



# **Euro-Med Laboratories Phil., Inc.**

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15 July 2014

**PHILIPPINE STOCK EXCHANGE**  
Disclosure Department  
3<sup>rd</sup> Floor, PSE Plaza  
Ayala Triangle, Ayala Avenue,  
Makati City

Attention : **MS. JANET A. ENCARNACION**  
Head - Disclosure Department

Re : **REVISED MANUAL ON CORPORATE GOVERNANCE**

Dear Ms. Encarnacion,

Pursuant to SEC Memorandum Circular No. 9, Series of 2014, please be advised that at the regular meeting of the Board of Directors of Euro-Med Laboratories Phil., Inc., held today, 15 July 2014, at 5:00 p.m. wherein a quorum was present throughout, the Board unanimously approved the revisions to the Corporation's Manual on Corporate Governance.

We are herewith submitting a copy of the Revised Manual on Corporate Governance duly signed by the Chairman of the Board.

Thank you.

Very truly yours,



**JANICE R. ONG**  
Corporate Secretary

## REVISED MANUAL ON CORPORATE GOVERNANCE EURO-MED LABORATORIES PHIL., INC.

The Board of Directors and Management, (including the officers and staff) of Euro-Med Laboratories Phil., Inc. hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

### DEFINITION OF TERMS :

Corporate Governance - 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.

### 1. OBJECTIVE

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

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

### 2. COMPLIANCE SYSTEM

#### 2.1 Board of Directors

The Board of Directors shall be primarily responsible for ensuring compliance by the Corporation with the principles of good corporate governance enunciated in this Manual.

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 stakeholders.

To ensure a high standard of best practice for the corporation, its stockholders and other stakeholders, the Board should conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

#### 2.1.1 General Responsibility

A director's office is one of trust and confidence. He or she shall act in a manner characterized by transparency, accountability and fairness.

#### 2.1.2 Specific Duties and Functions

2.1.2.1. Install a process of selection to ensure a mix of competent directors and officers. Adopt an effective succession planning program for Management;

2.1.2.2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;

- 2.1.2.3. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- 2.1.2.4. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- 2.1.2.5. Adopt and formulate a clear policy on communicating or relating with all the shareholders of the Corporation, and not only its major stockholders, through an effective investor relations program;
- 2.1.2.6. 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;
- 2.1.2.7. Adopt a system of internal checks and balances;
- 2.1.2.8. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- 2.1.2.9. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- 2.1.2.10. 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; and
- 2.1.2.11. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.
- 2.1.2.12. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

### 2.1.3 Duties and Responsibilities of a Director

- 2.1.3.1. A director shall have the following duties and responsibilities:
- 2.1.3.2. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- 2.1.3.3. To devote time and attention necessary to properly discharge his or her duties and responsibilities;
- 2.1.3.4. To act judiciously;
- 2.1.3.5. To exercise independent judgment;
- 2.1.3.6. 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 requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- 2.1.3.7. To observe confidentiality;
- 2.1.3.8. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

- 2.1.3.9. It shall be incumbent upon a director to familiarize himself with the principles of corporate governance by attending a seminar to be conducted by a duly recognized private or government institution, and to apprise himself of all updates thereon, if any.

#### 2.1.4 Qualifications of a Director

No person shall be elected director of the Corporation unless he/she shall qualify in accordance with the following conditions and shall have none of the disqualifications stated hereunder:

- 2.1.4.1. Holder of at least one (1) share of stock of the Corporation;
- 2.1.4.2. He or she shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- 2.1.4.3. He or she shall be at least twenty one (21) years old;
- 2.1.4.4. He or she shall have proven to possess integrity and probity; and
- 2.1.4.5. He or she shall be assiduous

#### 2.1.5 Disqualifications of a Director

- 2.1.5.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (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;
- 2.1.5.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director, or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activities 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;

- 2.1.5.3. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- 2.1.5.4. Any person finally found by 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 any rule, regulation or order of the Commission;

- 2.1.5.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- 2.1.5.6 Any person judicially declared to be insolvent;
- 2.1.5.7. 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; and
- 2.1.5.8. 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 or her election or appointment.

## **2.1.6 Board Meetings and Quorum Requirement**

- 2.1.6.1. 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.
- 2.1.6.2. Independent directors should always attend Board meetings unless they are prevented from attending due to justifiable reasons. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement.
- 2.1.6.3. To monitor the directors' compliance with the attendance requirements, the Corporation shall submit to the Commission, on or before January 30 of the following year, a sworn certification regarding the directors' record of attendance in Board meetings.
- 2.1.6.4. To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.
- 2.1.6.5. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.
- 2.1.6.6. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- 2.1.6.7. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense.

## **2.2 Remuneration of Directors and Officers**

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

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

## 2.3

### Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute the Audit Committee to be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

#### 2.3.1 Duties and Responsibilities

- 2.3.1.1. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- 2.3.1.2. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- 2.3.1.3. Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- 2.3.1.4. Perform direct interface functions with the internal and external auditors.
- 2.3.1.5. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.
- 2.3.1.6. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 2.3.1.7. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- 2.3.1.8. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- 2.3.1.9. Review the reports submitted by the internal and external auditors;

Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with tax, legal and regulatory requirements

- 2.3.1.10. Coordinate monitor and facilitate compliance with laws, rules and regulations;
- 2.3.1.11. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's over all consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

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

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

## 2.4 The Corporate Secretary

- 2.4.1 The Corporate Secretary is an officer of the Corporation. His or her loyalty to the mission, vision and specific business objectives of the corporate entity come with his or her duties.
- 2.4.2 The Corporate Secretary shall be a Filipino citizen.
- 2.4.3 Considering his or her varied functions and duties, he or she must possess administrative and interpersonal skills, and if he or she is not the general counsel, then he or she must have some legal skills. He or she must also have some financial and accounting skills.
- 2.4.4 The Corporate Secretary shall work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- 2.4.5 Duties and Responsibilities
- 2.4.5.1. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- 2.4.5.2. As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- 2.4.5.3. Assist the Board members in making business judgment in good faith and in the performance of their responsibilities and obligations.
- 2.4.5.4. Attend all Board meetings and maintain record of the same.
- 2.4.5.5. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.
- 2.4.5.6. If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- 2.4.5.7. Have a working knowledge of the operations of the Corporation;
- 2.4.5.8. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have been before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

## 2.5 External Auditor

- 2.5.1 The External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

- 2.5.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of the External Auditor shall be reported in the Corporation'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.
- 2.5.3 The External Auditor of the Corporation shall not at the same time provide the services of an internal auditor to the said Corporation. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor.
- 2.5.4 The Corporation's External Auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 2.5.5 If the External Auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he or she shall present his views in said reports.

## 2.6 Internal Auditor

- 2.6.1 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.
- 2.6.2 The Internal Auditor shall report to the Audit Committee.
- 2.6.3 The minimum internal control mechanisms for Management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.
- 2.6.4 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.

## 2.7 The Compliance Officer

The Board shall appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer, shall report directly to the Chair of the Board. He shall perform the following duties:

- 2.7.1 Monitor compliance by the Corporation with the Revised Code of Corporate Governance issued by the Commission and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation;
- 2.7.2 Appear before the Commission when summoned in relation to compliance with the Revised Code of Corporate Governance issued by the Commission; and
- 2.7.3 Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with the Code of Corporate Governance issued by the Commission for the completed year and, if there are any deviations, explain the reason for such deviation.



### 3. ACCOUNTABILITY AND AUDIT

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

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

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

- 3.1.1. The extent of its responsibility in the preparation of the financial statements of the Corporation with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- 3.1.2. 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;
- 3.1.3 On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations;
- 3.1.4 The Corporation should consistently comply with the financial reporting requirements of the Commission;
- 3.1.5 The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- 3.2. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

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

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

#### **4. COMMUNICATION PROCESS**

- 4.1 This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

#### **5. TRAINING PROCESS**

- 5.1 If necessary, as may be determined by the Board of Directors, funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

#### **6. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

- 6.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporate Secretary;
- 6.2 The Board shall conduct an annual review of compliance by the responsible Committee of its duties and responsibilities as specified in this Manual and shall submit, through the Corporate Secretary, a report on the matter to the Commission. The frequency of such review may be increased or decreased as may be warranted by circumstances.
- 6.3 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 6.4 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off-balance sheet transactions.
- 6.5 All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 6.6 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **7. SHAREHOLDERS' BENEFIT**

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

### **7.1 Investors' Rights and Protection**

#### **7.1.1 Rights of Investors/Minority Interests**

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

#### **7.1.2 Voting Right**

7.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

7.1.2.2 Cumulative voting shall be used in the election of directors.

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

#### **7.1.3 Pre-emptive Right**

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

#### **7.1.4 Power of Inspection**

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

#### **7.1.5 Right to Information**

7.1.5.1 The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers (to the extent that the same is known to the Corporation in accordance with the disclosures required of said 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.

7.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. Any such proposal should be submitted in writing to the Board of Directors or the Corporate Secretary at least ninety (90) days prior to the date of the annual shareholders' meeting as specified in the corporate by laws.

7.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which Management is accountable for and to those relating to matters for which Management shall include such information

and, if not included, then the minority shareholders shall be allowed, subject to the foregoing paragraph, to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### **7.1.6 Right to Dividends**

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

7.1.6.2 The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 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.

#### **7.1.7 Appraisal Right**

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

7.1.7.1 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;

7.1.7.2 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

7.1.7.3 In case of merger or consolidation.

7.1.8 It shall be the duty of the Directors to promote shareholder rights, remove impediments to the exercise of shareholders' 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 the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal and financial constraints.

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

7.2 The Board shall 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 about the validity of a proxy should be resolved in the stockholder's favor.

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

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

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

## 8. MONITORING AND ASSESSMENT

- 8.1 Each Committee shall report regularly to the Board of Directors as may be warranted by circumstances.
- 8.2 The Board of Directors shall, if deemed necessary, 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 8 of this Manual.
- 8.3 The establishment of such evaluation system, if any, 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.
- 8.4 This Manual shall be subject to an annual review unless the same frequency is amended by the Board.
- 8.5 All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

## 9. DISCLOSURE AND TRANSPARENCY

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among other earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

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.

## 10. COMMITMENT TO GOOD CORPORATE GOVERNANCE

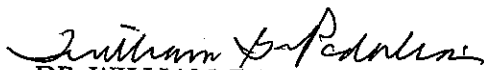
The Corporation shall establish and implement their corporate governance rules embodied in this manual that can be used as reference by the members of the Board and Management. This manual should be submitted to the Commission for its evaluation within one hundred eighty (180) business days from the date this code becomes effective to enable the Commission to determine its compliance with this code taking into consideration the nature, size and scope of the business of the corporation.

This Manual shall be made available for inspection by any shareholder at reasonable hours on business days.

## 11. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 11.1 To strictly observe and implement the provisions of this Manual, the Board of Directors shall determine the appropriate penalty for violation of this Manual on a case-to-case basis taking into consideration the nature of the violation as well as the gravity and frequency of the same.
- 11.2 The Board of Directors 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.

Signed:

  
DR. WILLIAM G. PADOLINA  
Chairman of the Board

July 2014