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Bright Kindle Resources  
& Investments, Inc.

## MANUAL ON CORPORATE GOVERNANCE OF BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.

The Board of Directors and Management, i. e. officers and staff, of Bright Kindle Resources & Investments, Inc. (BKR), hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

### 1. PRELIMINARY STATEMENT

This Manual of Corporate Governance is adopted pursuant to SEC Memorandum Circular No. 2, Series of 2002, issued by the Securities and Exchange Commission on April 5, 2002 and is revised based on the Revised Code of Corporate Governance issued by the commission by virtue of SEC Memorandum Circular No. 6 Series of 2009, which was issued on June 22, 2009 and by virtue of SEC Memorandum Circular No. 9 Series of 2014, which was issued on May 6, 2014.

### 2. DEFINITIONS AND RULES OF INTERPRETATION

#### 2.1. Definitions

The following terms used in this Manual are hereby defined based on their respective meanings in relation to this Manual or as defined by the Code unless the context dictates otherwise:

- |                                     |  |
|-------------------------------------|--|
| a) <b>Articles of Incorporation</b> | means the Articles of Incorporation of the Company and all amendments thereto;   |
| b) <b>Board</b>                     | means the Board of Directors of the Company, as constituted from time to time;   |
| c) <b>Board Committees</b>          | refers to the Executive Committee, Audit Committee, Compensation Committee, Corporate Governance/Nomination Committee and Risk Management Committee; |
| d) <b>Board of Directors</b>        | the governing body elected by the stockholders to exercise the corporate powers of a corporation, conduct its business and control its properties;   |

- e) **BSP** means Bangko Sentral ng Pilipinas
- f) **By-Laws** means the By-Laws of the Company and all amendments thereto;
- g) **CEO** means the Chief Executive Officer of the Company
- h) **Chairman** refers to the Chairman of the Board;
- i) **Code** means SEC Memorandum Circular No. 6 Series of 2009 entitled "Revised Code of Corporate Governance";
- j) **Commission** refers to the Philippine Securities and Exchange Commission;
- k) **Company/Corporation** means Bright Kindle Resources & Investments, Inc.
- l) **Corporate Governance** the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;
- m) **Corporation Code** means Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines;
- n) **Director** means a duly elected member of the Board of Directors;
- o) **Exchange** refers to the Philippine Stock Exchange;
- p) **Executive Director** a Director who heads any department or unit of the company or performs any work related to the company's operations;
- q) **Independent Director** a person who, apart from his fees and shareholdings is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as director;
- r) **Internal Audit** an independent and objective assurance activity designed to add value to and improve the corporations' operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of the risk management, control and governance processes;

- s) **Internal Audit Department** a department or unit of a corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;
- t) **Internal Auditor** the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
- u) **Internal Control** the system established by the Board of Directors and Management for the accomplishment of the corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- v) **Internal Control System** the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- w) **Management** the body given authority by the Board to implement policies it has laid down in the conduct of the company's business; refers to all Group Heads and Principal Officers of the company;
- x) **Manual** means this Manual on Corporate Governance of Bright Kindle Resources & Investments, Inc. as this may be amended from time to time;
- y) **Non-audit work** refers to other services that may be rendered by the external auditor to a corporation which are not directly related and relevant to its statutory audit functions; other services which may compromise the independence and objectivity of the internal auditor;
- z) **Non-executive Director** a Director who is not the head of a department or unit of the company nor performs any work related to the company's operations;
- aa) **Principal Officers** refers to the officers of the company with the rank of Vice President and above;

## 2.2. Rules of Interpretation

- 2.2.1. Words referring to the masculine gender shall likewise cover all genders.
- 2.2.2. All doubts or questions that may arise in the interpretation and application of this manual and the Code shall be resolved in favor of promoting fairness, transparency

and accountability to the stockholders and the investing public.

### **3. OBJECTIVE**

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

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

### **4. COMPLIANCE SYSTEM**

#### **4.1. Plan of Compliance**

##### **4.1.1. Governance by the Board of Directors**

The Board of Directors is primarily responsible for the governance of the corporation. It shall provide an independent check on Management corollary to its role of setting policies for the accomplishment of corporate objectives.

##### **4.1.1.1. Composition of the Board**

4.1.1.1.1. The Board shall be composed of the number of Directors provided in the Articles of Incorporation which should at least be five (5) but not more than fifteen (15) members who are elected by the stockholders.

4.1.1.1.2. The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser.

4.1.1.1.3. The composition 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.

##### **4.1.1.2. General Responsibility of the Board**

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability consistent with the corporate objectives and best interests of its stockholders and other stakeholders.

The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures to guide company activities and provide means to monitor and evaluate Management performance.

#### 4.1.1.3. Specific Duties and Functions of the Board

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

- Implement a process for selection of competent Directors and officers who can contribute to formulation of sound corporate strategies and policies. Adopt an effective succession planning program for Management;
- Determine the Company's purpose, its vision and mission and provide sound strategic policies;
- 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.
- Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices;
- Establish and maintain an investor relations program that will keep the stockholders informed on important developments in the corporation. If feasible, the corporation's CEO or CFO shall exercise oversight responsibility over this program;
- Formulate policy of accurate, timely and effective communication with sectors directly affected by the Company's operations.
- Adopt a system of internal checks and balances within the Board;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions
- Constitute an Audit Committee or such other committees that are needed to assist the Board in performing its duties and responsibilities.
- Establish and maintain a resolution system in the corporation to amicably settle conflicts with the stockholders or third parties including regulatory authorities.
- Properly discharge Board functions by meeting regularly. Independent views

during Board meetings shall be given due consideration and all such meetings shall be minuted; and

- Keep board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
- Appoint a Compliance Officer with the rank of at least vice president. The Corporate Secretary, preferably a lawyer, shall act as Compliance Officer in the absence of such appointment.

#### 4.1.1.4. Internal Control Responsibilities of the Board

As part of the Board's responsibility to ensure that the corporation is properly and effectively managed, the Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanism for the performance of the Board's oversight responsibility may include but should not be limited to the following:

- 4.1.1.4.1. Ensure the presence of organizational and procedural controls supported by effective management information and risk management reporting systems;
- 4.1.1.4.2. Define the duties and responsibilities of the Chief Executive Officer (CEO) who is ultimately accountable for the corporation's organizational and operational controls;
- 4.1.1.4.3. Appoint a CEO who possesses the appropriate ability, integrity and expertise needed for the role.
- 4.1.1.4.4. Review and evaluate proposed senior management appointments;
- 4.1.1.4.5. Ensure the selection, appointment and retention of qualified and competent management; review the corporation's human resource policies, conflict of interest situations, employee's compensation program and management succession plan.
- 4.1.1.4.6. Establish a continuing review of the corporation's internal control system to obtain reasonable assurance that its key organizational and operational controls are complied with. This is done by institutionalizing the Internal Audit function.
- 4.1.1.4.7. Ensure the presence of, and regularly review the quality and performance of the external auditors.

#### 4.1.1.5. 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 shall have the following duties and responsibilities:

- To conduct fair business transactions with the Company and to ensure that his



personal interest does not conflict with the interests of the corporation;

- To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies; and.
- To observe confidentiality.

#### 4.1.1.6. Board Meetings and Quorum Requirements

The Board shall schedule and hold regular and convene special meetings when necessary. The members of the Board shall attend such meetings in person or through teleconferencing in accordance with the rules and regulations of the Commission.

An independent director should always attend Board meetings although their absence shall not affect quorum requirements unless otherwise provided in the by-laws. To promote transparency, the Board shall require the presence of at least one independent director in all its meetings.

On or before January 30 of the following year or as required by the Commission, a sworn certification about the directors' record of attendance in Board meetings shall be submitted to the Commission by the Office of the Corporate Secretary through SEC Form 17-C or in a separate filing.

#### 4.1.1.7. 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. Such 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 company's expense.

#### 4.1.1.8. Remuneration of Directors and Officers

The Company'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.

In accordance with the provisions of the Company's By-laws, each director shall receive a reasonable per diem for his attendance at every meeting of the Board. Furthermore, every member of the Board shall receive such amounts, not to exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year, as may be determined by the Board of Directors, as compensation, subject to approval by the stockholders.

#### 4.1.2. Board Committees

The Board shall constitute proper Committees as required by the By-Laws of the Company and as necessary to aid in complying with the principles of good corporate governance. The Board shall be supported by the following committees:

##### 4.1.2.1. Executive Committee

4.1.2.1.1. There shall be a permanent Executive Committee of five (5) regular members, to consist of a Chairman, a Vice Chairman, the CEO, and two (2) directors.

4.1.2.1.2. It shall have the power to pass and act upon such matters as the Board may entrust to it for action in between meetings of the Board of Directors.

##### 4.1.2.2. Corporate Governance and Nomination Committee

The Board shall create a Corporate Governance and Nomination Committee which shall have at least three (3) voting members. Two of the members shall be independent directors.

4.1.2.2.1. The Committee shall be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.

4.1.2.2.2. The Committee shall decide on the performance indicators on how the Board has enhanced long-term shareholders' value and the manner by which to evaluate Board performance subject to Board approval;

4.1.2.2.3. The Committee shall oversee the periodic performance evaluation of the Board, its committees, as well as that of the executive management. It shall likewise conduct an annual self-evaluation of its performance.

4.1.2.2.4. It shall recommend to the Board on matters affecting continuing education of directors, assignment to board committees and succession plan for board members and senior officers.

4.1.2.2.5. It 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:

Qualifications:

- Holder of at least one (1) share of stock of the Company;
- He shall be at least a college graduate or hold an equivalent academic degree;
- He shall have a practical understanding of the business of the company;
- He shall be a member in good standing in relevant industry, business or professional organizations;
- He shall have previous business experience;
- He shall be at least twenty one (21) years old;
- He shall have been proven to possess integrity and probity; and
- He shall be assiduous.

Qualifications of Independent Directors:

- Unless otherwise amended, SEC Memorandum Circular No. 9 series of 2009, containing the Qualification of Independent Directors shall be complied with:
  - A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as Independent Director after a two (2) year “cooling off period”.
  - Persons appointed in a capacity to assist the Board in the performance of its duties and responsibilities (i.e. Chairman “Emeritus”) shall be subject to a one (1) year “cooling-off period” prior to his qualification as an Independent Director.
- Effective January 2, 2012, the term limits for independent directors as promulgated by SEC Memorandum Circular No. 9 series of 2011, unless otherwise amended should also be considered in election of independent

directors:

- Independent directors can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated;
- After completion of the five-year service period, an independent director shall be ineligible for election unless he has undergone a “cooling off” period of two (2) years; provided that during such cooling off period, the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director;
- An independent director re-elected as such in the same company after the “cooling off” period can serve for another five (5) consecutive years as earlier provided;
- An independent director after serving as Independent Director for ten (10) years shall be perpetually barred from being elected as independent director for Bright Kindle Resources & Investments, Inc..

#### Disqualifications

- 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 Regulations Code; (b) arises out of the person’s conduct as and 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;
- 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) or willfully violating the laws that govern the 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 under any rule or regulation

issued by the Commission, 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;

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission, or any rule, regulation or order of the Commission;
- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

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

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence in more than fifty percent (50%) of all regular and special meetings, of the Board of directors during any twelve (12) month period during his incumbency; unless due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in any corporation covered by the Code for cause. This disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall take the appropriate action to remedy or correct the disqualification within sixty (60) business days from such disqualification; failure or refusal to do so for unjustified reasons will render the disqualification permanent.

- 4.1.2.2.6. In consultation with the executive or management committee/s, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- 4.1.2.2.7. The Corporate Governance and Nomination Committee shall also review and evaluate the qualifications of those nominated to other positions requiring appointment by the Board of Directors.
- 4.1.2.2.8. The Committee shall consider the following guidelines in the determination of the number of directorships that its members can hold in stock and non-stock corporations:
- The nature of business of the Company, which he is a director;
  - Age of the director;
  - Number of directorships/active memberships and officerships in other companies or organizations; and
  - Possible conflict of interest.

The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

For independent directors, there shall be no limit in the number of covered companies that a person may be elected as Independent Director.

- 4.1.2.2.9. 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.

#### 4.1.2.3. Compensation Committee

4.1.2.3.1. The Compensation Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

#### 4.1.2.3.2. Duties and Responsibilities

- 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 Company's culture, strategy and control environment.
- 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.
- 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.
- Disallow any director to decide his or her own remuneration.
- Provide in the Company'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.
- 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.
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

#### 4.1.2.4. Audit Committee

4.1.2.4.1. The Audit Committee shall be composed of at least three (3) directors, two of whom shall be an independent director and another with audit experience. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment. The chairman of the committee should be an independent

director.

#### 4.1.2.4.2. Duties and Responsibilities

- Assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.
- Perform direct oversight functions over the corporation's internal and external auditors. The Audit Committee ensures 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;
- Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- At least one (1) month prior to the commencement of the audit, discuss with the external auditor and pre-approve the nature, scope, frequency and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - Any change/s in accounting policies and practices
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - Going concern assumption;
  - Compliance with accounting standards; and
  - Compliance with tax, legal and other regulatory requirements.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- 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 Bank's overall consultancy expenses. The committee shall disallow any non-audit work, if allowed, should be disclosed in the corporation's annual report;

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. The Internal Auditor shall functionally report to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- Elevate to international standards the auditing processes, practices and methodologies through Internal Audit's compliance with the Standards for the Professional Practice of Internal Auditing.

#### 4.1.2.5. Risk Management Committee

4.1.2.5.1. The Risk Management Committee shall be composed of at least three (3) directors who shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

#### 4.1.2.5.2 Duties and Responsibilities

- The Risk Management Committee shall identify the Company's risk exposures, its impact and likelihood of occurrence.
- The Committee shall develop a written plan defining the strategies for managing and controlling major risks and identifying practical strategies to reduce or minimize its negative effects.
- The Committee shall communicate the risk management plan and loss control procedures to affected parties. It shall conduct regular discussion with concerned units on the company's risk exposure based on regular management reports and how these should be reduced.
- The Committee shall evaluate the risk management plan to ensure relevance, comprehensiveness and effectiveness.
- The Committee shall regularly report to the Board on the entity's overall risk exposure, action taken to reduce risks and make further recommendations as needed.
- To facilitate its functions, the Risk Management Division of the Company or its equivalent shall perform periodic informational reporting to the Risk Management Committee.

#### **4.1.3. The Chairman of the Board**

The Chairman of the Board shall be mainly responsible for the proper governance of the Company through the Board of Directors. He is responsible for the efficient functioning of the Board presiding at meetings of the Board of Directors whereby he shall encourage active participation, deep professional involvement and solicit views and opinions of other members prior arriving at a decision. He shall also preside at meetings of stockholders and shall exercise such powers as are incidental to his office or as may be conferred upon him by the Board of Directors and perform such duties as may be assigned to him by the Board of Directors.

The Chairman of the Board and the President may assign the exercise or performance of any of the above power, duties and functions to any other officer(s) of the Corporation, subject always to their supervision and control.

#### **4.1.4. The Vice-Chairman of the Board**

The Vice-Chairman of the Board shall preside at all meetings of the stockholders and the Board of Directors in the absence of the Chairman. The Vice-Chairman shall perform such other functions as may from time to time be delegated to him by the Board of Directors.

#### **4.1.5. The President and Chief Executive Officer**

The President shall be the Chief Executive Officer and shall be in charge-of and will exercise general supervision and management responsibilities of the business affairs and property of the corporation, represent the corporation at all functions and proceedings and exercising such powers and perform such other duties as may be prescribed by the Board of Directors from time to time.

#### **4.1.6. The Corporate Secretary**

4.1.6.1. The Corporate Secretary is an officer of the company. He is expected to work fairly and objectively with the Board, Management, stockholders and other stakeholders and be loyal to the mission, vision and specific business objectives of the corporation.

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

4.1.6.3. Considering his varied functions and duties, he must possess appropriate administrative and interpersonal skills, and if he is not the general counsel, then he must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities. He must also have a working knowledge of the operations of the corporation.

##### **4.1.6.4. Duties and Responsibilities**

- He is responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees as well as other

official records of the corporation.

- Notify the members of the Board of the agenda and schedule of their meetings, beforehand and ensure that they are furnished accurate information to enable them to decide intelligently on matters requiring their approval.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations including ensuring that all Board procedures, rules and regulations are strictly followed by the members.
- Attend all Board meetings and maintain record of the same, except when justifiable causes prevent him from doing so (i.e. illness, death of immediate family and serious accidents).
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings whenever required.
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in the Code of Corporate Governance.

#### **4.1.7. External Auditor**

- 4.1.7.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company.
- 4.1.7.2. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee. Selection of the external auditor shall be made in accordance with existing regulations on the accreditation of external auditors.
- 4.1.7.3. 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.
- 4.1.7.4. The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 4.1.7.5. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 4.1.7.6. 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.

#### **4.1.8. Internal Auditor**

- 4.1.8.1. The Company shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- 4.1.8.2. The Internal Auditor shall report to the Audit Committee.
- 4.1.8.3. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.
- 4.1.8.4. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.
- 4.1.8.5. 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.
- 4.1.8.6. 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.

#### **4.2. Compliance Officer**

- 4.2.1. To ensure adherence to corporate governance principles and best practices, the Board shall designate a Compliance Officer who shall have the rank of at least Vice President. He shall have direct reporting responsibilities to the Chairman of the Board.
- 4.2.2. He shall perform the following duties:
  - 4.2.2.1. Identify and monitor the company's compliance with this Manual, the Code of Corporate Governance and the rules and regulations of regulatory agencies, and take appropriate action to ensure that all regulatory issues and concerns are addressed.
  - 4.2.2.2. Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same (including compliance with the Code of Corporate Governance);
  - 4.2.2.3. Determine violation/s of the Manual and recommend the imposition of appropriate penalties to the responsible parties subject to further review and approval of the Board;
  - 4.2.2.4. Issue a certification every January 30<sup>th</sup> of the year or whenever required by the Securities and Exchange Commission on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's

deviation from the same; and  
4.2.2.5. Identify, monitor and control compliance risks.

4.2.3. 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 this function as such shall be addressed to the said Officer.

## **5. ACCOUNTABILITY AND AUDIT**

- 5.1. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive 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.
- 5.2. 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 its stockholders.
- 5.3. 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:
  - 5.3.1. The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
  - 5.3.2. 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 should be maintained.
  - 5.3.3. On the basis of the approved audit plans, internal audit examination should cover, at the minimum, the evaluation of the adequacy and effectiveness of control that cover the corporation's governance, operations and information systems, including reliability and integrity of financial and operational information effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.
  - 5.3.4. The company should consistently comply with the financial reporting requirements of the Commission.

## **6. COMMUNICATION PROCESS**

- 6.1. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 6.2. 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.
- 6.3. 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.

## **7. TRAINING PROCESS**

- 7.1. 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.
- 7.2. 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.

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

- 8.1. 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.
- 8.2. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Company's Chief Information Officer.
- 8.3. All material information about the corporation, i.e. anything that could adversely affect its viability or the interests of the stockholders, shall be publicly and timely disclosed. Such information shall include among others earnings results, acquisition or disposition of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 8.4. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- 8.5. All such information should be disclosed through the appropriate Exchange mechanisms for listed companies and submissions to the Commission, as well as through the annual report.
- 8.6. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders and other stakeholders.

## **9. STOCKHOLDERS' RIGHTS AND PROTECTION**

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 provisions of this section are issued for the guidance of all concerned internal and external parties, as a governance covenant between the company and all its investors:

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

### **9.1. Voting Right**

- 9.1.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- 9.1.2. Cumulative voting shall be used in the election of directors.
- 9.1.3. A director shall not be removed without cause.

## 9.2. 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 Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

## 9.3. Right to inspect corporate books and records

All shareholders shall be allowed to inspect company 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.

## 9.4. Right to Information

9.4.1. 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.

9.4.2. 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.

9.4.3. 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".

## 9.5. Right to Dividends

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

9.5.2. 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 Company, such as when there is a need for special reserve for probable contingencies.

## 9.6. 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 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 company property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

9.7. 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.

## **10. MONITORING AND ASSESSMENT**

- 10.1. Each Committee shall report regularly to the Board of Directors.
- 10.2. The Board shall establish and approve an internal evaluation system to measure the Board and Management's performance in accordance with the criteria set forth in the Code including compliance with this Manual. This will be done through an internal self-rating system for both the Board and Management.
- 10.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company.
- 10.4. All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.
- 10.5. The Company shall also accomplish the Corporate Governance (CG) scorecard or such other document required by the Commission to monitor extent of the company's compliance with the Code.

## **11. REVIEW AND AMENDMENT OF MANUAL**

- 11.1. The provisions of this Manual and the enforcement thereof shall be subject to annual review unless the same frequency is amended by the Board or otherwise required by the Commission.
- 11.2. The review and amendment of this Manual shall consider the Corporation's changing needs and the prevailing environmental conditions and regulatory requirements.
- 11.3. Amendment of this Manual shall require approval of the Board through the Corporate Governance and Nomination Committee.



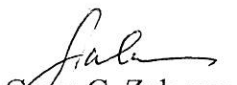
## 12. MANAGEMENT'S CORPORATE GOVERNANCE RESPONSIBILITIES

- 12.1. The Human Resources will be tasked in establishing or implementing employee policies and procedures to aid good corporate governance. This may include but is not limited to the Code of Ethics, Code of Discipline, Conflict of Interest Policy and Policy on Confidential Information.
- 12.2. The Chief Financial Officer will be responsible for investor relations functions.
- 12.3. The Chief Information Officer will be responsible for the review and approval of all public disclosures and reports to be submitted to the Exchange or the Commission, formulation of clear policy on communicating or relating relevant information to corporate stakeholders to fully inform them of corporate activities.
- 12.4. The Compliance Officer will conduct regular review of the company's compliance with the Code and the Manual.

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

- 13.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff 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.
- 13.2. 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.
- 13.3. 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:

  
Cesar C. Zalamea  
Chairman

  
Isidro C. Aleantara  
President