Manual on Corporate Governance

AMENDED

Amended Manual on Corporate Governance

CONVERGE ICT SOLUTIONS INC.	Document No.:--	Version. No. 1.0

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unless otherwise indicated, this policy will still apply beyond the review date.

Related legislation, standards, policies, procedures, guidelines, and local protocols	**Manual on Corporate Governance**

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1. Introduction

The Board of Directors, Management, officers and staff of Converge Information and Communications Technology Solutions, Inc. (the "**Corporation**") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the "**Manual**") and acknowledge that the same shall guide the attainment of their corporate goals.

2. Objective

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

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

3. Definition of Terms

a. *Affiliates.* In relation to any person, a person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the first person; and "Affiliate" means any one of them.

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. *Conglomerate*. A group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

d. *Corporate Governance.* The system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

   Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and Senior Management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with stockholder value – to the benefit of all stakeholders and society.

   Its purpose is to maximize the organization's long-term success, creating sustainable value for its stockholders, stakeholders and the nation.

e. *Enterprise Risk Management.* A process, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

f. *Exchange.* An organized marketplace or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

g. *Executive Director.* A director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

h. *Independent Director.* A person who, apart from his fees and assigned shareholdings, is independent of Management and the controlling stockholder, and is 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.

i. *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.

j. *Internal Audit Group.* A person or group that provides independent and objective assurance services in order to add value to and improve the Corporation's operations.

k. *Internal Control.* A process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

l. *Management.* A group of executives 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.

m. *Non-Executive Director.* A director who has no executive responsibility and does not perform any work related to the operations of the corporation.

n. *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.

o. *Related Party.* Shall cover the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company's directors; officers; stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

p. *Related Party Transactions.* A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

q. *Stakeholders.* Any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

4. Board Governance

The Board of Directors (the "**Board**") shall be primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. The term "Management" as used herein shall refer to the body given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Corporation.

A) Composition of the Board

The Board shall be composed of at least seven (7), but not more than fifteen (15), members who are elected by the stockholders and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Corporation's By- Laws. The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the Company's industry or sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board shall have independent directors constituting at least 20% of such board.

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

The Board shall set a policy on board diversity in order to avoid groupthink and to ensure that optimal decision-making is achieved.

B) Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities but in no case shall exceed the maximum number allowed by the Securities Exchange Commission (SEC) for directors of publicly listed companies.

The Chief Executive Officer ("**CEO**") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

A director should notify the Board before accepting a directorship in another Corporation through an email to the Corporate Secretary.

C) The Chair and Chief Executive Officer

The roles of Chair and CEO should, as much as practicable, 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 Chair and CEO upon their election.

In the event the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
3. Maintain qualitative and timely lines of communication and information between the Board and Management;
4. Ensure that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable the Board to make sound decisions; and
5. Make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

D) Responsibilities, Duties & Functions of the Board

1. General Responsibility

It shall be 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, in collaboration with Management, 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. Duties and Functions

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

a) The Board shall oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength.

b) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Upon management recommendation, appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management.

c) 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.

d) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.

e) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.

f) In collaboration with Management, 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.

g) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.

h) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.

i) 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.

j) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

k) 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.

l) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

m) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

n) 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.

o) The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

p) The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

q) The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and stockholders. The Board shall also approve the Internal Audit Charter.

r) The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

s) The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Company website.

t) Other duties and responsibilities as may be assigned by the SEC.

3. Specific Duties and Responsibilities of a Director

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

A director should observe the following norms of conduct:

a. **Conduct fair business transactions with the corporation and ensure that his personal interest does not conflict with the interests of the corporation**.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation or stands to acquire or gain financial advantage at the expense of the corporation.

b. **Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.**

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c. **Act judiciously.**

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d. **Exercise independent judgment.**

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the corporation.

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

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

f. **Observe confidentiality.**

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

4. **Internal Control Responsibilities of the Board.**

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:

a. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;

b. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;

c. Evaluation of proposed senior management appointments;

d. Selection and appointment of qualified and competent management officers; and

e. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

E) 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 Securities & Exchange Commission (the "**Commission**").

The Board shall meet at least six (6) times each calendar year. It shall hold a meeting before the start of the financial year, immediately after the annual meeting of the stockholders, at least once every quarter, and on such other days that it may designate.

Unless a higher number is required by pertinent law and regulations, the presence of at least one independent director shall be required in all board meetings.

All matters submitted to the Board for approval shall comply with the approval requirements prescribed by the Amended By-Laws of the Company unless a higher number is required by pertinent law and regulations.

The non-executive directors shall have separate periodic meetings, in which meetings shall be chaired by the Chairman of the Board (who is an independent director), with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive present.

To monitor the directors' compliance with the attendance requirements, the Corporation, through the Corporate Secretary, shall submit to the Commission an advisement letter on directors' attendance within five (5) days from the end of the Corporation's fiscal year.

F) 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 shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers. No director shall participate in deciding on his remuneration.

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.

5. Board Committees

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

All board committees shall be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. Committee Charters shall be publicly available and posted on the Company website.

The following committees shall be established:

A) The Audit and Related Party Transactions Committee

The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

B) The Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including functions of a nomination committee who shall assist the Board in the performance of the following functions: review the structure, size and composition of the Board; review and evaluate the qualifications of the persons nominated to the Board and to other positions requiring appointment by the Board; assess the effectiveness of the Corporation's nomination and selection process for the Board and Board Committees.

It should be composed of at least three members, all of whom should be independent directors, including the Chairman.

C) The Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) shall be responsible for assisting the Board in reviewing the adequacy and effectiveness of the Company's risk management function, including its market compliance function, risk management policies and systems, insurance, review and monitor risk events. It shall also be tasked to oversee the sustainability initiatives of the Corporation.

The committee should be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. The Chairman of the BROC should not be the chairman of the Board or of any other committees. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

D) The Remuneration Committee

The Remuneration Committee is tasked to provide guidance to and assist the Board in developing a compensation philosophy or policy; oversee the development and administration of the Company's executive compensation programs; establish an effective performance management framework; and assist the Board in the succession planning for Officers and in overseeing the development and implementation of professional development programs for Officers.

E) The Executive Committee

The Executive Committee is composed of at least three (3) directors. Said committee may act, by majority of vote of all its members, on such specific matters within the competence of the board, as may be delegated to it in the bylaws or by majority vote of the board, except with respect to the: (a) approval of any action for which shareholders' approval is also required; (b) filing of vacancies in the board; (c) amendment or repeal of bylaws or the adoption of new bylaws; (d) amendment or term is not amendable or repealable; and (e) distribution of cash dividends to the stockholders.

6. Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. The Corporate Secretary shall be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary should -

a) Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Committee meetings and the annual board calendar, and set the agenda for such meetings;

b) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;

c) Be loyal to the mission, vision and objectives of the Corporation;

d) Work fairly and objectively with the Board, Management stockholders and other stakeholders;

e) Have appropriate administrative and interpersonal skills;

f) 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;

g) Have a working knowledge of the operations of the Corporation;

h) Inform the members of the Board and the Board Committees, in accordance with the bylaws, 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;

i) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

j) Ensure that all Board procedures, rules and regulations are strictly followed by the members; Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advises the Board and Chairman on all relevant issues as they arise;

k) Advises on the of Board Committees and their terms of reference; and

l) Perform such other duties and responsibilities as may be provided by the SEC.

7. The Compliance Officer

The Board of Directors shall have the power, among other things, to create Committees and other bodies as may be necessary or beneficial in the operation and internal regulation of the Company.

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of at least a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training in corporate governance.

The Compliance Officer shall perform the following duties:

a) Monitor compliance with the provisions and requirements of this Manual 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 a repetition of the violation;

b) Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

c) Ensures the integrity and accuracy of all documentary submissions to regulators;

d) Appear before the Securities and Exchange Commission when summoned in relation to compliance with this Manual;

e) Ensures proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);

f) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;

g) Identifies possible areas of compliance issues and works towards the resolution of the same;

h) Ensures the attendance of Board members and key officers to relevant trainings; and

i) Performs such other duties and responsibilities as may be provided by the SEC.

The appointment of the compliance officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to such Officer.

8. The External Auditor

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 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 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.

The external auditor of the Corporation 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.

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

If an 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 shall present his views in said reports.

The nature of non-audit services performed by the external auditor shall be disclosed in the Annual Report to deal with any potential conflict of interest. The Audit Committee shall be on alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

9. The 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 the 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 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.

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.

10. Adequate and Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

11. Accountability and Audit

A. 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:

   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;

   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. 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;

4. The Corporation should consistently comply with the financial reporting requirements of the Commission;

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.

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

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

12. Stockholders' Rights and Protection of Minority Stockholders' Interests

A. The Board shall respect the rights of the stockholders, including minority stockholders, as provided for in the Corporation Code and other relevant laws and regulations, including but not limited to:

1. Right to vote on all matters that require their consent or approval

- Stockholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. This includes the right to call for a special meeting in accordance with regulations as prescribed by the Commission.

- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority stockholders representation in the Board.

2. Pre-emptive right to all stock issuances of the Corporation

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 stockholders 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.

3. Right to inspect corporate books and records

All stockholders 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.

4. Right to information

- The Stockholders 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.

- The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

- The minority stockholders 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 stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

5. Right to dividends

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

   - 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. Appraisal right.

   The stockholders' 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:

   a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

   b) In case of a 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

   c) In case of merger or consolidation.

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

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

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

Although all stockholders should be treated equally or without discrimination, the Board shall 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.

13. Communication Process

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

b. All directors, executives, divisions, 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.

c. 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.

14. Training Process

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.

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.

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.

There shall be an orientation program for first-time directors for at least eight (8) hours, while the annual continuing training be for at least four (4) hours. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct. The annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.

There shall be a technical, technological, and business training at least twice a year for the Board of Directors. This training shall be done by the Chief Executive Officer of the Corporation.

15. Reportorial or Disclosure System of Company's Corporate Governance Policies

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.

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.

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.

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

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.

16. Monitoring and Assessment

Each Committee shall report regularly to the Board of Directors.

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 8 of this Manual.

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.

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

All business processes and practices being performed within any department or business unit of Model Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

17. Governance Self Rating System

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, Board members, committees, and key control officers. Every three (3) years, an external facilitator shall support the assessment. Such a system shall allow for a feedback mechanism from the stockholders.

The guidelines in conducting the annual performance assessments include, but are not limited to, the following:

A. For the performance assessment of the Board

In assessing the performance of the Board, the following guidelines and/or criteria may be considered:

(i) Composition and Structure

(ii) Role and Governance Function

(iii) Internal Control/Risk Management Function

(iv) Dynamics and Functioning

B. For the performance assessment of the Directors

In assessing the performance of the individual Directors, the following guidelines and/or criteria may be considered:

(i) Governance Role

(ii) Knowledge of the Corporation and the Environment

(iii) Effective Behavior and Relationships

(iv) Fair Dealing

C. For the performance assessment of the Board Committees

In assessing the performance of the Board Committees, the following guidelines and/or criteria may be considered:

(i) Committee Structure

(ii) Conduct of Committee Meetings

(iii) Committee Processes and Procedures

D. For the performance assessment of the Chief Executive Officer and other key executives

(i) Leadership and Administration

(ii) Knowledge and Competence

(iii) Corporate Core Values

(iv) Relationship with the Board

18. 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.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, 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.

19. Cultivating Synergic Relationship with Stockholders

The Company shall treat all stockholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

The Board should ensure that basic stockholder rights are disclosed in the Manual on Corporate Governance and on the company's website.

The Board should encourage active stockholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at last 28 days before the meeting.

Stockholders shall have the right to propose matters in the agenda of the annual meeting. Stockholders may call a special stockholders' meeting in accordance with the regulations prescribed by the Commission.

Stockholders shall likewise have the explicit right to probe and/or ask questions during the annual meeting.

The Board shall encourage active stockholder participation by making the result of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting. 2

The Board is committed to establishing and maintaining an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders.

In resolving intra-corporate disputes, a stockholder, at his option, may file for mediation under Republic Act No. 9285 or the Alternative Dispute Resolution Act of 2004. If the intra-corporate dispute is not resolved by mediation, the parties may bring the matter to arbitration in accordance with the Philippine Arbitration Law, in force. The venue of arbitration shall be the Philippines.

The Company shall establish an Investor Relations Office (IRO) to facilitate constant engagement with its stockholders. The IRO shall be present at every stockholders' meeting.

20. Encouraging Sustainability and Social Responsibility

The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The Company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

21. Penalties for Non-Compliance with the Manual

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 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.
- The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of this Manual.

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.

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.