



108052014003268



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Josellito O. Alfaro
Receiving Branch : SEC Head Office
Receipt Date and Time : August 05, 2014 02:17:22 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000166878
Company Name GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108052014003268
Document Type MANUAL ON CORPORATE GOVERNANCE
Document Code MCG
Period Covered August 05, 2014
No. of Days Late 0
Department CFD
Remarks Amendment

COVER SHEET

1 6 6 8 7 8

S.E.C Registration Number

Grand Plaza Hotel Corporation

(Company's Full Name)

c/o 12th Floor Net One Center, 26th Street corner 3rd Avenue

Crescent Park West Bonifacio Global City

Alain Charles J. Veloso

Contact Person

+63 2 8194700

Company Telephone Number

Amended Manual on Corporate Governance

FORM TYPE

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

QUISUMBING TORRES

MEMBER FIRM OF BAKER & MCKENZIE INTERNATIONAL

Quisumbing Torres

12th Floor, Net One Center
26th Street corner 3rd Avenue
Crescent Park West
Bonifacio Global City
Taguig City 1634
Philippines

Tel: +63 2 819 4700
Fax: +63 2 816 0080 / 728 7777
www.bakermckenzie.com

5 August 2014

The Securities and Exchange Commission
SEC Building, EDSA
City of Mandaluyong

By hand

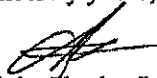
Attention: Justina F. Callangan
Director, Corporate Governance and Finance Department

Dear Sirs,

Amended Manual on Corporate Governance of Grand Plaza Hotel Corporation

In compliance with SEC Memorandum Circular No. 09, Series of 2014 ("SEC MC 09-14"), we attach the Amended Manual on Corporate Governance of Grand Plaza Hotel Corporation, which incorporates all the amendments to the Revised Code of Corporate Governance, as provided in SEC MC 09-14. The changes to the Manual on Corporate Governance are marked-up, for easy reference.

Sincerely yours,


Alain Charles J. Veloso
Assistant Corporate Secretary

Encl.

AMENDED MANUAL ON CORPORATE GOVERNANCE
Grand Plaza Hotel Corporation

The Board of Directors (“Board”), Management, and Staff of Grand Plaza Hotel Corporation (“Corporation”) hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (“Manual”), and acknowledge that the same may guide the attainment of their corporate goals.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

Corporate governance is defined as the framework of rules, systems and processes in the Corporation that governs the performance of the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which the Corporation operates.

The Board, Management, employees and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

The Board shall appoint a Compliance Officer and an Assistant Compliance Officer who shall report directly to the Chairman of the Board. The Compliance Officer, and in his absence or inability, the Assistant Compliance Officer, shall perform the following duties:

- (a) Monitor compliance by the Corporation with the provisions of this Manual in accordance with the Securities Regulation Code, Code of Corporate Governance (“Code”) and the applicable rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the Securities and Exchange Commission (“Commission”) when summoned in relation to compliance with the Code; and
- (c) Issue a certification every January 30th of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation.

2.2. Plan of Compliance

2.2.1. Board Governance

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

2.2.1.1. Composition of the Board

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders. The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors).

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

2.2.1.2. General Responsibility

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its ~~fiduciary responsibility~~ corporate objectives and the best interest of its stockholders and other stakeholders, ~~which it shall exercise in the best interest of the Corporation and its shareholders.~~ The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2.2.1.3. Specific Duties and Functions

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

- (i) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly- motivated management officers. Adopt an effective succession planning program for Management.
- (ii) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and

monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

- (iii) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- (iv) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's chief financial officer or such other officer as may be designated by the Board shall exercise oversight responsibility over this program.
- (v) Identify the Corporation's stakeholders ~~sectors~~ in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- (vi) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- (vii) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- (viii) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- (ix) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- (x) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
- (xi) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

- (xii) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- (xiii) Appoint a Compliance Officer and an Assistant Compliance Officer to perform the duties under this Manual. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

2.2.1.4. 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. Corollarily, he should support plans and ideas that he thinks are beneficial to the Corporation.

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

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

(vi) Observe confidentiality.

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

2.2.1.5. Qualification and Disqualifications of the Directors

The following are the qualifications and disqualifications of the members of the Board:

Qualifications

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the additional qualifications for membership in the Board are, the following:

- College education or equivalent academic degree;
- Practical understanding of the business of the Corporation;

- Membership in good standing in relevant industry, business or professional organizations; and
- Previous business experience.

Disqualifications

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 in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the 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;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

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

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (iii) Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- (iv) 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.
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

2.2.1.6. Multiple Board Seats

The Chief Executive Officer (“CEO”) and other executive directors shall submit themselves to a reasonable number of directorships in other stock and non-stock corporations. The same limitation shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to diligently and efficiently perform his duties and responsibilities to the boards they serve shall not be compromised.

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

- The nature of the business of the Corporations which he is a director;
- Age of the director;
- Number of directorships/active memberships and official positions held in other corporations or organizations, provided that directorships in corporations that are affiliates, subsidiaries or are otherwise related to the Corporation shall not be counted for purposes of determining the limitation on the number of directorships held by such director; and
- Possible conflict of interest.

The optimum number shall be related to the capacity of a director to diligently and efficiently perform their duties and responsibilities to the boards they serve.

2.2.1.7. Board Meetings and Quorum Requirements

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

Independent directors should always attend Board meetings. The Board may require the presence of at least one independent director in all Board meetings. However, the absence of an independent director will not affect the quorum requirement.

The Corporate Secretary shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors’ record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

2.2.1.8. Remuneration of Directors and Officers

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers.

Except for reasonable per diems, directors shall be entitled only compensation as may be granted to them, as such, by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of stockholders. No director should participate in deciding on his remuneration.

In no case shall the total yearly compensation of directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Board shall fix the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.

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

2.2.2. Board Committees

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

2.2.2.1. The Audit Committee

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. The Audit Committee shall have the following functions:

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

- (iii) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
 - (iv) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
 - (v) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (vi) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
 - (vii) Review the reports submitted by the internal and external auditors;
 - (viii) 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.
 - (x) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
 - (xi) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit

work, if allowed, should be disclosed in the Corporation's annual report;

- (xii) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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

- (xiii) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives.

2.2.2.2. The Nomination Committee

The Nomination Committee shall consist of at least three (3) members, one of whom shall be an independent director.

The Nomination Committee shall prepare the list of candidates for independent directors based upon qualified candidates nominated by the stockholders. The Nomination Committee, subject to the approval of the Board of Directors, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria shall be eligible to be elected as independent directors. In case of vacancy in the position of independent directors, the vacancy shall be filled by a vote of at least a majority of the directors, if still constituting a quorum, based upon the nomination of the Nomination Committee.

The Nomination Committee may also review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

2.3. The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should

- (a) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- (b) Be loyal to the mission, vision and objectives of the Corporation;
- (c) Work fairly and objectively with the Board, Management, stockholders and ~~stockholders~~other stakeholders;
- (d) Have appropriate administrative and interpersonal skills;

- (e) Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (f) Have a working knowledge of the operations of the Corporation;
- (g) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (h) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so; and
- (i) Ensure that all Board procedures, rules and regulations are strictly followed by the members.

The Board shall also appoint an Assistant Corporate Secretary who shall have the foregoing qualifications, and assume the duties and responsibilities of the Corporate Secretary in his absence or unavailability.

2.4. External Auditor

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 the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

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.

2.5. Accountability and Audit

The Board should provide stockholders 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.

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

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:

- (a) 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;
- (b) 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~~ for the benefit of all stockholders and other stakeholders;
- (c) 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;
- (d) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- (e) The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

2.6. 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 that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.

3. COMMUNICATION PROCESS

- 3.1. This Manual shall be available for inspection by any stockholder of the Corporation upon five (5) days prior notice at reasonable hours on business days.
- 3.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance.
- 3.3. The CEO shall ensure that at least one (1) hard copy of the Manual is available in the principal office of the Corporation.

4. TRAINING PROCESS

- 4.1. At the discretion of the Board, funds may be allocated for the purpose of conducting an orientation program or workshop with regard to the requirements of this Manual.
- 4.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance conducted by a duly recognized private or government institute.

5. REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATION'S CORPORATE GOVERNANCE POLICIES

- 5.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer, Assistant Compliance Officer, or Corporate Secretary.
- 5.2. All material information about the Corporation which could adversely affect its viability or the interests of the stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, and related party transactions, and direct and indirect remuneration of members of the Board and Management. The Board shall therefore commit at all times to full

disclosure of material information dealings. It shall cause the filing of all required information through the~~All such information should be disclosed through the~~ appropriate Exchange mechanisms for listed companies and submissions to the Commission- for the interest of its stockholders and other stakeholders.

- 5.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- 5.4. All material information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.
- 5.5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

6. SHAREHOLDERS' RIGHTS

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its stockholders:

6.1 Stockholders' Rights and Protection of Minority Stockholders' Interests

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

6.1.1. Voting Right

- (i) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (ii) Cumulative voting shall be used in the election of directors.
- (iii) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

6.1.2. Pre-emptive Right

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

6.1.3. Power of Inspection

All shareholders shall be allowed to inspect during business hours corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions, in accordance with the requirements of the Corporation Code and the Securities regulations Code.

6.1.4. Right to Information

- (i) The Shareholders shall be provided, upon request, with the reports filed by the Corporation with SEC that disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- (ii) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. As of date of this Manual, the By-Laws of the Corporation provides that shareholders representing at last ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholding's meeting.
- (iii) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.
- (iv) If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholder's meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".

6.1.5. Right to Dividends

- (i) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- (ii) The Corporation is required to declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends

without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.6. Appraisal Right

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

6.2. Duty of the Board to Promote Rights of Stockholders

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, 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.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy

Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

7. MONITORING AND ASSESSMENT

- 7.1. The Audit Committee shall report to the Board at such times as the Board may reasonably require.
- 7.2. This Manual shall be reviewed quarterly unless the Board provides otherwise.
- 7.3. All current business processes and practices being performed within any department or business unit of Corporation that are not consistent with this Manual shall be revised to comply with the requirements of this Manual.
- 7.4. The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Code. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's annual report.

8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 8.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing:
 - In case of first violation, the subject person shall be reprimanded.
 - Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 - For third violation, the maximum penalty of removal from office shall be imposed.
- 8.2. The commission of a third violation of this Manual by any member of the board shall be a sufficient cause for removal as director.
- 8.3. The Compliance Officer shall recommend to the Board the procedure for determining whether violations of this Manual have been committed. Such procedure must observe the principle of due process, particularly the requirements of prior notice and hearing.

The Compliance Officer shall decide whether any violation of this Manual has been committed and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval by the Board.