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MINERALE S I N D U S T R I A S C O R P O R A T I O N

(Company's Full Name)

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on Corporate Governance

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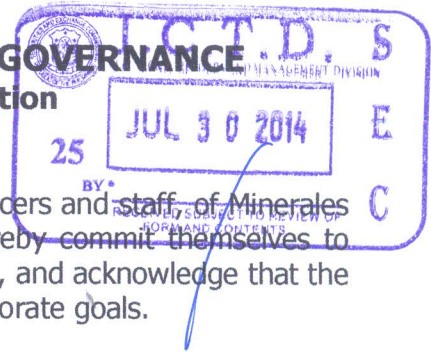
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REVISED MANUAL ON CORPORATE GOVERNANCE
Minerales Industrias Corporation



The Board of Directors and Management, i. e. officers and staff of Minerales Industrias Corporation ("MIC" or the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of the Corporation's corporate goals.

1. OBJECTIVES, DEFINITIONS, AND INTERPRETATION

1.1 Objectives

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..

1.2 Definitions

The following terms are used in this Manual with the respective meanings ascribed to such terms below, unless the context otherwise requires:

"Articles of Incorporation"	means the Articles of Incorporation of the Corporation and all amendments thereto;
"Board"	means the Board of Directors of the Corporation, as constituted from time to time;
"Board Committees"	means the Audit Committee, Nomination Committee and Executive Compensation Committee and such other committees which the Board may constitute from time to time;
"By-Laws"	means the By-Laws of the Corporation and all amendments thereto;
"Code"	means the Revised Code of Corporate Governance, as amended.
"Compliance Officer"	means a person having the qualifications under the Revised Code of Corporate Governance, appointed by the Board to monitor compliance of the Corporation with the Code.

"Corporation"	means Minerales Industrias Corporation
"Corporation Code"	means Batas Pambansa Blg. 68, otherwise known as the "Corporation Code of the Philippines";
"Corporate Governance"	means 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, as defined in the Revised Code of Corporate Governance.
"Director"	means a duly elected member of the Board;
"Exchange"	an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
"Independent Director"	means 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;
"Management"	means 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;
"Manual"	means this Revised Manual on Corporate Governance, as the same may be amended from time to time;
"Officers"	means the officers of the Corporation with the rank of Vice President and above; and
"Securities Regulation Code"	means Republic Act No. 8799, as amended.

1.3 Rules of Interpretation

1.3.1 Unless the context otherwise requires:

- 1.3.1.1 words in the singular include the plural, and *vice versa*; and
- 1.3.1.2 words importing any gender include all genders.
- 1.3.2 All doubts or questions that may arise in the interpretation or appreciation of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and other stakeholders of the Corporation.
- 1.3.3 The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

2. GOVERNANCE STRUCTURE AND COMPLIANCE SYSTEM

2.1. Compliance Officer

- 2.1.1. To insure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board.
- 2.1.2. He shall perform the following duties:
 - (a) Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of the regulatory agencies and if found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
 - (b) Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same; and
 - (c) Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same, if there are deviations.

2.2 Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other

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

2.2.1 Board Composition and Size

The Board of Directors shall consist of at least five (5) but not more than fifteen (15) members who are elected by the stockholders, at least two (2) of whom must be Independent Directors.

The non-executive Directors must possess qualifications and stature that shall enable them to effectively participate in the deliberations of the Board.

2.2.2 Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer (CEO) should, in principle be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making

A clear delineation of the functions between the Chairman and the CEO shall be made upon their election.

If the positions of the Chairman and CEO are unified, proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent reviews and perspectives.

2.2.3 General Responsibility of the Board

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

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

2.2.4 Specific Duties and Functions

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

- (a) Install a process of selection to ensure a mix of competent Directors and Officers.

- (b) Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- (c) Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- (d) Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- (e) Adopt a system of internal checks and balances;
- (f) Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- (g) 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
- (h) 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.

2.2.5 Duties and Responsibilities of a Director

A Director of the Corporation shall observe the following norms of conduct:

- (a) To conduct fair business transactions with the Corporation and to ensure that his personal interest does not conflict with the interest of the Corporation;
- (b) To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- (c) To act judiciously;
- (d) To exercise independent judgment;
- (e) To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission, and where applicable, the requirements of relevant regulatory agencies.
- (f) To observe confidentiality;
- (g) To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.2.6 Board Meetings and Quorum Requirement

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

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

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 about the Directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

2.2.7 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.

2.3 Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

2.3.1 Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent).

2.3.1.1 The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

(a) Qualifications of a Director

- i. Holder of at least one (1) share of stock of the Corporation;

- ii. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- iii. He shall be at least twenty one (21) years old;
- iv. He shall have proven to possess integrity and probity; and
- v. He shall be assiduous.

(b) Disqualifications of a Director

(1) Permanent Disqualification

The following shall be grounds for permanent disqualification of a Director:

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

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying,

revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (v) Any person earlier elected as Independent Director who becomes an officer, employee or consultant of the same corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

(2) Temporary Disqualification

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

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

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

2.3.1.2 In consultation with the executive or management committee/s, the Nomination Committee shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

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

- (1) The nature of the business of the Corporations in which he is a Director;
- (2) Age of the Director;
- (3) Number of directorships/active memberships and officerships in other corporations or organizations; and
- (4) Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

2.3.1.4 The Chief Executive Officer and other executive Directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive Directors who serve as full-time executives in other corporations. In any case, the capacity of Directors to serve with diligence shall not be compromised.

2.3.2 Compensation Committee

The Compensation Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

2.3.2.1 Duties and Responsibilities

- i. 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.
- ii. Designate amount of remuneration, which shall be in a sufficient level to attract and retain Directors and Officers who are needed to run the company successfully.
- iii. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors, if any, and Officers.

- iv. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- v. Disallow any Director to decide his or her own remuneration.
- vi. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- vii. Review (if any) 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 concerned with all statutory requirements that must be periodically met in their respective posts.
- viii. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.3.3 Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board who shall preferably have accounting and finance backgrounds, one (1) of whom shall be an independent director and another with audit experience. The Chairman of the Audit Committee should be an Independent Director.

2.3.3.1 Duties and Responsibilities

- a. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- b. 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.
- c. Review the annual internal audit plans to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.

- d. Perform oversight functions over the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- e. Elevate to international standards the accounting and auditing processes, practices and methodologies.
- f. 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.
- g. 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;
- h. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. 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;
- i. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- j. Review the reports submitted by the internal and external auditors
- k. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Major judgmental areas
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- l. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

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

2.4 The Corporate Secretary

2.4.1 The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

2.4.2 The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

2.4.3 Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

2.4.4 Duties and Responsibilities

- i. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- ii. Be responsible for safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation.
- iii. Be loyal to the vision, mission and objectives of the corporation.
- iv. Work fairly and objectively with the Board, Management, stockholders, and other stakeholders.
- v. Have a working knowledge of the operations of the corporation.

- vi. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- vii. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- viii. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so.
- ix. Issue certification every January 30th of the year on the attendance of Directors in meetings of the Board of Directors, countersigned by the Chairman of the Board, in accordance with SEC Memorandum Circular No. 3, series of 2007.
- x. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- xi. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided in this Manual.

2.5 External Auditor

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

2.5.3 The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. 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 company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.5.5 If an external auditor believes 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.

2.6 Internal Auditor

2.6.1 As the size and complexity of its operations may warrant, the Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

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.

3. COMMUNICATION PROCESS

3.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

3.2. All Directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

4. TRAINING PROCESS

4.1. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

4.2. A Director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

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

5.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;

5.2. It is 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.

5.3. 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.

5.4. Other information that shall always be disclosed includes direct and indirect remuneration (including stock options) of all Directors and senior management, corporate strategy, and off balance sheet transactions.

5.5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

5.6. The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate mechanisms of the Philippine Stock Exchange and submissions to the Securities and Exchange Commission, for the interest of its stockholders and other stakeholders.

6. SHAREHOLDERS' BENEFIT

The company 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:

6.1. Investors' Rights and Protection

6.1.1. Rights of Investors/Minority Interests

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

6.1.2. Voting Right

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

6.1.2.2. Cumulative voting shall be used in the election of Directors.

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

6.1.3. 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.

6.1.4. 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.

6.1.5. Right to Information

6.1.5.1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional 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.

6.1.5.2. 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.

6.1.5.3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for 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".

6.1.6. Right to Dividends

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

6.1.6.2. 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: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.7. 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:

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

6.1.8. 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 constraints.

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

6.1.10. 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. ADEQUATE AND TIMELY INFORMATION

- 7.1. Management should provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meetings.
- 7.2. 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.
- 7.3. 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.

8. ACCOUNTABILITY AND AUDIT

- 8.1. 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.

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:

- (i) 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;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation to the benefit of all stockholders and other stakeholders should be maintained;
- (iii) 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;
- (iv) The corporation should consistently comply with the financial reporting requirements of the Commission;
- (v) 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.

- 8.2. The Board, after consultation 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.

9. DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

10. COMMITMENT TO GOOD CORPORATE GOVERNANCE

As part of the Corporation's commitment to corporate governance, it shall establish and implement its corporate governance rules in accordance with the SEC's Revised Code of Corporate Governance (the "Code"). The rules shall be embodied in this Manual that can be used as reference by the members of the Board and the Management of the corporation. This Manual shall be submitted to the Commission within 180 business days from the date of effectivity of the Code to enable the Commission to determine the Corporation's compliance with the Code, taking into consideration the nature, size and scope of business of the Corporation. Corporations that have earlier submitted a Manual may at its option, continue to use the same, as long as it complies with the provisions of the Code.

11. MONITORING AND ASSESSMENT

11.1. Each Committee shall report regularly to the Board of Directors.

11.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 12 of this Manual.

11.3. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

11.4. 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.

12. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL


12.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's Directors, Officers, staff, subsidiaries and affiliates and their respective Directors, Officers and staff in case of violation of any of the provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- **For third violation**, the maximum penalty of removal from office shall be imposed.

12.2. The commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

12.3. 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.

Signed:


ISABELITA P. MERCADO
Chairman and President