



**UNITED PARAGON
MINING CORPORATION**

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May 31, 2017

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

Attention: Justina F. Callangan
Director, Corporate Governance and Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, PSE Plaza, Ayala Triangle
Ayala Avenue, Makati City

Attention: Jose Valeriano B. Zuño III
OIC-Head, Disclosure Department


Re: AMENDMENTS TO THE MANUAL ON CORPORATE GOVERNANCE

Gentlemen:

Pursuant to SEC Memorandum Circular No. 19-2016 on the code of Corporate Governance for Publicly-Listed Companies, we submit our updates and amendments to UPMC's Manual on Corporate Governance attached herewith, as approved by the Board of Directors on May 31, 2017.

Thank you.

Yours truly,


ATTY. IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

Cc: Issuer Compliance & Disclosure Department
Philippine Dealing & Exchange Corporation

**UNITED PARAGON MINING CORPORATION
AMENDED MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors and Management of **UNITED PARAGON MINING CORPORATION ("Company")** hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that the same will guide the attainment of the Company's corporate goals.

1. OBJECTIVE

This Manual institutionalizes the principles of good corporate governance in the entire organization and its subsidiaries.

The Board of Directors and Management, the employees and shareholders believe that corporate governance is an indispensable component of sound strategic business management and will undertake every effort necessary to create awareness and promote adherence to its principles within the organization.

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. Appointment

To insure adherence to the principles and best practices of corporate governance contained in this Manual, the Board of Directors (hereafter, the "Board") shall designate a Compliance Officer who shall hold the position of a Vice President or its equivalent. S/he should not be a member of the Board of Directors and shall annually attend a training on corporate governance. Although the Compliance Officer shall have direct reporting responsibilities to the Chairman, s/he is primarily liable to the corporation and its shareholders.

2.1.2. Duties

The Compliance Officer shall perform the following duties:

- Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

- Ensures the integrity and accuracy of all documentary submissions to regulators;
- Appears before the SEC when summoned in relation to compliance with this Code;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings; and
- Performs such other duties and responsibilities as may be provided by the SEC.

2.1.3. Disclosure

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to the functions of the Compliance Officer shall be addressed to said officer.

2.2. Plan of Compliance

2.2.1. The Board of Directors

The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the Corporation's industry/sector. The Board shall 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 evolving business environment and strategic direction.

2.2.1.1 Composition of the Board

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The Corporation shall have at least three (3) independent directors, or such number of independent directors that constitute at least one-third (1/3) of the members of the Board, whichever is higher. The Board shall designate a lead director among the independent directors.

Diversity in age, ethnicity, culture, skills, competence and knowledge shall be considered in nominating members of the Board. In particular, provided all other qualifications are met, the Corporation shall endeavor to have at least one (1) female director, whether independent or not.

2.2.1.2 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.

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.

2.2.1.3 The Chairman and Chief Executive Officer

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

If the positions of Chairman 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 perspective.

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

- (i) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- (ii) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- (iii) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (iv) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

- (v) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (vi) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

2.2.1.4 Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications, which include, among others, the following:

- (i) Holder of at least one (1) share of stock of the Company;
- (ii) College education or equivalent academic degree;
- (iii) He shall be at least twenty one (21) years old;
- (iv) Practical understanding of the business of the Company;
- (v) Membership in good standing in relevant industry, business or professional organizations;
- (vi) Previous business experience;
- (vii) He shall have proven to possess integrity and probity; and,
- (viii) He shall be assiduous.

2.2.1.5 Disqualification of Directors

Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC 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 a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above; or, (d) willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person: (a) is currently the subject of an order of the SEC 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 SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP; (b) has otherwise been restrained to engage in any activity involving securities and banking; or, (c) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or BSP, or any of their rules, regulations or orders;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;
- (vi) Any person judicially declared as insolvent;
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violation or misconduct enumerated in sub-paragraphs (i) to (iv) above; and,
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code

committed within five (5) years prior to the date of his election or appointment as director.

- (ix) An independent director who has served on the Board for a maximum cumulative term of nine (9) years.

Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.
- (ii) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (iii) Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
- (iv) Being under preventive suspension by the Company;
- (v) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- (vi) If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.
- (vii) A non-executive director who holds more than five (5) simultaneous board seats in publicly-listed companies.

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

2.2.1.6 Nomination and Election of Directors

The Company shall set a reasonable period for the submission of nominations of candidates for election to the Board of Directors. All nominations for directors

submitted in writing to the Corporate Secretary within such nomination period shall be valid. A shareholder-of-record, including a minority shareholder, entitled to notice of and to vote at the regular or special meeting of the shareholders for the election of directors, shall be qualified to be nominated as a director.

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

The Corporate Governance Committee shall meet, pre-screen and check the qualifications and disqualifications of all persons nominated to be elected to the Board of Directors from the pool of candidates submitted by the nominating shareholders.

Upon consideration of the qualifications and disqualifications enumerated in this Manual, and the subsequent deliberation on the candidates, the Corporate Governance Committee shall prepare a final list of candidates. Said list shall contain all the information about the nominees. Only nominees qualified by the Corporate Governance Committee and whose names appear on the final list of candidates shall be eligible for election. No other nomination shall be entertained after the final list of candidates shall have been prepared.

Based on the final list of candidates, directors are elected by shareholders individually. The vote required for the election of directors is majority of the outstanding capital stock. The election of directors shall be by ballot and each shareholder entitled to vote may cast the vote to which the number of shares he owns entitles him/her, for as many persons as there are to be elected as directors, or s/he may cumulate or give to one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or s/he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him/her multiplied by the whole number of directors to be elected.

The Company shall employ the services of an external party to validate the voting results.

2.2.1.7 Responsibilities, Duties and Functions of the Board

General Responsibility

It is the Board's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, and to act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of its stockholders and other stakeholders.

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

Duties and Functions

To ensure a high standard of best practice for the Company and 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:

- (i) Implement the process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management, including a policy on the retirement age for directors and key officers.
- (ii) Provide sound strategic policies and guidelines to the Company 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.
- (iii) Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.
- (iv) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the Company's CEO or chief financial officer (CFO) shall exercise oversight responsibility over this program.
- (v) Identify the Company's stakeholders in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- (vi) Adopt a system of checks and balances 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 process at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness.
- (vii) Identify key risk areas and performance indicators; and ensure that a sound Enterprise Risk Management framework is in place.
- (viii) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions, particularly those which pass certain thresholds of materiality, between and among

the Company and its parent corporation, 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.

- (ix) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- (x) Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.
- (xi) Meet 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.
- (xii) 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.
- (xiii) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer.
- (ix) Ensure that each director shall annually attend relevant continuing education programs conducted by a regulatory body accredited training provider.

Specific Duties and Responsibilities of a Director

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

A director should observe the following norms of conduct:

- (i) Conduct fair business transactions with the Company, and ensure that his personal interests do not conflict with the interests of the Company.

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.

- (ii) 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 Company's business. He should be constantly aware of, and be knowledgeable with, the Company'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.

- (iii) 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.

- (iv) 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. Corollarily, he should support plans and ideas that he thinks are beneficial to the Company.

- (v) Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and By-Laws, the rules, and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.

- (vi) 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.

2.2.1.8 Internal Control Responsibilities of the Board

The control environment of the Company consists of: (a) the Board, which ensures that the Company is properly and effectively managed and supervised; (b) a Management, that actively manages and operates the Company 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 Company'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.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
 - (a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company'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 Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- (iii) The Company may establish an internal audit system that can reasonably assure the Board, Management and stockholders that the key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

2.2.1.9 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 SEC.

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

To monitor the directors' compliance with the attendance requirements, the Company shall submit to the SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

Non-executive directors should have periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present; such meetings shall be chaired by the lead independent director.

2.2.1.10 Remuneration of Directors and Officers

The levels of remuneration of the Company 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 Company may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Company. No director shall participate in deciding on his remuneration.

The Company's annual reports and information and proxy statements shall include a clear, concise understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top five (5) management officers during the preceding fiscal year.

To protect the funds of the Company, the SEC may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees, and fringe benefits of directors and officers.

2.2.2 Board Committees

To aid in complying with the principles of good corporate governance, the Board shall establish board committees that focus on specific board functions. All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. Likewise, the Charters shall provide the standards for evaluating the performance of the Committees and shall be disclosed in the Company's website.

Audit Committee

The Audit Committee is tasked to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulation. The Committee shall consist of at least three (3) non-executive directors, majority of whom, including the Chairperson, shall be independent. All members shall have relevant background, knowledge, skills and/or experience in areas of accounting, auditing and finance. The Chairperson shall not be the Chairman of the Board or of any other committee.

The Audit Committee shall have the following functions:

- (i) Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- (ii) Perform oversight functions over the Company's internal and external auditors to ensure that they 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;
- (iii) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- (iv) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (v) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (vi) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- (vii) Perform direct interface functions with the internal and external auditors;
- (viii) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - (a) a definitive timetable within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant; and,
 - (b) an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- (ix) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.
- (x) Review the reports submitted by the internal and external auditors;
- (xi) Review the quarterly, half year and annual financial statements before their submission to the Board, with particular focus on the following matters;
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- (xii) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (xiii) 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 Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

- (xiv) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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

- (xv) Perform the functions of a Board Risk Oversight Committee and/or Related Party Transactions Committee as provided under Recommendations 3.4 and 3.5 of the Code of Corporate Governance for Publicly-Listed Companies, as follows:

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. The Committee shall be composed of at least (3) voting directors, all of whom shall be independent directors. It has the following duties and functions, among others:

- (i) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- (ii) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- (iii) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- (iv) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- (v) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- (vi) Proposes and plans relevant trainings for the members of the Board;

- (vii) Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- (viii) Works together with the Compensation and Remuneration Committee in establishing a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. It has the following duties and functions, among others:

- (i) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.
- (ii) Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully.
- (iii) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- (iv) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers which, among others, would compel all officers to declare, under penalty of perjury, all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- (v) Disallow any director to decide his or her own remuneration.
- (vi) Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of executive officers for the previous fiscal year and the ensuing year.

- (vii) Develop/review the existing Company's 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.

2.2.3. The Corporate Secretary

The Board shall ensure that it is assisted in its duties by a Corporate Secretary who should be a separate individual from the Compliance Officer, and should not be a member of the Board of Directors.

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, shall have the following qualifications:

- (i) Be loyal to the mission, vision, and objectives of the Company;
- (ii) Have appropriate administrative and interpersonal skills;
- (iii) Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities; and,
- (iv) Have a working knowledge of the operations of the Company.

Duties and Responsibilities

- (i) Assists 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 assisting the chairs of the Board and its committees to set agendas for those meetings;
- (ii) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- (iii) Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- (iv) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;

- (v) Advises on the establishment of board committees and their terms of reference;
- (vi) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (vii) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- (viii) Performs required administrative functions;
- (ix) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- (x) Performs such other duties and responsibilities as may be provided by the SEC.

2.2.4. External Auditor

The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

- (i) An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- (ii) The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- (iii) The external auditor of the Company shall not concurrently 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.
- (iv) The Company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

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

2.2.5. Internal Auditor

The Company shall have an independent internal audit function to 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 appropriate organizational and process controls are in place and are effective.

- (i) The Internal Auditor or Chief Audit Executives shall be appointed by the Board and will report to the Audit Committee.
- (iii) 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.
- (iv) The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: (i) the nature and complexity of business and the business culture; (ii) the volume, size and complexity of transactions; (iii) the degree of risk; (iv) the degree of centralization and delegation of authority; (v) the extent and effectiveness of information technology; and, (vi) the extent of regulatory compliance.

3. **COMMUNICATION PROCESS**

- 3.1. This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.
- 3.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resources/Personnel Department, with a minimum of at least one (1) hard copy of the Manual per department.

4. **TRAINING PROCESS**

- 4.1. An orientation program or workshop shall be conducted to operationalize this Manual.

- 4.2. Depending on qualifications and experience, a director, before assuming his position as such, is required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.
- 4.3. There shall be a relevant annual continuing training program for all directors.

5. 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 Company's expense.

6. ACCOUNTABILITY AND AUDIT

- A) The Board is primarily accountable to the Stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports 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:

- (i) The extent of its responsibilities in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.

- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders.
 - (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information system, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.
 - (iv) The Company should consistently comply with the financial reporting requirements of the Commission.
 - (v) The external auditor or the signing partner of the external auditing firm assigned to the Company, should be rotated or changed every five (5) years or earlier. 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 exposure, 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 of 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 Company, 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 Company. 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 Company's annual and current reports. The report shall include a discussion of any disagreement between him and the Company on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Company failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Company 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.

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

- 7.1 The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Company's Compliance Officer.
- 7.2. All material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others earnings results, acquisition or disposal of asset, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.
- 7.3 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.
- 7.4 All disclosed information shall be released via the approved stock exchange procedure for Company announcements as well as through the annual report.
- 7.5 The Board shall therefore commit at all times to full disclosure 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.

8. SHAREHOLDERS' BENEFITS

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

8.1. INVESTORS' RIGHTS AND PROTECTION

8.1.1. Rights of Investors/Minority Interests

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the corporation, unless otherwise denied in the Company's Articles of Incorporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and,
- (vi) Appraisal right.

(a) **Voting Right**

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

(b) **Pre-emptive Right**

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the 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.

(c) **Power of Inspection**

All shareholders shall be allowed, upon prior written notice and during regular business hours, to inspect corporate books and records including the 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.

(d) **Right to Information**

- 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.

- 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.
- 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".

(e) **Right to Dividends**

- Shareholders 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: (i) when justified by definite corporate expansion projects or programs approved by the Board; or, (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or, (iii) 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.

(f) **Appraisal Right**

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

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

It is the duty of the Board to promote shareholders' rights, remove impediments to the exercise of shareholders' rights, and provide an adequate avenue for them to seek timely redress for breach of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. 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.

The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints. 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.

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

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

9. GOVERNANCE SELF-RATING SYSTEM

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.

10. MONITORING AND ASSESSMENT

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

10.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

- 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. The adoption of such performance evaluation system must be covered by a Board approval.
- 10.4 This Manual shall be subject to annual review unless the same frequency is amended by the Board.
- 10.5 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 is deemed revoked unless upgraded to the extent that it becomes compliant with this Manual.

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

- 11.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual:
- 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.
- 11.2 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.
- 11.3 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.

12. **EFFECTIVITY OF THE MANUAL**

This Manual as amended has been approved by the Board of Directors on May 31, 2017.

For and in behalf of the Board of Directors:



Alfredo C. Ramos

Chairman of the Board and Chief Executive
Officer

7/31



Iris Marie U. Carpio-Duque

Compliance Officer/Corporate Secretary

Definition of Terms

1. **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 shareholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.
2. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
3. **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
4. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
5. **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 reasonably be perceived to, materially interfere in his exercise of independent judgment in carrying out his responsibilities as a director.
 - 5.1. **Lead Independent director** - an independent director designated by the Board as lead independent director if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person
6. **Non-audit work** – the other services offered by an external auditor to a 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.
7. **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.
8. **Internal control system** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity or combination of risks or business activities, to which the corporation is exposed.

9. **Internal audit department** – a department or unit of the 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.
10. **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.

Rules of Interpretation

1. All references to the masculine gender in the salient provisions of this Code shall likewise cover the feminine gender.
2. All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the shareholders, stakeholders and investors of the corporation.