

I. TABLE OF CONTENTS

SECTION NUMBER	ITEM	SUBJECT NUMBER
1.	INTRODUCTION	
2.	COMPLIANCE SYSTEMS	
3.	COMMUNICATION AND DISSEMINATION	
4.	REPORTORIAL AND DISCLOSURE SYSTEM	
5.	SHAREHOLDERS' BENEFIT	
6.	MONITORING AND ASSESSMENT	
7.	PENALTIES FOR NON-COMPLIANCE	

II. REVISION LOG

<u>SECTION NUMBER</u>	<u>TITLE</u>	<u>ISSUE DATE</u>	<u>REVISION DATE</u>	<u>REVISION NUMBER</u>
1	INTRODUCTION	01.01.03	07.29.10	
2	COMPLIANCE SYSTEMS	01.01.03	07.29.03 07.29.10	03-01*
3	COMMUNICATION & DISSEMINATION	01.01.03	07.29.03 07.29.10	03-01*
4	REPORTORIAL & DISCLOSURE	01.01.03	07.29.10	
5	SHAREHOLDERS' BENEFIT	01.01.03	07.29.10	
6	MONITORING AND ASSESSMENT	01.01.03	07.29.10	
7	PENALTIES FOR NON-COMPLIANCE	07.29.10	07.29.10	

INTRODUCTION

1. OBJECTIVE

The Corporate Manual was developed to guide the Corporation in enhancing shareholders' value as it competes in a continually evolving business environment while reflecting sound business practice and applying the principles of good corporate governance in a manner that also takes into account its particular circumstances.

The Manual reflects the following key internal control features for good corporate governance:

1. The Board of Directors (the "Board") ensures that the Corporation is properly and effectively managed and supervised. It is primarily responsible for the governance of the Corporation.
2. Management actively manages and operates the Corporation in a sound and prudent manner under the direction of the Board.
3. Organizational and procedural controls are supported by an effective management information system and risk management reporting system.
4. Independent audit mechanism are in place for monitoring the adequacy and effectiveness of the Corporation's governance, operations, information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, rules regulations and contracts.

The Board and management must exercise sound judgment in reviewing and directing how the company implements the requirements of the Governance Code through the aforementioned control features.

COMPLIANCE SYSTEMS

2. Compliance System

2.1 Compliance Officer

- A. To ensure adherence to the corporate principle and best practices reflected herein, the Board shall appoint a Compliance Officer who shall hold the position of a Vice President or its equivalent. The Compliance Officer reports directly to the Chairman of the Board and he shall have direct access to the Board, through the Board Audit Committee, without interference from Management.
- B. The Compliance Officer performs the following duties:
- Monitors compliance with the provisions and requirements of this Manual and the rules and regulations of the regulatory agencies.
 - Determines violation/s of this Manual, reports the same to the Board and recommends imposition of penalties on the responsible parties for violation thereof, as well as the adoption of measures to prevent a repetition of the violation, for further review and approval by the Board.
 - Appears and represents the company before the Securities and Exchange Commission (the "Commission") upon summons on relevant matters that need to be clarified by the same or in relation to compliance with this Manual.
 - Issues a certification every January 30th of the year on the extent of the company's compliance with this Manual for

the completed year, and if there are any deviations, explains the reason/s for such deviations; and

- Identify, monitor and control compliance risks.
 - As may be required by the Commission, prepare, accomplish and submit the scorecard on the scope, nature and extent of the actions the Corporation has taken to meet the objectives of this Manual.
- C. The Chief Information Officer immediately discloses the appointment of the Compliance Officer to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to the Compliance Officer's functions shall be addressed to said Compliance Officer.

Plan of Compliance

2.2 Board of Directors

Compliance with the principles of good corporate governance starts with the Board of Directors. The Board shall be composed of at least five (5) but not more than fifteen (15) members and shall be elected in accordance with the Corporation's By-Laws and applicable laws. It 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 less, but in no case less than two (2).

The membership of the Board may be a combination of executive and non-executive directors (which shall include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

A. General Responsibility

The Board is responsible for overseeing management of the Corporation and fostering its long-term success and securing its sustained competitiveness and profitability in a manner consistent with its fiduciary responsibilities, corporate objectives and best interests of the Corporation and its shareholders.

The Board determines and formulates the Corporation's vision, mission, strategic objectives, policies and procedures, as well as the means to attain the same, guide its activities and effectively monitor Management's performance. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board shall provide an independent check on Management.

The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

B. Specific Duties and Functions

To ensure a high standard of corporate governance and the application of best practices for the Corporation and its stockholders, the Board shall:

1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
2. Appoint competent, professional, honest and highly motivated management officers and adopt an effective succession planning program for Management;
3. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures and other programs to sustain its long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies,

including the business plans, operating budgets and Management's overall performance;

4. Ensure that the Corporation faithfully complies with all relevant laws and regulations and best business practices;
5. Identify the Corporation's stakeholders and formulate a clear policy of accurate, timely and effective communication or relations with them and the agencies regulating the Corporation through an effective investor relations program. If feasible, the Corporation's CEO or chief financial officer shall exercise oversight responsibility over this program;
6. Adopt a system of internal checks and balances within the Board and conduct a regular review of the effectiveness thereof, including a continuing review of the Corporation's internal control system;
7. Identify key risk areas and performance indicators and monitor these factors with due diligence;
8. Properly discharge Board functions by meeting regularly or at such times and frequency as may be needed. Independent views during Board meetings are encouraged and given due consideration. All such meetings are duly minuted;
9. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, 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.
10. Exercise Board authority within the limits prescribed in the Corporation's Articles of Corporation and By-

Laws and in accordance with existing applicable laws, rules and regulations;

11. Encourage use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
12. Constitute an Audit Committee and such other committees necessary to assist the Board in the performance of its duties and responsibilities;
13. Appoint a Compliance Officer as provided for in section 2.1 of this Manual. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

C. Internal Control Responsibilities of the Board

The Board shall have the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms:

1. Select and appoint a Chief Executive Officer (CEO) who possesses the ability, integrity and expertise for the position, and define with the assistance of the Nomination Committee, the duties and responsibilities of the CEO who is ultimately responsible for the Corporation's organizational and operational controls;
2. Evaluate proposed senior Management appointments;
3. Select and appoint qualified and competent management officers;
4. Review the Corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan;
5. Establish a system of effective organizational and operational controls commensurate with, among others,

the nature and complexity of the business of the Corporation 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; and

6. Determine the necessity of establishing an internal audit system to reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor, who shall be guided by the International Standards on Professional Practice of Internal Auditing, to perform the audit function and report to a level in the organization that allows the internal audit activity to fulfill its mandate.

2.2.1 Duties and Responsibilities of a Director

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

A Director shall have the following duties and responsibilities:

1. To conduct fair business transactions with the Corporation, fully disclose to the Board any interest he may have in any matter or transaction to be acted upon by the Board and recuse himself in the Board's decision-making process with respect thereto and, in general, ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Corporation or does not prejudice Board decisions.

A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest is 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;

2. To devote the time and attention necessary to properly and effectively discharge his duties and responsibilities;
3. To act judiciously;
4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the rules and regulations or requirements of the Commission, and where applicable, the requirements of other relevant regulatory agencies.
6. To observe confidentiality with respect to all matters coming before the Board;
7. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
8. To attend seminar/s on corporate governance conducted by a duly recognized private or government institute.

2.2.2 Qualification of Directors

In addition to the qualifications for membership in the Board as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, as well as in the By-Laws of the Corporation, the Chairman and members of the Board must:

- a. Hold at least (1) share of stock of the Corporation registered in his name in the books of the Corporation.
- b. Not engaged in any business which competes with or is antagonistic to that of the Corporation.

- c. Be a college graduate or have sufficient experience in managing a business.
- d. Be at least twenty one (21) years old
- e. Possesses integrity

2.2.3 Disqualifications

A. Permanent Disqualification

Any of the following shall be a ground for permanent disqualification of a Director or any person aspiring for nomination and election to the Board of the Corporation:

- (i) Conviction by final judgment or order of a competent judicial or administrative body of any criminal offense 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) If by reason of misconduct and after hearing, such person 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, future commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasibank, 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 or any rule or regulation issued by the Commission or Bangko Sentral ng Pilipinas (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) Conviction by final judgment or order of 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) Declared 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) If after his election as independent director of the Corporation, such person becomes an officer, employee or consultant of the Corporation;
- (vi) Judicially declared as insolvent;
- (vii) 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 subparagraphs (i) to (v) above; and

- (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.

B. Temporary Disqualification

Any of the following shall be a ground for temporary disqualification of a Director, or, if applicable, of any person aspiring for nomination and election to the Board of the Corporation:

- (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 company. 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, except in the case of temporary disqualification where the Independent Director becomes an officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as independent director after the lapse of two (2) years from the termination of his officership, employment and consultancy agreement with the Corporation.

2.2.4 Independent Director

An Independent Director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director.

The Corporation 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 less, but in no case less than two (2).

2.2.5 Board Meetings and Quorum Requirement

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

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

Pursuant to the Commission's monitoring requirement, the Corporation 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 through SEC Form 17-C or in a separate filing.

2.2.6 Adequate and Timely Information

Management shall provide the Board with complete, adequate and timely information about the matters to be taken during the meetings.

Upon reasonable request, the directors, individually or as a Board, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must always be reasonable.

The members shall be given independent access to Management and the Corporate Secretary.

2.2.7 Policy on Multiple Board Seats

A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such directorships, such director shall ensure that his

capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

2.3 Board Committees

Pursuant to the Corporation's By-Laws, the board of Directors constitutes the following committees in accordance with the principles of good corporate governance:

A. Nomination Committee

The Nomination Committee is composed of *three (3) Directors with an independent Director serving as its Chairman and with the Corporate Secretary acting as its secretary.

The Nomination Committee shall perform the following functions:

- (i) Pre-screen and shortlist candidates nominated to become members of the Board of Directors and other appointments that require Board approval. It shall ensure that Director-candidates have the qualifications, and none of the disqualifications mentioned in section 2.2.2 and section 2.2.3 of this Manual;
- (ii) In consultation with the appropriate executive or Management committee/s and with the supervision of the Board, the Nomination Committee shall redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;
- (iii) The Nomination and Hearing Committee shall consider the following guidelines in the determination

of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats:

- The nature of the business of the corporations in which he is a director;
- Age of a director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict if interest.

The optimum number relates to the capacity of a Director to perform his duties diligently in general.

- (iv) In accordance with the guidelines set by the Nomination Committee on the number of directorships which a member of the Board may hold pursuant to the policy on multiple board seats under this Manual, the Chief Executive Officer (CEO) and other executive directors shall submit themselves to a low indicative limit on membership in other corporations' boards. The same low limit shall apply to independent or non-executive directors who shall serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.
- (v) It shall also be the responsibility of the Nomination Committee to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

B. Compensation Committee

The Compensation Committee is composed of five (5) members of the Board of Directors, *one of whom is an independent Director. The Chairman and the President of the Corporation are *included as members but without voting rights. The Chairman of the Board is the Chairman of the Committee.

The Compensation Committee:

- a. Considers and approves salary structures and modifications thereto for individuals in the positions of Vice President, or its equivalent, and above.
- b. Considers and approves promotions to positions of Division Head and the salary increases to be granted concurrently with such promotions.
- c. Considers and approves other compensation policy matters such as the adoption, modification and interpretation of corporate benefit plans.

Members of the Compensation Committee shall not participate in decisions with respect to his or her own remuneration, unless the same shall applied to all Directors.

The Corporation has formal and transparent procedures for fixing the remuneration levels of individual directors and of officers. In setting salary structures and other remuneration for officers and Directors, the Committee ensures that salaries and other remuneration are set at level adequate to attract and retain directors and officers with the qualifications and experience needed to manage the Corporation successfully.

The Committee ensures that the Corporation's annual reports, information and proxy statements, etc. clearly, concisely and understandably disclose the fixed and variable compensation received by its directors and top four (4) management officers for the preceding fiscal year.

The Committee has developed a form on full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interest or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

C. *Executive Committee

The Executive Committee is composed of three (3) regular members of the Board with two (2) alternate members who shall sit in the event that any one of the regular members is unable to attend the meeting. The Chairman of the Board acts as the Chairman of the Committee.

The Executive Committee covers all activities that are allowed under the Corporation Code, except the following instances:

- a) Approval of any action for which shareholders' approval is also required;
- b) The filling of vacancies in the Board;
- c) The amendment or repeal of By-laws or the adoption of new By-laws;
- d) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and
- e) Distribution of cash dividends to the shareholders.

The Committee shall exercise the authority granted with utmost judiciousness and shall report regularly to the Board at its subsequent meeting for information.

D. Audit Committee

The Audit Committee is composed of four (4) members of the Board, two (2) of whom are independent Directors. In addition to the qualifications of a director, all the members of the Audit Committee shall have adequate accounting and finance backgrounds and at least one member with audit experience. The Chairman of the Audit Committee shall be an independent Director.

The Audit Committee shall have the following functions:

- (i) Assist the Board in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process, and in monitoring and facilitating

compliance with both the internal financial management handbook and pertinent accounting standards, legal and regulatory requirements;

- (ii) Oversee the financial management functions specifically in the areas of credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- (iii) Makes recommendations to the Board each year with respect to the appointment of the External Auditor to examine the accounts of the Corporation for that year;
- (iv) Perform oversight functions over the Corporation's Internal and External auditors to ensure that they act independently from each other or from interference of outside parties, and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions;
- (v) Review the annual internal audit plan, including the audit scope, resources and budget to implement such plan, to ensure its conformity with the objectives of the Corporation.
- (vi) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope, frequency 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;
- (vii) Organize an internal audit department, and consider the appointment of an independent Internal Auditor and the terms and conditions for its engagement and removal;
- (viii) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;

- (ix) Review and ensure that the accounting and auditing processes, practices and methods of the Corporation, as well as the reports submitted by the internal and external auditors, comply with Philippine laws, rules and regulations, and with Philippine and internationally-accepted standards;
- (x) Review the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
- changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - going concern assumptions;
 - compliance with accounting standards; and
 - compliance with tax, legal and regulatory requirements
- (xi) Evaluate and determine the non-audit work performed by the External Auditor, including the fees therefor, and ensure that such work will not conflict with the External Auditor's duties or pose a threat to his independence. The non-audit work, if allowed, shall 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;
- (xiii) Develop a transparent financial management system that ensures the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization;
- (xiv) Supervise Management in the formulation of rules and procedures on financial reporting and internal controls in accordance with the following and such other guidelines as may be determined by the Board:

- (a) The extent of Management's responsibility in the preparation of financial statements of the Corporation and the delineation of the responsibilities pertaining to the External Auditor must be clearly set out;
- (b) The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of assets of the Corporation;
- (c) The scope of the internal audit examinations based on approved audit plans should include, at the minimum, the evaluation of adequacy and effectiveness of controls on corporate governance, operations and information systems, protection of assets and compliance with contract laws, rules and regulations;
- (d) There should be consistent compliance with the Commission's financial reporting requirements.

Review and Audit Efforts

At least annually, the Audit Committee reviews with the Internal Audit Manager and the External Auditor the general scope and direction of their respective audit efforts and major findings and recommendations, with particular attention to areas where the Committee, the Internal Audit Manager and External Auditor believe special emphasis is desirable or necessary, particularly on the following matters:

- changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- going concern assumptions;
- compliance with accounting standards; and
- compliance with tax, legal and regulatory requirements

Review of Controller Organizations & Activities

At least twice each year, the Audit Committee reviews with the Controller, his/her organization and major activities

related to financial safeguards, internal control matters and the financial reporting process. This review should include discussions of, and identification of concerns about, financial controls, such as deficiencies in internal control systems, including controls over construction work, inventories, acquisitions, investment and controls over computer systems, plans for procedures to improve such systems and eliminate any deficiencies.

Reporting Relations

The Controller, the Internal Audit Manager and the External Auditor are each authorized to report directly to the Audit Committee without interference or censorship by Management as to any and all matters which they believe fall within the jurisdiction or concern of the Committee, including significant accounting, reporting and tax issues and irregularities, control deficiencies, and Management plans for corrective action.

The Audit Committee reports to the Board on a current, regular basis, and whenever directed by the Board, concerning its activities and any recommendation it considers necessary or appropriate.

Major Irregularities

The Controller, the Internal Audit Manager, and the External Auditor will, after consultation with the General Counsel, inform the Audit Committee promptly of instances which suggest the possibility of significant violations of applicable laws or regulations, falsification of records or reports, major violations of Petron's policies, and any other major irregularities, including fraud, theft, and matters relating to conflicts of interest.

Quorum

Three (3) of the four members of the Committee constitute a quorum for the transaction of the Committee's business and the vote of at least three (3) of the four members shall be required for any action of the Committee.

2.4 The Chairman and Chief Executive Officer

Unless the Board designates the Chairman as CEO pursuant to Section 8 of the Corporation's By-Laws, the roles of Chairman and CEO of the Corporation are separate. The functions of Chairman and CEO are clearly delineated in the Corporation's By-Laws to foster balance of power, increased accountability and better capacity for independent decision-making by the Board. In the event that their positions are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspective.

In addition to his duties and responsibilities in relation to the Board as stated in the Corporation's By-Laws, the Chairman is responsible for the following matters:

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

Likewise, in addition to his functions set forth in the Corporation's By-Laws, the CEO shall perform such duties and responsibilities as shall from time to time be assigned to him by the Board. He may not take actions on the following matters if he is acting alone:

1. Those matters reserved for the stockholders or the Board;
2. Those matters which require the joint approval of both the Chairman and the President;
3. Such other matters specifically identified by the Board from time to time.

2.5 Corporate Secretary

The Corporate Secretary must be a Filipino citizen and resident of the Philippines. He must be loyal to the mission, vision and objectives of the Corporation and is willing and able to work fairly and objectively with the Board, Management and the Corporation's stockholders.

To effectively carry out his functions and duties, he must possess appropriate administrative and interpersonal skills and working knowledge of the operations of the Corporation. If he is not at the same time the Corporation's legal counsel, he must have the legal skills of a general counsel or chief legal officer or the knowledge of pertinent laws, rules and regulations necessary in the performance of duties and responsibilities of a Corporate Secretary. If he is also the Compliance Officer, he must perform all the duties and responsibilities pertaining to such position as provided for in this Manual in addition to his functions as Corporate Secretary.

In addition to his duties and responsibilities set forth in the Corporation's By-Laws, the Corporate Secretary:

- a. Keeps and preserves the integrity of the minutes of all meetings of the stockholders, Board of Directors and its committees, as well as the seal and other official records of the Corporation.
- b. Informs the members of the Board and stockholders of the agenda of their meetings and gives all other notices required by law or by the Corporation's By-laws and any such notice that may be given as directed by the Chairman of the Board or by the President or by the directors or stockholders, upon whose request the special meeting is called as provided in the Corporation's By-Laws.
- c. Ensures that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

- d. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.
- e. Keeps a register of the post office address of each stockholder and make all necessary changes in such register, retaining and filing his authority for all such entries.
- f. Sees that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed.
- g. Unless otherwise determined by the Board, has custody of the original stock books, transfer books and stock ledgers and acts as transfer agent in respect of the stock certificates and securities of the Corporation.
- h. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- i. In general, performs duties incident to the Office of the Corporate Secretary and such other duties as may from time to time be assigned by the Board of Directors.

2.6 Accountability and Audit

The Board is primarily accountable to the stockholders. It shall 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.

A. External Auditor

Upon recommendation of the Audit Committee, the Board shall appoint the External Auditor and the stockholders shall ratify the appointment. The External Auditor or the signing partner of the

external auditing firm engaged by the Corporation shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation shall be changed with the same frequency.

An External Auditor shall observe and enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. If the External Auditor believes that any statements made in the Corporation's Annual Report, information statement or any report filed with the Commission or any regulatory body during his engagement is incorrect or incomplete, his views must be presented in said reports.

The External Auditor is not, at the same time, to provide the services of an Internal Auditor to the Corporation. The Corporation must ensure that other non-audit work does not conflict with the functions of the External Auditor. Non-audit work refers to the other services offered by an External Auditor to the 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.

The reason/s for resignation, dismissal or cessation from service of an External Auditor and the effectivity date thereof are 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 External 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.

B. Internal Audit Department

The Corporation has in place an independent internal audit function performed by the Internal Audit Department, which provides the senior management, Audit Committee and the

Board with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and being complied with. The Internal Audit Department shall be guided by the International Standards on Professional Practice of Internal Accounting; otherwise, it must disclose to the Board and Management the reasons for non-compliance with the said standards.

The Internal Audit Department reports functionally to the Audit Committee and administratively to the *Chief Finance Officer. The minimum internal control mechanism for Management's operational responsibility shall center on the President, being ultimately accountable for the Corporation's organizational and procedural controls.

The Internal Auditor shall 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 exposure, control issues and such other matters as may be needed or requested by the Board and Management.

COMMUNICATION AND DISSEMINATION

3 GUIDELINES

- 3.1.** The Corporate Governance Manual is a proprietary record of the Corporation and is made available at Investors' Relations for inspection by any stockholder, director, officer, employee of the Corporation at reasonable hours on business days.
- 3.2.** The Manual must be thoroughly disseminated to all employees through the Petronet.
- 3.3.** Directors, senior and line management are to ensure compliance by all Petron personnel with the corporate governance requirements of the Corporation's Articles, By-Laws and policies and applicable laws and regulations, all as summarized in this Manual.
- 3.4.** The Law, Internal Audit and Human Resource Departments are jointly responsible for conducting orientation programs for officers and employees to explain the provisions of the Manual.
- 3.5** The Compliance Officer is responsible for orienting Directors on the requirements of the Corporate Governance Code of the Philippines, unless the Directors has previously attended a similar orientation program. *The Corporation provides the Directors with reading and study materials on corporate governance. The Corporation will support further initiatives toward the development of its Directors in this area.
- 3.6** The Corporate Governance Manual must form part of every orientation conducted by HRMD for new employees.

3.7 The Compliance Officer and Internal Audit Manager are jointly responsible for implementing revisions to this Manual subject to approval of the Board of Directors.

REPORTORIAL AND DISCLOSURE SYSTEM

4 GUIDELINES (SRC)

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.

- 4.1** The responsible Committee or officer, as identified herein, prepares reports or disclosure to the Commission required by applicable law or regulation and submits them through the Corporation's Compliance Officer.
- 4.2** The Corporation commits to fully and timely disclose all material information concerning the company's operations, i.e., anything that could potentially affect share price. Such information includes earnings results, acquisition or disposal of major assets, Board changes, significant related party transactions (excluding the purchase of crude oil in the normal course of business), shareholdings of directors and changes in ownership exceeding 5% of the corporation's outstanding share capital.
- 4.3** Other information that shall be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy and off balance sheet transactions.
- 4.4** All disclosed information must be released through the approved stock exchange procedure for company announcements as well as through the annual report.
- 4.5** The Board adheres to a more transparent governance of the Corporation and shall commit at all times to fully disclose material information dealings. It shall cause the filing of all the required information for the interest of the stakeholders.

SHAREHOLDERS' BENEFIT

5 GUIDELINES

The Board of Directors is committed to respect the following rights of the Corporation's stockholders as provided for in the Corporation Code.

5.1 Rights of All Shareholders

1. Voting Right

- 1.1. Shareholders have the right to elect, remove and replace directors and vote on corporate acts and matters that require their consent or approval in accordance with the Corporation Code.

As provided in the Corporation Code and in the Corporation's By-Laws, cumulative voting is used in the election of directors.

A director shall not be removed without cause and only with the affirmative vote of 70% of total issued and outstanding shares.

- 1.2. The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt on the validity of a proxy should be resolved in the stockholder's favor.

2. Pre-emptive Right

Pursuant to the Corporation Code 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 specific rights and powers of shareholders with respect to the particular shares they hold shall be protected so long as they are not in conflict with the Corporation Code.

3. Right to Inspect Corporate Books and Records

The records of all business transactions of the Corporation and the minutes of any meeting of the shareholders or Board shall be open to the inspection of any stockholder at reasonable hours on business days and the stockholder may demand, in writing, a copy of the excerpts from said records or minutes, at his expense.

Within ten (10) days from receipt of a written request of any stockholder, the Corporation shall furnish him its most recent financial statement, which shall include a balance sheet as of the end of the taxable year and a profit or loss statement for said taxable year, showing in a reasonable detail its assets and liabilities and the result of its operations.

At the regular meeting of stockholders, the Board of Directors shall present to the stockholders a financial report of the operations of the Corporation for the preceding year, which shall include financial statements, duly signed and certified by an independent public accountant.

All shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

4. Right to Information

All stockholders are to be provided, upon request, with periodic reports, which disclose relevant 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.

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

It is also 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.

5. Right to Dividends

5.1. Stockholders have the right to receive dividends subject to the discretion of the Board.

5.2. The Corporation shall 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. Appraisal Right

The stockholders have 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:

- 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 corporate property and assets as provided in the Corporation Code.
- c. In case of merger or consolidation.

7. General

The Board is responsible for promoting shareholder's rights, removing impediments to the exercise of shareholders' rights and facilitating adequate avenue for them to seek timely redress for violation of their rights. They are to encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They are to do what is necessary to remove excessive unnecessary costs and other administrative impediments to stockholders' meaningful participation in meetings and/or voting in person or by proxy. The directors are to facilitate the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

5.2 Rights of Minority Shareholders

Minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the stockholders' meeting, provided the items are for legitimate business purposes and in accordance with law, jurisprudence and best practice.

Special meetings of the stockholders may be called at the written request of one or more stockholders owning at least twenty per cent (20%) of the total issued and outstanding capital stock of the Corporation entitled to vote. Such request must state the purpose or purposes of the proposed meeting and should be delivered to and called by the Corporate Secretary at the Corporation's principal office.

MONITORING AND ASSESSMENT

6 GUIDELINES (SEC)

- 6.1** All Committees of the Board shall report regularly to the Board of Directors.
- 6.2** The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 7 (Penalties for Non-Compliance) of this Manual.
- 6.3** The evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be approved by the Board.
- 6.4** This Manual is in accordance with the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and, subject to regular review, shall be used as a reference by the members of the Board and Management.
- 6.5** The Board may create an internal self-rating system to measure performance of the Board and Management in accordance with the criteria as may be determined by the Board and consistent with the provisions of this Manual. The creation and implementation of such self-rating system and its salient features shall be disclosed in the Corporation's Annual Report.
- 6.6** All business processes and practices being performed within any department or business unit of the Corporation are to be reviewed to determine if these are consistent with the provisions of this Manual.

PENALTIES FOR NONCOMPLIANCE

7 Penalties for Non-Compliance

7.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers and staff in case of violation of any of the provisions of this Manual:

7.1.1 In case of first violation, the offender shall be reprimanded.

7.1.2 For second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.

7.1.3 For third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provision of Section 28 of the Corporation Code shall be observed.

7.2 The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

The above Revised Manual on Corporate Governance was adopted by the unanimous vote of the Board of Directors on July 01, 2002 and amended on October 21, 2010 pursuant to SEC Memorandum Circular No. 6 (July 15, 2009).

Certified correct:

Atty. Joel Angelo C. Cruz
Corporate Secretary

Ramon S. Ang
*Chairman of the Board of Directors
and Executive Committee*

Eric O. Recto
President