

# REVISED MANUAL ON CORPORATE GOVERNANCE



July 2016

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## TABLE OF CONTENTS

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	<u>PAGE</u>
I. Objective	4
II. Compliance System	5
2.1. Compliance Officer	5
2.2. Plan of Compliance	5
2.2.1 Board of Directors	5
2.2.2 Board Diversity Policy	5
2.2.3 General Responsibility	6
2.2.4 Composition	6
2.2.5 Multiple Board Seats	6
2.2.6 Specific Duties and Functions of the Board	6
2.2.7 Duties and Responsibilities of a Director	7
2.2.8 Chairman of the Board	8
2.2.9 Meetings of the Board	9
2.2.10 Compensation of Directors	9
2.3. Board Committees	10
2.3.1 Executive Committee	10
2.3.2 Nomination Committee	10
2.3.3 Compensation and Remuneration Committee	16
2.3.4 Audit Committee	17
2.3.5 Risk Management Committee	18
2.3.6 Corporate Governance Committee	18
2.3.7 Related Party Transactions Review Committee	19

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2.4	Management	19
2.4.1	General Responsibilities of Management	19
2.4.2	The President	20
2.4.3	The Corporate Secretary and the Asst. Corporate Secretary	20
2.4.4	Accountability and Audit	21
2.4.4.1	External Auditor	22
2.4.4.2	Internal Auditor	22
III.	Information and Communication	23
3.1	Supply of Information	24
3.2	Communication of this Manual	24
IV.	Disclosure and Transparency	25
V.	Board Evaluation and Training	25
5.1	Board Evaluation	25
5.2	Training on Corporate Governance	26
VI.	Shareholders' Rights and Protection	26
6.1	Rights of Investors / Minority Interests	26
6.1.1	Voting Right	27
6.1.2	Pre-emptive Right	27
6.1.3	Power of Inspection	27
6.1.4	Right to Information	28
6.1.5	Right to Dividends	28
6.1.6	Appraisal Right	29
VII.	Monitoring and Assessment	29
VIII.	Penalties for Non-Compliance with this Manual	29

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## **REVISED MANUAL ON CORPORATE GOVERNANCE BELLE CORPORATION**

The Board of Directors (the “Board”), , Management and *Employees* of Belle Corporation (the “*Corporation*”), hereby commit themselves to an open governance process through which its shareholders and other stakeholders may derive assurance that, in protecting and adding value to Belle’s financial and human investment, the Company is being managed ethically, according to prudently determined risk parameters, and striving to achieve local best practices.

### **Vision:**

*Belle Corporation envisions itself as a world-class provider of the finer things in life.*

### **Mission:**

- \* To develop quality entertainment and leisure facilities that promote growth and environmental sustainability;*
- \* To enhance shareholder value for the Company’s partners and investors;*
- \* To promote mutually beneficial relationship with all the stakeholders grounded on integrity and respect;*
- \* To be an employer of choice offering career growth opportunities;*
- \* To enhance the quality of life of the communities it serves.*

### **RULES OF INTERPRETATION**

*All references to the masculine gender in the salient points of this Manual shall likewise cover the feminine gender.*

### **DEFINITION OF TERMS**

- a. Corporate Governance. The framework of rules, systems and processes in the Corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;*
- b. Board of Directors. The governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties;*
- c. Exchange. An organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;*
- d. Management. The body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation;*
- e. Independent Director. A person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;*

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- f. Executive Director. A director who is also the head of a department or unit of the Corporation or performs any work related to its operation;*
- g. Non-Executive Director. A director who is not the head of a department or unit of the Corporation nor performs any work related to its operation;*
- h. Non-Audit Work. 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;*
- i. Internal Control. The system established by the Board of Directors and Management for the accomplishment of the Corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;*
- j. Internal Control System. The framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed;*
- k. Internal Audit. An independent and objective assurance activity designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;*
- l. Internal Audit Department. A department of the Corporation that provides independent and objective assurance services in order to add value to and improve the Corporation's operations;*

## I. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization. Corporate Governance is the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors 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 it operates.

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

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## II. COMPLIANCE SYSTEM

### 2.1 COMPLIANCE OFFICER

- 2.1.1 To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who shall monitor the progress and status of the Company's corporate governance activities. He shall have direct reporting responsibilities to the Chairman of the Board.
- 2.1.2 The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such, shall be addressed to the said Officer.
- 2.1.3 The Compliance Officer shall have the following duties and responsibilities:
- 2.1.3.1 Promote awareness of good corporate governance and accountability within the Company;
  - 2.1.3.2 Monitor compliance with the provisions and requirements of this Manual, determine violation/s of the Manual and recommend penalty for violation thereof for further review;
  - 2.1.3.3 Appear before the Commission upon summons on relevant matter that need to be clarified by the same;
  - 2.1.3.4 Ensure compliance with the Code of Corporate Governance of the Philippines;
  - 2.1.3.5 Issue a Certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the complete year, explaining the reason/s of the latter's deviation from the same.
  - 2.1.3.6 Plan and organize seminars for the continuing progression of all the directors and key officers of the Company.
  - 2.1.3.7 Identify, monitor and control compliance risks.

### 2.2 PLAN OF COMPLIANCE

#### 2.2.1 Board of Directors

Compliance with the principles of good corporate governance shall start with the Board. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders.

#### 2.2.2 Board Diversity Policy

We value, promote and observe a policy on diversity in the composition of our Company's Board of Directors.

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Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers.

### **2.2.3 General Responsibility**

A director shall act in a manner characterized by transparency, accountability and fairness.

### **2.2.4 Composition**

The Corporation's directors shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Corporation. The names of the directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election.

As provided in the Corporate Governance Code of the Philippines and in compliance thereof, the Corporation shall have at least two independent directors or such number as will constitute 20% of the members of the Board, but in no case less than two (2).

All directors shall have access to the advice and services of the Corporate Secretary and, if necessary, shall be able to take independent professional advice in the furtherance of their duties, at the Corporation's expense.

### **2.2.5 Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships outside of the Corporation. A director may hold directorships outside of the Corporation provided that these positions do not retract from the director's capacity to diligently perform his duties as a director of the Corporation.

### **2.2.6 Specific Duties and Functions of the Board**

To ensure a high standard of best practice for the Corporation, and to promote and protect the interest of the Corporation, its stockholders and its stakeholders, the Board shall conduct itself with honesty and integrity in the performance, among others, the following dues and responsibilities:

- 2.2.6.1 Install a process of selection to ensure a mix of competent directors and officers, regardless of age, gender, race and religion;
- 2.2.6.2 Set and regularly review the strategic objectives and the Company's vision and mission, determine investment policy, agree on performance criteria and delegate to management the detailed planning of implementation of that policy, in accordance with appropriate risk parameters;
- 2.2.6.3 Determine and oversee the implementation of the strategies and plans, review the operation and financial performance of the Corporation and to consider matters specifically reserved for its approval;

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- 2.2.6.4 Institute a plan of succession for key Management positions in the Corporation;
  - 2.2.6.5 Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices, and achievement against objectives, by holding Management accountable for its activity through the measurement and control of operations by regular reports to the Board, including monthly performance reporting and budget updates;
  - 2.2.6.6 Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relation with them through an effective investor relations program;
  - 2.2.6.7 Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them.
  - 2.2.6.8 Adopt a system of internal checks and balances;
  - 2.2.6.9 Identify and monitor with due diligence key risk areas and key performance indicators, and manage the same especially those categorized as having high impact with high probability of occurrence;
  - 2.2.6.10 Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
  - 2.2.6.11 Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
  - 2.2.6.12 Formulate and implement policies to ensure the integrity of related party transactions between and among the company and its related companies, business associates, major stockholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships, and;
  - 2.2.6.13 Establish and maintain an alternative dispute resolution system to settle conflicts between the Corporation and its stockholders or other third parties, including regulatory authorities.

## **2.2.7 Duties and Responsibilities of a Director**

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

2.2.7.1 Conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions. He shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality, should an actual or potential conflict of interest should arise, he should fully and immediately disclose the same and should not participate in the decision-making process.

2.2.7.1.1 A conflict of interest arises when the director's personal or business interest is antagonistic to that of the Corporation, or that he stands to acquire or gain financial advantage at the expense of the Corporation;

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- 2.2.7.2 Devote time and attention necessary to properly discharge duties and responsibilities. He 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.
  - 2.2.7.3 Act judiciously. He shall evaluate the issues, ask questions and seek clarifications necessary before deciding on any matter brought before the Board;
  - 2.2.7.4 Exercise independent judgment. He shall review each problem or situation objectively. Should a disagreement with other directors arise, he should carefully evaluate and explain his position. He should not be afraid to take unpopular positions if he thinks such ideas are beneficial to the *Corporation*;
  - 2.2.7.5 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 requirements of the Commission, and where applicable, the requirements of other regulatory agencies. He shall also keep himself informed of the industry developments and business trends in order to safeguard the *Corporation's* competitiveness;
  - 2.2.7.6 Observe confidentiality. He should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not disclose any information to any other person without the authority of the Board or the Executive Committee;
  - 2.2.7.7 Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
  - 2.2.7.8 Attend before assumption of office and annually thereafter a seminar on corporate governance conducted by a duly recognized private or government institute.

To enable the Board to properly fulfill their duties and responsibilities, management should provide directors with complete and timely information about the matters in the agenda of the meetings. Directors should be given independent access to management and the Corporate Secretary, as well as to independent professional advice.

## **2.2.8 Chairman of the Board**

*In addition to the duties and responsibilities of the Chairman as provided in the Corporation's By-Laws, he shall be responsible for the following:*

- 2.2.8.1 Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman shall deem necessary.
- 2.2.8.2 Preside at all meetings of stockholders and directors.

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- 2.2.8.3 Supervise the preparation of the agenda of each meeting of the Board, the Shareholders, and any of the committees of the Board with the Corporate Secretary, taking into account the suggestions of the President and Chief Executive Officer (CEO), Management and other directors.
  - 2.2.8.4 Maintain qualitative and timely lines of communication and information between the Board and Management.
  - 2.2.8.5 Have general supervision and administration of the affairs of the Corporation.
  - 2.2.8.6 Initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board
  - 2.2.8.7 Carry out the resolutions of the Board and represent the Corporation at all function and proceedings, and
  - 2.2.8.8 Perform such other duties that are incident to his office or are entrusted to him by the Board.

The roles of the Chairman and President and CEO shall be separate to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and President and CEO upon their election.

## **2.2.9 Meetings of the Board**

- 2.2.9.1 Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the Commission.
- 2.2.9.2 The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.
- 2.2.9.3 The Board of Directors shall meet at least six (6) times a year. Board meetings shall be scheduled in advance before the start of the year.
- 2.2.9.4 Items to be discussed during the board meeting shall be made available to each director at least five (5) days in advance. In emergency circumstances, however, the meeting may be called on a shorter notice.
- 2.2.9.5 Non-executive Directors shall meet once a year without the presence of Executive Directors and key officers.
- 2.2.9.6 Presence of 2/3 of the directors is required when determining the quorum of the meeting.

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## **2.3 Board Committees**

To help focus on specific corporate governance responsibilities and to aid in compliance thereof, the Board created seven (7) Committees namely Executive Committee; the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, the Risk Management Committee, the Corporate Governance Committee, and the Related Party Transaction Review Committee.

### **2.3.1 The Executive Committee**

The Executive Committee shall consist of at least three (3) members of the Board. Members of the Committee shall be appointed by the Board, who shall also appoint a Committee Chairperson and Committee Secretary. In accordance with this, members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board.

The Executive Committee's primary purpose is to function when the Board is not in session. The Committee shall have all the power and authority of the Board in the governance, management and direction of the business and affairs of the Company except for those matters expressly provided for in Section 35 of the Corporation Code, the Company's By-Laws and other pertinent laws, rules or regulations.

The Executive Committee shall have the following duties and responsibilities:

2.3.1.1 Assist the Board in overseeing the implementation of strategies;

2.3.1.2 Review of major issues facing the organization;

2.3.1.3 Monitoring of the operating activities of each business group;

2.3.1.4 Defining and monitoring the Company's performance improvement goals;

2.3.1.5 Defining group-wide policies and actions and overseeing their implementation;

2.3.1.6 Fostering the sharing of information in all areas of the business group.

An act of the Executive Committee which is within the scope of its power shall not require ratification or approval for its validity and effectivity.

All actions of the Executive Committee shall be reported to the Board at the meeting thereof.

### **2.3.2 Nomination Committee**

The Nomination Committee shall consist of at least three (3) voting directors, one of whom must be independent. In accordance with this, the members of the Committee may be removed or replaced, and any vacancies on the Committee shall be filled, by the Board of Directors.

The Committee's role is to determine the nominees for election to the Company's Board of Directors, which may be done by identifying through professional search firms or other similar mechanisms, and by recommending candidates to fill vacancies occurring between annual shareholder meetings, and to provide communications with the Board of Directors and, as appropriate, communications with shareholders and regulators.

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The Nomination Committee shall have the following duties and responsibilities:

- a. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided under the Revised Manual on Corporate Governance and all relevant rules and regulations.
- b. Ensure that all candidates nominated by shareholders to become a member of the Board of Directors shall possess the ideals and values that are aligned to the Company's vision and mission statements, and strategic directions.
- c. Assesses the relevant work experiences, educational background, competencies and track record of candidates in light of the strategic goals and objectives of the Company;
- d. In consultation with the appropriate executive or management committee/s, redefine the role, duties and responsibilities of the Chief Executive Officer (CEO) 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.
- e. Disclose the process it follows in selecting the CEO and in installing succession planning for the position of CEO and all key senior officer positions of the Corporation.
- f. Consider the following guidelines in the determination of the number of directorship a member of the Board may hold:
  - i. The nature of the business of the Corporation of which he is a director;
  - ii. The age of the director;
  - iii. Number of directorship/active memberships and officerships in other corporation or organization; and
  - iv. Possible conflict of interest.
- g. Nominate candidate/s in case any vacancy occurs by reason of death, resignation, retirement or disqualification that may be filled by the affirmative vote of a majority of the remaining directors constituting a quorum provided that specific slots for Independent Directors shall not be filled by unqualified nominees.
- h. Ensure that effective processes are in place to provide continuity of Board and executive leadership.

The Nomination Committee may engage the services of an external body to facilitate the evaluation of the Board of Directors as a whole, the individual directors, Board Committees, and the President; at least once every three (3) years.

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## **Nomination and Election of Board of Directors**

Members of the Board of Directors are nominated through the Nomination Committee (the "Committee") and elected at the annual meeting of the stockholders to serve for a term of one (1) year until their successors are duly elected and qualified, provided, however, that at least two (2) members of the Board of Directors, or at least 20% of the total number of members thereof, whichever is the lesser, shall be independent. It shall be the responsibility of the Chairman of the Stockholders' Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors

Any vacancy occurring in the Board of Directors by reason of death, resignation, retirement or disqualification may be filled by the affirmative vote of a majority of the remaining directors constituting a quorum, upon the nomination of the Nomination Committee, provided that specific slots for Independent Directors shall not be filled by unqualified nominees. A director elected to fill a vacancy shall be elected for the expired terms of his predecessor in office.

Nomination of directors shall be conducted by the Committee prior to a stockholders' meeting.

All nominations, inclusive of each nominee's acceptance, shall be submitted in writing thru the Corporate Secretary to the Committee by any stockholder of record on or before January 30 of each year to allow the Committee sufficient time to assess and evaluate the qualifications of the nominees. A stockholder of record, including a minority stockholder, entitled to notice of, and to vote at, the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated for election as a director.

The Committee may engage the services of professional search firms or other reputable external sources when searching for candidates for election to the Board of Directors.

The name of the person or group of persons who recommended the nomination of the Independent Director(s) shall be identified in such report including any relationship with the nominee.

The Committee meets, pre-screens and evaluates the qualifications of all persons nominated for election to the Board of Directors from the pool of candidates submitted by the nominating stockholders. The Committee will then prepare the Final List of Candidates after considering the qualifications and disqualifications set forth in the Amended By-Laws of the Corporation. The same shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be required to submit to the SEC.

Only nominees qualified by the Committee and whose names appear on the Final List of Candidates shall be eligible for election either as Independent Directors or as Regular Directors. No other nominations for election as director shall be entertained after the Final List of Candidates has been prepared and finalized. No further nominations for

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election as director shall be entertained or allowed on the floor during the annual stockholders' meeting.

Based on the Final List of Candidates, directors are elected by shareholders individually. The vote required for the election of directors is majority of the outstanding capital stock. The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as Directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.

To preserve the integrity of the election process, the Corporation may employ the services of a third party to validate the voting results.

### **Qualifications for Directorship**

A director of the Corporation must possess the following qualifications:

- a. Holder of at least one (1) share of stock of the Corporation;
- b. at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;
- c. He shall be of legal age or at least twenty one (21) years old;
- d. He shall be proven to possess integrity and probity;
- e. He shall be assiduous;
- f. Considerable involvement in real estate industry
- g. Proven to possess the appropriate level of skill and experience in line with the strategic plans and goals of the Corporation, and
- h. In addition to the qualifications for membership in the Board required in relevant laws, the Board may provide for additional qualifications, which may include practical understanding of the Corporation's business, membership in good standing in relevant industry, business or professional organizations, and previous business experience.

### **Disqualifications from Directorship**

The following individuals are disqualified from being a director of the Corporation.

- a. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

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- b. Any person finally found by the Securities and Exchange Commission (the "Commission") or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas (the BSP), or any rule, regulation or order of the Commission or BSP;
- c. Any person judicially declared to be insolvent;
- d. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- e. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- f. No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
- i. If he is the owner (either of record or as beneficial owner) of 5% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 20% of the capital stock) which is engaged in a business directly competitive to that of the Corporation or any of its subsidiaries or affiliates;
  - ii. If he is an officer, manager or controlling person of, or the owner or any member of his immediate family is the owner (either of record or as beneficial owner) of 5% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least 20% of the capital stock) which is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) by or against the Corporation, which has been actually filed or threatened, imminent or probably, to be filed;
  - iii. If he is determined by the Board, in the exercise of its judgment in good faith, to be the nominee, officer, trustee, adviser or legal counsel, of any individual set forth in (i) and (ii) hereof.

### **Temporary Disqualification**

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

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing rules and regulations. This disqualification shall be in effect as long as his refusal persists;

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- b. Absence or non-participation for whatever reason/s for more than 50% of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during his incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. This disqualification applies for purposes of the succeeding election;
  - c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
  - d. If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director;
  - e. Conviction that has not yet become final referred to in the grounds for disqualification of directors
  - f. An independent director whose beneficial equity ownership in a company or its subsidiaries and affiliates exceeds 2% of the subscribed capital stock is temporarily disqualified from being a director of the company, until his beneficial equity ownership reverts to the 2% limit.

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.

#### **Additional Qualifications for Independent Directors**

In addition to the foregoing qualifications and disqualifications, a director nominated and elected as independent shall likewise meet the following requirements:

- a. He is not a director or officer of the Corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing.
- b. He does not own more than two percent (2%) of the shares of the Corporation and/or of its related companies or any of its substantial shareholders.
- c. He is not related to any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholder. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
- d. He is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.

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- e. He has not been employed in any executive capacity by the Corporation, any of its related companies, and/or by any of its substantial shareholder within the last five (5) years.
  - f. He is not retained as professional adviser by the Corporation, and/or any of its related companies and/or any of its substantial shareholders within the last five (5) years.
  - g. He is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Corporation, any of its related companies and/or any of its substantial shareholders, either personally or through his firm.
  - h. He has not engaged and does not engage in any transaction with the Corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
  - i. He must be independent of Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgement.

For purposes of the foregoing, a "related company" of the Company shall be any of the following: (i) its parent company, (ii) its subsidiaries, or (iii) subsidiaries of its parent company. Also, a "substantial shareholder" shall mean any person who, directly or indirectly, beneficially owns more than ten percent (10%) of any class of security issued by the Company.

### **2.3.3 Compensation and Remuneration Committee**

The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director. Its role is to decide, determine and approve by a majority vote matters relating to compensation, remuneration and benefits of the Company's officers and directors and to provide communications with the Board of Directors and, and as appropriate, communications with shareholders and regulators.

The Compensation and Remuneration Committee shall have the following duties and responsibilities:

- a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment.
- b. Designate the amount of remuneration, which shall be in sufficient level to attract and retain directors and officers who are needed to run the company successfully.

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- c. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among other, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
  - d. Disallow any director to decide his own remuneration.
  - e. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclose of compensation of its executive officers for the previous fiscal year and the ensuing year.
  - f. Review of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives, and compliance of personnel with all statutory requirements that must be periodically met in their respective posts.
  - g. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

Directors, as such, shall not receive any compensation unless approved by the stockholders or provided in the Corporation's By-Laws. No director should participate in the approval of his compensation. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings.

#### **2.3.4 Audit Committee**

The Audit Committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director, who shall be the Chairman thereof. Each member shall have adequate *experience* and competent understanding of finance and accounting processes.

The Audit Committee shall have the following duties and responsibilities:

- a. Endorse the appointment, re-appointment and removal of the External Auditor;
- b. Approve the appointment, evaluate the performance and confirm the removal of the Chief Audit Executive;
- c. Seek any information it requires from Management, and all other employees;
- d. Gain access to all records, documents, properties, assets and personnel within the Company;
- e. Review the scope of work of the auditors after considering their assessment of internal controls and risks identified;
- f. Obtain any external professional advice and expertise if so required;

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- g. Investigate any activities within its scope of responsibilities, or as may be required by the Board.*
  - h. Review the impact of significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements on the financial statements.*
  - i. Review with Management and the external auditors the results of the audit, including any difficulties encountered.*
  - j. Review and endorse to the Board for approval, the quarterly, mid-year and annual financial statements; consider their completeness and consistency with information known to the Committee and compliance with accounting principles and standards, and regulatory requirements.*
  - k. Review accuracy and completion of other sections of the annual report and related regulatory filings before release.*
  - l. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement; and review same before filing with regulators.*
  - m. The Committee shall meet at least four (4) times a year and may hold private meetings with auditors and executive sessions (i.e. without the presence of Management).*
  - n. Other duties and responsibilities shall be provided in the Audit Committee Charter*

### **2.3.5 The Risk Management Committee**

The Committee shall consist of at least three (3) members of the Board of Directors. The Committee shall be chaired by an independent director.

The Committee shall assist and advise the Board in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's business and financial risk profile, risk management system and accomplishment of its objectives.

The Risk Management Committee shall have the following duties and responsibilities:

- a. Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.*
- b. Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.*
- c. Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.*

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- d. May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.
  - e. Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.
  - f. Review the details of the Company's related party transactions.
  - g. Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
  - h. Evaluate the Committee's and individual members' performance on a regular basis.
  - i. *The Committee shall meet twice year.*
  - j. Other duties and responsibilities shall be provided in the Risk Management Committee Charter.

### **2.3.6 The Corporate Governance Committee**

The Committee shall consist of at least three (3) members of the Board of Directors. The Committee shall be chaired by an independent director.

The Corporate Governance Committee assists and advises the Board of Directors in performing corporate governance compliance responsibilities in relation with the Company's Manual on Corporate Governance, the Philippine Code of Corporate Governance, and disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange, Inc.

The Corporate Governance Committee shall have the following duties and responsibilities:

- a. Develop and review the Company's policies and practices in corporate governance and make recommendations to the Board;
- b. Review and monitor the training and continuous professional development of directors and senior management;
- c. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- d. Develop, review, update and monitor the code of conduct and compliance manual applicable to the directors and employees of the Company;
- e. Review the Company's compliance with the Corporate Governance Manual, SEC Code of Corporate Governance and PSE Corporate Governance Guidelines.

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### 2.3.7 The Related Party Transactions Committee

The Committee shall consist of at least three (3) members of the Board of Directors. The Committee shall be chaired by an independent director.

The Related Party Transactions (RPT) Committee assesses material agreements with related parties to ensure that the RPT transactions are conducted at market rates and on an arm's length basis. For this purpose, transactions considered material are subject for review by the RPT Committee prior to Board approval and Management execution.

## 2.4. Management

### 2.4.1. The general responsibilities of Management are the following:

- a. Management is primarily responsible for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulation the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization:
  - i. Purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation;
  - ii. Useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;
  - iii. Information systems that are defined and aligned with the IT strategy and the business goals of the Corporation; and
  - iv. A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.
- b. Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Corporation.

### 2.4.2. The President

The President shall have the following powers and duties:

- a. Ensure that the administrative and operational policies of the Corporation are carried out under the direction and control of the Chairman on the Board and Chief Executive Officer.
- b. Have general supervision of the business, affairs and property of the Corporation, and over its employees and officers.

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- c. Recommend to the Chairman of the Board and the Board specific projects for the attainment of corporate objectives and policies.
  - d. Sign and cause the signatures of Certificates of Stocks.
  - e. See that all orders and resolutions of the Board are carried into effect.
  - f. Submit to the Board as soon as possible after the close of the each fiscal year and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs.
  - g. Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.
  - h. Exercise such powers and duties and perform such duties commonly incident to and vested in the President of a Corporation and which the Board or Chairman of the Board may, from time to time assign to him.

#### **2.4.3. The Corporate Secretary and the Assistant Corporate Secretary**

The Corporate Secretary is an officer of the company and his loyalty to the mission, to the mission, vision and specific business objectives of the corporate entity come with his duties.

The Corporate Secretary shall be a Filipino citizen, and considering his varied functions and duties must possess administrative and interpersonal skills, and if not the general counsel, must have some legal skills. He must also have some financial and accounting skills and a working knowledge of the operations of the company.

The duties and responsibilities of the Corporate Secretary and Assistant Corporate Secretary are:

- a. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- b. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees, as well as other official records of the Company;
- c. As to agenda, get a complete schedule thereof at least for the current year and out the Board on notice before every meeting;
- d. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- e. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- f. Attend all Board meeting and maintain a record of the same; and

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- g. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.*

#### **2.4.4 Accountability and Audit**

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

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

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

- a. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities in the preparation 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 for the benefit of all stockholders and the 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 operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;*
- d. The Corporate should consistently comply with the financial reporting requirements of the Commission;*
- e. The External Auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assign to the Corporation, should be changed with the same frequency.*

##### **2.4.4.1 External Auditor**

The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

*An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall*

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be selected and appointed by the stockholders upon recommendation of the Audit Committee.

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The external auditor of the company shall not at the same time provide the services of an internal auditor to the same corporation. The Corporation shall ensure that the other non-audit work shall not be in conflict with the functions of the external auditor.

The Company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

If an external auditor believed that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

#### **2.4.4.2 Internal Auditor**

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall report to the Audit Committee.

The minimal internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

There shall be an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders.

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

The system of internal control shall be designed to manage, rather than eliminate, the risk of failure to achieve business targets and objectives and shall provide reasonable, although not absolute assurance against material misstatement or loss.

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### III. SHAREHOLDER'S RIGHTS AND PROTECTION

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

In addition to the sending of notices, open communications should be maintained with stockholders to encourage them to personally attend the stockholders' meeting. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy.

*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 company and all its investors.*

#### **3.1. Rights of Investors/Minority Interests**

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

##### **3.1.1. Voting Right**

3.1.1.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Minority shareholders shall have the right to nominate candidates for election to the Board during the Corporation's Annual Stockholders' Meetings, in accordance with the Company's By-Laws.

*3.1.1.1.1 Shareholders shall have the right to participate in decisions concerning fundamental corporate changes, such as:*

1. *Amendments to the Company's constitution*
2. *The authorization of additional shares*
3. *The transfer of all or substantially all assets, which in effect results in the sale of the Company*

3.1.1.2 Election of Directors shall take place during the Annual Stockholders' Meeting of the Company. As mandated by the Corporation Code, cumulative voting may be used in the election of directors.

3.1.1.3 The Board shall be transparent and fair in the conduct of the meetings of the shareholders. The shareholders shall be encouraged to personally attend such meetings, and that if they cannot attend, they shall be apprised ahead of time of their

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right to appoint a proxy. Subject to the requirements of the By-Laws, the right to designate a proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in favor of the shareholder.

- 3.1.1.4 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

### **3.1.2 Pre-emptive Right**

- 3.1.2.1. Under the Amended Articles of Incorporation of the Company, no stockholder of the Corporation, because of his/its ownership of stock, has a pre-emptive or other right to purchase or subscribe to any additional share of the capital stock of the corporation whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Corporation or any of any other class, and whether out of the number of shares authorized by the Articles of Incorporation of the Corporation as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Corporation acquired by it after the issue thereof; nor shall any holder of any such stock may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Corporation or to which shall be attached or appertain any warrant or warrants of any instrument of instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Corporation, any shares of the capital stock of any class.

### **3.1.3 Power of Inspection**

- 3.1.3.1. All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours. Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.

### **3.1.4 Right to Information**

- 3.1.4.1 The Corporation recognizes that the essence of corporate governance is transparency, hence, the more transparent the internal workings of the Corporation, the more difficult it will be for Management and dominant shareholders to mismanage the Corporation or misappropriate assets.

Towards this end, the Board shall ensure that all material information about the Corporation which could adversely affect its viability or the interest of the shareholders shall be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheets transactions, related party transactions, remuneration of directors and Management; all of which shall be disclosed through established disclosure procedures of the PSE and SEC.

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- 3.1.4.2. The shareholders shall be provided, upon request, with periodic reports which disclose information about the directors and officers and certain other matters, such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- 3.1.4.3. 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 items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
- 3.1.4.4. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable, and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

### **3.1.5 Right to Dividends**

3.1.5.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

3.1.5.2. The dividends shall be paid within thirty (30) days from date of declaration of such.

3.1.5.3 The Company, while ensuring financial flexibility, shall endeavor to continue to declare annual regular cash dividends exceeding 30% of the prior year's net income from continuing operations.

3.1.5.4. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:

3.1.5.4.1 when justified by definite corporate expansion projects or programs approved by the Board, or

3.1.5.4.2 when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or

3.1.5.4.3 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 probably contingencies.

### **3.1.6 Appraisal Right**

3.1.6.1 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:

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- 3.1.6.1.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder 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;
  - 3.1.6.1.2 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
  - 3.1.6.1.3 In case of merger or consolidation.

#### **IV. INFORMATION AND COMMUNICATION**

##### **4.1 Supply of Information**

- 4.1.1. All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.
- 4.1.2. Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- 4.1.3. Directors, either individually or as a group, may seek independent professional advice or consultation in the performance of their duties, granted said advice or consultation is within the guidelines set by the Board.

##### **4.2. Communication of this Manual**

- 4.2.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 4.2.2. All directors, officers, division and department heads are tasked to ensure that thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 4.2.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of Governance and Corporate Affairs Department, with a minimum of at least one (1) hard copy of the Manual per department.
- 4.2.4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 4.2.5. If necessary, funds shall be allocated by the Corporation for the purpose of conducting an orientation program or workshop to operationalize this Manual.

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### **4.3 Disclosure and Transparency**

- 4.3.1. It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interest of its stockholder 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, related party transactions, and direct and indirect remuneration of the members of the Board and Management.
- 4.3.2. 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 appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.
- 4.3.3. The Corporation shall disclose its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

## **V. MONITORING AND ASSESSMENT**

- 5.1. Each Committee shall report regularly to the Board of Directors.
- 5.2. 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 employees to the penalty provided under Part VIII of this Manual.
- 5.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 5.4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 5.5. All business processes and practices being performed within any department or business unit of Belle Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant with this Manual.

## **VI. BOARD EVALUATION AND TRAINING**

### **6.1. Board Evaluation**

6.1.1 The Compliance Officer shall establish an evaluation system to measure the performance of the Board, Board Committees and the President of the Corporation in terms of governance practices. This shall be annually conducted by the Nomination Committee, which shall discuss the results thereof at a Board meeting.

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6.1.2. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation.

6.1.3. The adoption of such performance evaluation system must be covered by a Board approval. Such evaluation system shall provide for a Self-Evaluation Form to be distributed to members of the Board of Directors and Board Committees for the purpose of rating each member, the Committees and the Board as a whole based on specific criteria identified by the Nomination Committee.

6.1.4. During the evaluation, directors shall be afforded the opportunity to identify areas for improvement in the performance of their duties and responsibilities.

## **6.2. Training**

6.2.1. The Corporation shall provide a comprehensive orientation program for new directors, including an understanding of the contributions that the director is expected to make, an explanation of the Board and its committees, and an explanation of the Corporation's business, including corporate governance and other matters that will assist them in discharging their duties.

6.2.2. The Corporation shall also provide general access to training courses to its directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Corporation's business.

6.2.3. The Board and key officers of the Corporation shall annually attend a corporate governance related training activity conducted an institution that has been duly recognized and certified by the Commission.

## **VII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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

- a. In case of first violation, the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall be at least reprimanded or warned.
- b. Suspension from the office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
- c. For third violation, the maximum penalty of removal from office shall be imposed. With regard to 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.