serve as full-time executives in other corporations shall submit themselves to a low-indicative limit on directorships in other corporations in order that the capacity of said

directors to serve the Company with utmost diligence shall not be compromised.

- (e) To ensure that the Company shall have at least two (2) Independent Directors or such Independent Directors shall constitute at least twenty percent (20%) of the members of the Board, whichever is lesser.
- (a) To identify and recommend Directors to fill vacancies in any of the Board Committees, taking into consideration the factors set out in the respective Charters of said Committees as well as any other factors it deems appropriate.
- (b) To redefine, in consultation with the Board, the roles, duties and responsibilities of the CEO, if the Nomination Committee reasonably believes that such is necessary in order to integrate the dynamic requirements of the business as a going concern and the future plans of the Company, subject at all times to the principles of sound corporate governance.

5.2.3.2 Compensation Committee

- (a) To establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Officers and other key personnel and provide oversight over the remuneration of Officers and other key personnel ensuring that their compensation is consistent with the Company's culture, strategy and control environment.
- (b) To designate the amount of remuneration which shall be in a sufficient level to attract and retain Officers and other key personnel who are needed to run the Company successfully.
- (c) To develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming Officers, Executives and other key personnel which, among other requirements, compel all such Officers, Executives and other key personnel to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties.
- (d) To review any existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits, promotions and career advancement directives and to ensure compliance of all personnel concerned with all statutory requirements that must periodically be met in the continued possession of their respective posts or, in the absence of such Personnel Handbook, to

cause the development of such, covering the same parameters of governance stated herein.

- (e) To disallow any Director to decide his own remuneration.
- (f) To prepare a clear, concise and understandable disclosure of the compensation of the Company's Officers and other key personnel for the previous fiscal year and the ensuing year which are required to be included in the Company's annual report, proxy/information statements and other reports pursuant to the Securities Code and its Implementing Rules and Regulations.

5.2.3.3 Audit Committee

- (a) To check all financial reports against their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- (b) To perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.
- (c) To pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- (d) To perform direct interface functions with the internal and external auditors.
- (e) To elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - (iv) a definitive timetable within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant; and
 - (v) an accountability statement that will specifically identify Officers and/or personnel directly responsible for the accomplishment of such task.
- (f) To develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

5.2.4 Duty to Report to the Board

Each Board Committee shall regularly report or submit to the Board a summary of the actions taken by such Committee.

5.3 The Chairman

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

The Chairman shall ensure that the Board meets regularly in accordance with an approved annual schedule and performs its duties responsibly. He shall determine the agenda of each meeting in consultation with the CEO.

5.4 The CEO

The CEO shall have general care, management and administration of the business operations of the Company. He shall ensure that the business and affairs of the Company are managed in a sound and prudent manner and that organization and procedural 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.

The CEO shall provide the Board with a balanced and understandable account of the Company's performance, position and prospects on a regular basis.

5.5 The Corporate Secretary and Assistant Secretary

5.5.1 Qualifications of Corporate Secretary and Assistant Corporate Secretary

- (a) The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and residents of the Philippines.
- (b) They must possess administrative, interpersonal and legal skills and have some basic financial and accounting skills.

5.5.2 Duties and Responsibilities of Corporate Secretary and Assistant Corporate Secretary

- (a) The Corporate Secretary and Assistant Secretary are officers of the Company. They shall at all times strive to achieve perfection in the performance of their functions and undertake that no surprises are likely to come from them. Likewise, loyalty to the mission, vision and specific business objectives of the Company shall form an important part of their duties.

- (b) The duties and responsibilities of the Corporate Secretary and Assistant Corporate Secretary shall be those provided in Article V, Section 12 and Section 13 of the By-Laws. In addition to said duties and responsibilities, the Corporate Secretary and/or Assistant Corporate Secretary shall also perform the following functions:
 - (i) gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company;
 - (ii) secure a complete schedule of Board meetings at least for the current year and put the Board on notice of such schedule and the agenda of each meeting;
 - (iii) assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
 - (iv) attend all Board meetings, ensure that Board procedures are being followed or complied with and maintain records of such meetings; and
 - (v) submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the Directors during Board meetings.

5.6 Internal Auditors

5.6.1 Internal Audit Functions

- (a) The Company shall have in place an independent internal audit function which shall be performed by an internal auditor or a team of internal auditors through which the Board, senior management and stockholders shall be provided with reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective and complied with.
- (b) The chief audit executive responsible for the internal audit activities shall report to the Audit Committee.

5.6.2 Guidelines on Organizational and Procedural Controls

- (a) The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.

- (b) The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:
 - (i) the nature and complexity of business and the business culture;
 - (ii) the volume, size, complexity of the transactions;
 - (iii) the degree of risk;
 - (iv) the degree of centralization and delegation of the authority;
 - (v) the extent and effectiveness of information technology; and
 - (vi) the extent of regulatory compliance.

5.7 External Auditor

5.7.1 Selection/Appointment/Resignation/Dismissal of External Auditor

- (a) The Audit Committee shall recommend a duly accredited External Auditor for appointment by the Board in accordance with Article VII of the By-Laws.
- (b) The reason(s) for the resignation, dismissal or cessation from service and the date thereof of the External Auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- (c) The External Auditor or the lead partner thereof handling the audit of the Company shall be rotated at least once every five (5) years.

5.7.2 Functions of, and Restrictions on, External Auditor

- (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 way in which the Company's financial statements have been prepared and presented. If the External Auditor believes that the statements made in the Company's annual report, information or proxy statement filed during his engagement is incorrect or incomplete, he shall present his 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 works shall not be in conflict with its functions as the Company's External Auditor. "**Non-audit work**" refers to other services of the External Auditor to the Company that are not directly related and relevant to its statutory audit functions or that may compromise the independence and objectivity of the external audit.

6. Stockholders' Rights and Protection

The Company recognizes that the most cogent proof of sound corporate governance is that which is visible to the eyes of its investors. Therefore the provisions of this Section on stockholders' rights and protection shall serve as a guide for all internal and external parties, as a means of corporate governance covenant between the Company and all its stockholders.

6.1 Commitment to Respect Stockholders' Rights

The Articles of Incorporation and all resolutions adopted by the Board establishing and designating classes/series of preferred stock, fixing the number of shares to be included in each class/series and the rights, preferences and limitations of the shares of each class/series as filed with the Commission, which are deemed part of the Articles of Incorporation, shall lay down the specific rights and powers of stockholders with respect to the particular shares of stock they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

The Board shall be committed to respect the following rights of the stockholders:

6.1.1 Voting Right

- (a) Owners of shares of common stock of the Company shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code and the Company's Articles of Incorporation and the By-Laws.
- (b) At every meeting of the stockholders for the election of directors, owners of shares of common stock of the Company are entitled to one vote for each share of common stock owned by him. He may vote such number of shares for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall think fit.
- (c) A Director shall not be removed without cause if such removal will deny minority stockholders their representation in the Board.

6.1.2 Pre-emptive Right

Under Section 39 of the Corporation Code, all stockholders of a stock corporation shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their shareholdings, unless such right is denied in the articles of incorporation or any amendments thereto; provided, that such 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.

Article VIII, paragraph V of the Articles of Incorporation denies the pre-emptive right of stockholders of the Company. It provides that no holder of any stock of any class of the Company shall, as such holder, have any right to purchase or subscribe for any shares of the capital stock of any class of the Company which it may issue or sell, whether or not such stock is convertible into or exchangeable for any stock of the Company of any other class, and whether out of the number of shares authorized by the Articles of Incorporation as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Company acquired by it after the issue thereof.

6.1.3 Inspection Right

All stockholders shall be allowed 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.

6.1.4 Right to Information

- (a) Stockholders shall be provided, upon request, with periodic reports filed by the Company with the Commission (e.g. proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers.
- (b) Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the By-Laws, the

minority stockholders shall be granted the right to propose the holding of a meeting and to propose items in the agenda of such meeting, provided that such items in the agenda are for legitimate business purposes. The determination of whether any proposed item in the agenda of the proposed meeting is for legitimate business purpose shall rest solely upon the discretion of the Board.

6.1.5 Right to Dividends

- (a) Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the Articles of Incorporation, owners of shares of stock with cumulative fixed dividend feature, as of the record date fixed by the Board in the resolutions declaring dividends on such shares, shall have the right to receive payment of such dividends on such shares. In all other cases, the Board shall determine, using its best judgment and taking into consideration, among other factors, the circumstances specified in Section 6.1.5 clause (b), subclauses (i), (ii) and (iii) and the availability of unrestricted retained earnings whether dividends will be declared by the Board.
- (b) The Company shall be compelled to declare dividends when its retained earnings shall be in excess of one hundred percent (100%) of its paid-in capital stock, except: (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

6.1.6 Appraisal Right

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

- (a) 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;
- (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets; provided that, a sale or other disposition shall be deemed to cover substantially all of the corporate property or assets if thereby the Company would be rendered

incapable of continuing the business or accomplishing the purpose for which it was organized;

- (c) in case of merger or consolidation; and
- (d) in case of investment of corporate funds in another corporation or business or for any other purpose other than the primary purpose for which the Company was organized and such investment is not reasonably necessary to accomplish the Company's primary purpose.

6.2 Duty to Promote Stockholders' Rights

It shall be the duty of the Board to promote stockholder's rights, remove impediments to the exercise thereof and allow possibilities of seeking redress for violation of such rights. The Board shall encourage the exercise of stockholders' voting rights and the collective action towards solution of problems through appropriate mechanisms. They shall likewise be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions in accordance with applicable laws, rules and regulations.

7. **Commitment to Disclose Material Information**

The Board shall, at all times, commit to fully disclose 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 Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, remuneration of Directors and Officers and related party transactions.

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 Code and its Implementing Rules and Regulations.

All disclosures shall be released by means of the established procedure of the Exchange for corporate announcements as well as through the Company's annual report for the interest of the stockholders and the public in general.

8. 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 Compliance Officer.

9. Monitoring and Assessment

9.1 Evaluation System

The Compliance Officer shall establish an evaluation system 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 11 of this Manual.

9.2 Periodic Review of Manual

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

9.3 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.

10. Communication Process

10.1 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.

10.2 Dissemination of Manual

The Directors, Officer, Executives and department/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/division.

10.3 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.

11. Penalties for Non-Compliance with the Manual

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, Officers, Executives and employees in case of violation of any of the provision of this Manual:

- (a) In case of first violation, the subject person shall be reprimanded.
- (b) In case of second violation, the subject person shall be suspended from holding office provided that, the duration of such suspension shall depend on the gravity of the violation in each case.
- (c) In case of third violation, the maximum penalty of removal from office shall be imposed.

The willful commission of a third violation of any provision of this Manual by any Director, Officer, Executive or employee shall be a sufficient cause for removal from office of such Director, Officer, Executive or employee.

The Compliance Officer shall be responsible for determining violation(s) after notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, subject to further review and approval by the Board.

Signed:

CHAIRMAN OF THE BOARD

