

Kalahi Realty, Inc.

Suites 214-215, State Condominium IV
Ortigas Avenue, Greenhill's
San Juan City, Philippines
Telephone No.8570-3639

**KALAH REALTY INC. _ CORPORATE GOVERNANCE MANUAL_21
SEPTEMBER 2020**

1.

REVISED MANUAL OF CORPORATE GOVERNANCE

KALAHI REALTY INC.

DATE: SEPTEMBER 21, 2020

2. MISSION AND VISION

Kalahi Realty Inc. shall strive to become one of the leaders in its industry through the development and implementation of strategic plans, operating goals and objectives across its entire organization of competent directors, management and personnel.

3. INTRODUCTION

Kalahi Realty Inc. (KRI) was registered as a realty company with the Securities and Exchange Commission on April 03, 1989. In line with its mission and vision, the Company also strives to implement a corporate governance framework consisting of internationally set standards for the protection of stakeholders and shareholders.

GOVERNANCE FRAMEWORK

This document, otherwise known as the Manual of Corporate Governance (MCG), sets out the key principles, guidelines, mandates, roles, obligations and standards of best practices entailed of the KRI's Board of Directors, Committees, and Management. all in the context of the ensuring that the stewardship responsibilities of KRI to its shareholders are performed within or subject to specific standards of care and competence.

These guidelines will be an evolving set of corporate governance principles, subject to modification and updating as circumstances warrant. The Corporate Governance Committee will be responsible for ensuring compliance with this MCG and shall conduct periodic reviews after the close of audit once every year.

Overall, the guiding principles in the implementation, review and amendment of the MCG shall be:

- a. Set out the roles and responsibilities of key persons such as Directors, Officers and Management of the Company following international standards;
- b. Recognize the importance of regular reviews of ethics and performance;
- c. Explore avenues for improvement through the conduct of continuing education on relevant matters;
- d. Ensure accountability; and
- e. Instil values and practice efficiency and integrity among key persons.

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.

3.1 Definition of Terms

a). Corporate Governance – the framework of rules, systems and process in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to *stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;*

Corporate Governance – is also defined as the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders.

Corporate governance is a system of direction, feedback and control using the regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behaviour and reconciling long term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.

b). 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;

c). Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;

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

e). Executive director - a director who has executive responsibility of day-to-day operations of a part or the whole of the corporation.

f). Independent director - a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

g). Internal control - a process designed and effected by the entity's Board of Directors/Trustees, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial

and management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

h). Management - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

i). Non-executive director - a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the corporation.

j). Non-Proprietary Right - an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.

k). Proprietary Right - an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.

l). Public Company - a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

m). Registered Issuer - a company that:

- (1) issues proprietary and/or non-proprietary shares/certificates;
- (2) issues equity securities to the public that are not listed in an Exchange;
- (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

n). Related parties - covers the covered entity's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

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

p). Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

q). Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

r). 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;

s). 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;

t). 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;

u). Internal audit – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objective by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

v) 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.

4. THE BOARD OF DIRECTORS

It is the Board of Directors' (Board) responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with corporate objectives and the best interests of its shareholders and other stakeholders. The Board's role is one of stewardship. It is mandated to take care of the interests of the shareholders and protect their investments through the implementation of sound corporate policies and plans while maintaining its independent assessment on Management's performance.

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfil its roles and responsibilities and respond to the needs of the

organization based on the evolving business environment and strategic direction.

The Board should be headed by a competent and qualified Chairperson.

The Company should have a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

The Board should have a policy on board diversity.

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

The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

3.1 Board Composition

The Board shall be composed of such number of directors as provided under the Company's By-laws. The Corporation shall have at least two (2) independent directors or such a number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

4.2 Specific Duties and Functions of the Board:

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

- a. Install and implement a process for the selection of directors to ensure a mix of competent directors who can add value and

-
- contribute independent judgment to the formulation of sound corporate strategies and policies;
- b. Appoint competent, professional, and highly motivated management officers, and adopt an effective succession planning program for Management;
 - c. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
 - d. Identify, establish and maintain the Corporation's clear policy on communicating or relating with stakeholders through an effective investor relations program that will keep them informed of important developments in the Corporation;
 - e. Adopt a system of internal checks and balances. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;
 - f. Identify risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
 - g. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
 - h. Keep Board authority within the powers of the Corporation as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
 - i. Do sound strategic policies and guidelines to the Corporation on major capital expenses. Establish programs that can sustain 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.
 - j. Identify the Corporation's stakeholders in the community operates in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them.
 - k. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, joint ventures, subsidiaries, associates, affiliates, major shareholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
 - l. Constitute a Governance Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;

-
- m. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its shareholders, and the Corporation and third parties, including the regulatory authorities;
 - n. Appoint a Compliance Officer who shall have the rank of at least Vice President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

4.3 Duties and Responsibilities of a Director

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

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions nor conflict with the interests of the Corporation;
- b. To devote time and attention necessary to properly discharge his/ her duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the rules, regulation and requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
- f. To observe confidentiality, and;
- g. To ensure the continuing soundness, effectiveness, and adequacy of the Corporation's control environment.

4.4 Qualifications

The directors shall possess such qualifications for membership in the Board as prescribed by the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations. The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. Among others, the following qualifications shall be considered in a director's nomination and election to the Board:

- a. College education or equivalent academic degree;
- b. Practical understanding of the business of the corporation;
- c. Membership in good standing in relevant industry, business or professional organizations; and

-
- d. Vast and successful business experience.

4.5 Disqualifications

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

- a. 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/her fiduciary relationship with a bank, quasi bank, trust company, investment house or as an affiliated person or any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by 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 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 wilfully violating the laws that govern securities and banking activities;
- c. If such person 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 SEC or BSP, or has otherwise 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;
- d. Any person judicially convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- e. Any person finally found by the SEC or a court or other administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;
- f. Any person judicially declared to be insolvent;
- g. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the same Corporation;

-
- h. 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
 - i. 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/ her election or appointment.

4.6 Temporary Disqualifications

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

- a. Refusal to fully disclose the extent of his/ her business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his/ her refusal persists;
- b. Absence or non-participation for whatever reason/s for more than fifty (50%) percent of all meetings, both regular and special, of the Board of Directors during his/ her incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the purposes of the succeeding election;
- c. Dismissal/ termination from directorship in another corporation for valid cause. This disqualification shall be in effect until he / she cleared himself of any involvement in the alleged irregularity;
- d. Being under preventive suspension by the Corporation;
- e. Conviction that has not yet become final referred to in the grounds for the disqualification of directors; and
- f. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries or affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

A temporarily disqualified director shall, within sixty (6) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he/ she fails to do so for unjustified reasons, the disqualification shall become permanent.

4.7 Membership Criteria

The members of the Board shall be elected from a list of nominees who have been identified, screened and recommended for election by the Nominations Committee. Any shareholder of record may nominate a candidate for directorship in the annual shareholders' meeting of the Company. Nominees shall be selected on the basis of the set of criteria

and other relevant factors as laid down in the policy manual of the Nomination Committee or the By Laws.

It is in the best interests of the Company and its shareholders to obtain highly qualified individuals to serve on the Board. These are only threshold criteria, however, and the Nomination Committee will also consider the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience and expertise, the composition of the Board at the time, and other relevant circumstances. Among others, the nominee must:

- a. The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders/members and all other stakeholders.
- b. The Board should oversee the development of and approve the company's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength.
- c. The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company. This should include adopting a retirement policy for directors and key officers.
- d. The Board should align the remuneration of key officers and board members with the long-term interests of the company/organization. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director or trustee should participate in the determination of his own per diem or compensation.
- e. The Board should have a formal and transparent board nomination and election policy that should include how it accepts nominations from its shareholders/members and reviews the qualifications of nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director/trustee. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.
- f. The Board should have the overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.
- g. The Board should be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or his equivalent, and control functions led by

their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive, as may be applicable).

- h. The Board should establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.
- i. The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members. The Board should also adopt an Internal Audit Charter.
- j. The Board should oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- k. The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be made publicly available.
- l. The directors should attend and actively participate in all meetings of the Board, Committees, and shareholders/members in person or through tele-/Videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.
- m. The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.
- n. A director should notify the Board where he is an incumbent director before accepting a directorship in another company.
- o. The Board should 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 carry out proper checks and balances.

-
- p. The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.
 - q. The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
 - r. In addition to the minimum qualifications for each nominee described above, at least one Non-Executive Director should have experience in the sector or industry in which the Company belongs to.

The Nomination Committee is responsible for reviewing with the Board, on a periodic basis, the appropriate skills and characteristics required of the Directors in the context of the current needs of the Company. In determining whether a Director should stand for re-election, appropriate consideration shall be given to the Director's attendance at Board meetings and his or her performance as a Director.

4.8 The Chairman of the Board

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

The Board selects its Chairman in the manner that it determines to be in the best interest of the Company's shareholders. The Chairman shall facilitate and ensure the effective performance of the Board by leading it towards attaining its mission and realizing its vision.

The Chairman's role is very vital in ensuring that decision-making is done on the Board level through the use of processes and controls laid down in this MGC. The Chairman must foster a constructive board culture to ensure the effective and productive performance of the Board's oversight functions over management. The Chairman should have excellent communication and interpersonal skills, display good organizational abilities, ability to manage situations and must have tact and diplomacy. These qualities are vital so that the Chairman of the Board may perform his functions which shall, among others, include the following:

- a. Effectively preside over Board meetings that the Board works as a cohesive team;
- b. Ensure that the members of the Board are timely, properly and accurately informed of developments in the Company;
- c. Promote independence in the decision-making of the members of the Board;

-
- d. Ensure that productive output and time management are recognized in Board meetings;
 - e. Maintain a balance among the varying views of the members of the Board
 - f. Defer matters that should properly be taken up and decided by management or the various committees;
 - g. Maintain appropriate meeting decorum;
 - h. Ensure effective communication with shareholders;
 - i. Ensure constructive relations between the Board and management; and
 - j. Promote high standards of corporate governance.

4.9 Independent Directors

There shall be at least two (2) independent directors or such a number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). The Independent Directors shall have the qualifications and none of the disqualifications of an Independent Director. Among others, an Independent Director must have the qualifications as prescribed by the Securities Regulation Code, its implementing rules and regulations, other relevant laws, rules and regulations in addition to the qualifications mentioned in the Board Membership Criteria. He should also be a person who, apart from his/ her 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/ her exercise of independent judgment in carrying out his/ her responsibilities as a director of the corporation and includes, among others, any person who:

The independent directors (IDs) need to possess a good general understanding of the industry that the company engages in. Further, it is worthy to note that independence and competence should go hand-in-hand. It is therefore important that the non-executive directors, including IDs, possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An ID refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- b. Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or

otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;

d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;

e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;

g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;

i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;

j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and

k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re election in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders'/members' approval during the annual shareholders'/members' meeting.

4.10 Nomination and Election Procedures

The following rules shall apply with respect to the nomination and election of all members of the Corporation's Board of Directors:

- a. All nominations for directors to be elected by the stockholders of the Corporation shall be submitted in writing to the Secretary of the Corporation at the principal office of the Corporation not earlier than thirty (30) days nor later than twenty (20) days prior to the date of the regular or special meeting of stockholders for the election of directors. Nominations which are not submitted within such nomination period shall not be valid. Only stockholders of record entitled to notice of and vote at the regular or special meeting of the stockholders for the election of the directors shall be qualified to be nominated and elected a director of the Corporation;
- b. Any registered stockholder may be nominated and elected to the Board of Directors. The Nomination Committee, by majority vote, shall pass upon the qualification of the nominee to the Board. It may also, in the exercise of its discretion and by majority vote of its members, disqualify a nominated shareholder who, in the Nomination Committee's judgment, represents an interest adverse to or in conflict with those of the Corporation;
- c. Approval for nomination of directors shall be conducted by the Nomination Committee prior to the annual shareholders' meeting. All nomination shall be signed by the nominating shareholders together with the acceptance and conformity of the would be nominees and shall be submitted to the Nomination Committee and the Corporate Secretary in accordance with the period mandated by the By-laws;
- d. The Nomination Committee shall pre-screen the qualifications and prepare a Final List of all Candidates for directors;
- e. The Final List of Candidates to be submitted to the Board of Directors shall contain all information regarding the background and experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations of the SEC. Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the SEC and to all shareholders;
- f. It shall be the responsibility of the Chairman of the shareholders' meeting to inform all shareholders in attendance of the mandatory qualifications and procedures for nominating and electing directors;
- g. Specific slots for independent directors shall not be filled up by unqualified nominees;

4.11 Orientation of New Members

The Company shall conduct an orientation for newly elected members of the Board. This orientation shall familiarize each new Director with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct, corporate governance and principal officers.

Such new Director shall, as appropriate, attend outside director education courses sponsored by recognized organizations. It shall also include meetings with and presentations by key management and visits to Company facilities.

4.12 Board Education

The Board recognizes the importance of continuing education of its members. Each Director is expected to participate, as appropriate, in continuing education in order to maintain the necessary level of expertise to perform his or her responsibilities as a Director. The Board acknowledges that Director continuing education may be provided in a variety of different forms, including external or internal education programs, presentations or briefings on particular topics, educational materials, meetings with key management and visits to Company facilities. The Company, under the direction of the Nomination Committee, will assist the Board in pursuing continuing education programs for its Directors.

4.13 Board Meetings

4.13.1 General

- i. The members of the Board should attend regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC;
- ii. 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;

3.13.2 AGENDA ITEMS

Agenda Items are designated by the Chairman in consultation with the CEO, management, or others as determined by the Chairman. Any Director may suggest agenda items and may raise at meetings other matters they consider worthy of discussion.

4.13.3 Distribution of Meeting Materials

The Corporate Secretary shall be responsible for the timely and proper distribution of notices, agenda and other relevant meeting materials for discussion during the pertinent board meeting through the recognized modes of transmission of information ie. personal delivery, fax, mail or courier. Receipt should be ensured to allow for ample review

by the members of the Board to enable them to fully comprehend the matters to be discussed during the relevant meeting.

To prepare for meetings, Directors shall review all materials sent in advance. The Board believes that maintaining confidentiality of information and Board deliberations is critical. The proceedings and deliberations of the Board and all Board Committees shall, accordingly, be confidential. Each Director shall continue to maintain the confidentiality of information received in connection with his or her service as a Director. Information learned during the course of service on the Board is to be used solely in furtherance of the Company's business.

4.14 Stockholders' Rights and Protection of Minority Stockholders' Interests

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

- a. Right to vote on all matters that require their consent or approval;
- b. Pre-emptive right to all stock issuances of the corporation;
- c. Right to inspect corporate books and records;
- d. Right to information;
- e. Right to dividends; and
- f. Appraisal right.

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

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

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

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

4.15 Access to Management and Independent Advisors

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable them to properly perform their duties and responsibilities. Hence, the Company expects and encourages its Directors to have regular contact with the Company's senior management. Accordingly, the Directors shall have full access to the senior management of the Company. At the invitation of the Board, members of senior management recommended by the CEO shall attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the executive responsible for that area of the Company's operations.

The Board, any Board Committee or group of Independent Directors, as appropriate, and after discussion with the Chairman, and at the expense of the Company, may retain the services of legal counsel, accountants, auditors or any other independent professional advisors to assist on matters involving their responsibilities as Board or Board Committee members and the Chairman and CEO shall be promptly advised of any such engagement unless the Chairman, as applicable, believes that special circumstances exist where it would not be appropriate to provide such advice. The Company shall have in place procedures to assure that funding is made available to meet the fees and expenses of any such person or firm so retained.

Management shall be responsible for assuring that, as a general rule, information and data that are important to the Board's understanding of the Company's business and to all matters expected to be considered and acted upon by the Board be distributed in writing to the Board sufficiently in advance of each Board meeting and each action to be taken by written consent to provide the Directors a reasonable time to review and evaluate such information and data. Management shall make every attempt to see that this material is as concise as possible while still providing the desired information. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance.

4.16 Performance Assessment

The Governance Committee, working with the Chairman shall develop and oversee a performance assessment of the effectiveness of the Board. This assessment shall focus on the performance of the Board as a whole, concentrating on areas where performance might be

improved. The Board shall administer an annual self-evaluation and evaluation of its Committees to determine the same. The Chairman shall present the results of such annual assessment to the Board for its review and discussion.

4.17 Compensation and Remuneration

Directors shall be entitled to receive appropriate compensation for their services as a Director, as may be determined from time to time by the Compensation or Remuneration Committee, as well as reimbursement of reasonable travel and related expenses incurred in connection with their service as Director. The Company believes that compensation for Independent Directors should be competitive and should encourage increased ownership of the Company's stock through payment of a portion of the Board compensation in stock, deferred compensation stock equivalents or options to purchase the Company's stock.

While the Board does not believe it is appropriate to specify a particular level of equity ownership for individual Directors, each Director shall over time have an equity interest in the Company after initial election to the Board through any stock-based compensation provided and shall be encouraged to retain such equity interest while serving on the Board.

The Board shall establish specific approval limits in terms of peso amounts and/or other specified terms and conditions with respect to management's authority to approve certain expenditures or transactions depending on the nature and size of the proposed expenditure or transaction. These limits shall permit some flexibility within approved budgets but otherwise must not be exceeded without prior Board approval or ratification.

5. STANDING COMMITTEES OF THE BOARD

The Board of Directors shall have the following standing committees:

- a. Audit Committee
- b. Nomination Committee
- c. Remuneration Committee

The Board shall appoint the Chairpersons and members of each standing committee on an annual basis. Any member shall cease to be a member of the standing committee the moment he ceases to be a member of the Board. Any vacancies may be filled up by appointment into the position by a vote of the majority of the Board.

The Chair of each standing committee shall be the head with the power to call for meetings, preside over meetings, and reporting to the Board. Each committee will be charged with reviewing the adequacy of its mandate annual and recommend procedures, changes, or amendments to its rules as may be found appropriate.

Standing committees shall have quarterly meetings that may be called close to the quarterly financial reporting period of the Company. They may meet as often as they deem appropriate to discharge their responsibilities at the offices of the Company or anywhere as may be deemed fit within the Philippines. The Corporate Secretary shall act as the secretariat of the standing committees in charge of keeping records of the committees and minutes of their meetings.

5.1 The Audit Committee

An Audit Committee shall be constituted from three (3) members of the Board of Directors. The members of the Audit Committee shall be appointed by at least a majority vote of the Board of Directors for a term co-terminus with the term of the members of the Board of Directors. The Audit committee shall assist the Board in performing an oversight responsibility for the financial reporting process, supervise the managements activities, monitor and evaluate the adequacy and effectiveness of the corporations internal control system, coordinate, monitor and facilitate compliance with laws rules and regulations and review the reports and financial statements before their submission to the Board.

The members of the Audit Committee shall preferably have accounting and finance background, one of whom shall be an Independent Director and another should have related audit experience. The Chairman of the Audit Committee should be an Independent Director. He should be responsible for inculcating in the minds of the members of the Board the importance of the management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The Audit Committee shall have the following specific functions:

- a. Provide oversight over the senior management's activities in managing credit, market liquidity, operational, legal and other risks of the Corporation. The function shall include receiving from senior management periodic information on risk exposures and risk management activities.
- b. Provide oversight of the Corporation's internal and external auditors;
- c. Review and approve audit scope and frequency, and the annual internal audit plan;
- d. Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- e. Be responsible for the setting-up of an internal audit department and consider the appointment of internal auditor as well as an

independent external auditor, the audit fee and any question of resignation or dismissal;

- f. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;
- g. Receive and review reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in timely manner in addressing control and compliance functions with regulatory agencies;
- h. 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;
- i. Significant adjustment resulting from the audit;
- j. Going concern assumption;
- k. Compliance with the accounting standards; and
- l. Compliance with tax, legal, and stock exchange requirements;

The Audit Committee shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose, it shall:

- a. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy. The non-audit work should be disclosed in the annual report.
- b. Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors shall have free and full access to all the Corporation's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual audit plan.

5.2 The Nomination Committee

A Nomination Committee shall be organized consisting of at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall have the following functions:

- a. formulate screening policies to enable the Committee to effectively review and evaluate the qualification of the nominees nominated to the board and other appointments which require Board approval
- b. assess the effectiveness of the Board processes and procedures in the election and replacement of directors; and
- c. conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedure set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time.

The decision of the Nomination Committee as to nominees to the Board of Directors, once confirmed by the Board of Directors, shall be final and binding upon the shareholders.

The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of nominations; provided, that any such promulgated guidelines or criteria governing the conduct of nomination of Independent Directors shall be properly disclosed in the Corporation's information or proxy statement or such other reports required by the Securities and Exchange Commission.

The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees.

After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees, including, but not limited to, the following information: (i) Name, age and citizenship; (ii) List of positions and offices that each such nominee held, or will hold, if known, with the Corporation; (iii) Business experience during the past five (5) years; (iv) Directorship held in the other companies; (v) Involvement in legal proceedings; and (vi) Security ownership.

The Final List shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement or in such other reports required by the Securities and Exchange Commission. The name of the person or group of persons who recommended the nomination of the Directors shall be identified in such report including any relationship with the nominee.

The Chairman of the stockholder' meeting has the responsibility to inform all stockholders in attendance of the mandatory requirement of electing Independent Directors and to ensure that the Independent Directors are elected during the stockholders' meeting.

5.3 The Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director. The Remuneration Committee is responsible for establishing the procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment.

There shall be a formal and transparent procedure for developing policies on executive remuneration packages for directors and executive officers. To prevent the risk of conflict of interests, concerned directors shall not participate in deciding compensation packages involving his own.

Remuneration packages should be carefully studied to provide sufficient compensation for the services of and attract, retain and motive an able and competent roster of directors. Performance-based remuneration should be designed to complement or reward good performance while at the same time keeping in mind the interests of shareholders. Appropriate standards and measures must be laid down for purposes of assessing executive directors' performances while non-executive directors may be remunerated on the basis of the contribution considering the time and efforts spent in the services of the Company. Incentives may also be given to include stock options, whenever the resources of the Company permit.

6. THE MANAGEMENT

6.1 The President

The President shall be the head of the Company and is the strategic and operational leader directly accountable to the Board for all corporate activities. The responsibilities of the President are spread throughout almost all aspects of the business of the Company from planning, organizing, development and implementation.

The Board is responsible for identifying and electing a President as well as for approving and implementing a process of evaluation of his or her performance both on an on-going an annual basis. The Board shall establish annual performance expectations and goals for the President which should be benchmark for success of projects undertaken and implemented by the President for each annual review.

Among others, the President must have the following core competencies:

- a. Strategic and visionary leadership capabilities. He should be able to manage people and motivate them in performing their respective duties with integrity and proficiency. He should also be flexible and integrative with the ability to evaluate complex situations and issues concerning the goings on of the business of the Company. Most importantly, he should be able to represent Management to the Company's stakeholders / shareholders and effectively communicate to them the Company's mission and vision and how the organization is working towards achieving these goals;
- b. Creditable professional drive. He should have an excessive appetite for success with the professional drive and commitment to the growth and success of the business, himself and people working with him and for him;
- c. Role model qualities. The President must be a leader and role model of management and employees. He should be able to promote a culture of optimal talent, above-par aptitude, strong leadership, performance, at all levels of the business;
- d. Superior personal and professional inter-relationships abilities. The President should be able to build sustainable relationships with people both internal and external to the Company. He should also be able to represent the Company to the business community to advance its goals and sustainability and build a network of prospective partners / allies to make the Company more globally competitive;

6.1.1 Succession Planning and Evaluation

The Nomination Committee shall periodically review the Company's succession plans for the CEO and, as needed, make recommendations to the Board regarding the selection of individuals to fill this position. There shall be an annual report to the Board by Nominating Committee on the Company's plans regarding CEO and other senior management succession planning.

An evaluation of the CEO's performance shall be made annually by the non-executive Directors based on objective and subjective criteria such as performance of the business, accomplishment of long-term strategic objectives, management development and organizational development.

6.2 The Corporate Secretary

The Corporate Secretary is primarily responsible to the corporation and its shareholders/members, and not to the Chairperson or President of the Company and has among others, the following duties and responsibilities:

-
- a. Assists the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
 - b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
 - c. Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
 - d. Works fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
 - e. Advises on the establishment of board committees and their terms of reference;
 - f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, 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;
 - g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
 - h. Performs all required administrative functions;
 - i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
 - j. Performs such other duties and responsibilities as may be provided by the Board and the Commission.

6.3 The Treasurer

The Treasurer shall have the following responsibilities:

- a. keep regular books of account of the Corporation;
- b. have charge and custody of and be responsible for all the funds and securities of the Corporation;
- c. receive and give from any source whatsoever and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors;
- d. render to the Board of Directors from time to time an account of all his transactions as Treasurer and of the financial conditions of the Corporation;
- e. performs all the duties incidental to the office of the Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

6.4 The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chair of the Board. He shall perform the following duties:

The Compliance Officer is a member of the company's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders/members, and not to the Chairperson or President of the company. He has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others;
- b. 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;
- c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- e. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- f. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the Board and SEC.

7. Accountability and Audit

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

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

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

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

-
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation 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 corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
 - (iv) The corporation should consistently comply with the financial reporting requirements of the SEC;
 - (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The External Auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

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

7.1 Audit Committee Charter

This Audit Committee Charter (“this Charter”) sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities of the Audit Committee (the “Committee”) of Kalahi Realty Inc. (the “Company”), and the procedures which guide the conduct of its functions.

Section 1. Basis and Purpose

Pursuant to the Company’s By-laws and Manual on Corporate Governance (the “Manual”), the Board of Directors of the Company (the “Board”) constituted the Committee to assist the Board in fulfilling its oversight responsibility of the Company’s corporate governance processes relating to the:

- Company’s financial statements and reporting process;
- Company’s internal control systems;
- Company’s internal and external auditors;
- Compliance by the Company with accounting standards, legal and regulatory requirements, including the Company’s disclosure policies and procedures;
- Risk management policies and processes; and
- Business practices and ethical standards of the company.

Section 2. Membership

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

2.2 Qualification. Each member of the Committee shall have the qualifications and none of the disqualifications of a Director, as set out in the Manual. Members of the Committee shall be financially literate, provided that at least one member shall have audit experience. Each member shall have adequate understanding at least or competence at most, of the Company’s financial management systems and environment, as well as the Company’s business and the industry in which it operates.

2.3 Appointment. The Chairman and the members of the Committee are appointed by a majority vote of the members of the Board constituting a quorum either during the Organizational Board Meeting of the Company or, if there is a vacancy, during any meeting of the Board constituting a quorum. Membership shall be reviewed every year after election of the Board by the Company’s stockholders at their annual meeting, or earlier if the Board deems necessary.

2.4 Removal. The Chairman and members of the Committee may be removed from the Committee by a majority vote of the Board.

2.5 Secretary of the Meeting. The Company's Corporate Secretary shall be the secretary of the Committee.

Section 3. Structure and Operations

3.1 Meetings. The Committee shall meet at such times and places as it considers appropriate, but no less than thrice a year. The Chairman of the Committee, any Committee member, or the Corporate Secretary of the Company may call a meeting of the Committee.

3.2 Quorum. Attendance of at least two (2) Committee members shall constitute a quorum for the Committee to transact business. The Committee shall act only on the affirmative vote of at least a majority of the members present in a meeting at which there is a quorum.

3.3 Chairman. The Chairman of the Committee shall preside in all meetings of the Committee. In the absence of the Committee Chairman, the Committee members present shall elect one of their members as Chairman of the meeting.

3.4 Notice of Meeting. A notice of each meeting confirming the date, time, venue, and agenda shall be given to each member of the Committee at least two (2) working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting.

3.5 Record of Meetings. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment. Notices, minutes, agenda and supporting papers will be made available to any Director upon request to the Corporate Secretary.

3.6 Other Attendees. As necessary, the Committee may invite members of management and organization staff to attend the Committee meeting and provide pertinent information or data. At the discretion of the Committee, separate meetings with any member of the Company's management may be held, whenever it is deemed appropriate by the Committee for the exercise of its functions.

3.7 Remuneration. No fees or other remuneration shall be payable to the members and advisors of the Committee for services provided or attendance to Committee meetings, except fees or remuneration authorized and approved by the board.

Section 4. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

4.1 External Auditors:

- a. Recommend to the board of directors the selection of the external auditors, considering independence and effectiveness and approve the fees and other compensation to be paid to the external auditors, and oversee the work performed by the external auditor retained for the purpose of preparing or issuing an audit report or related work.
- b. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- c. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will:
 - 1) At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or per review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
 - 2) Take into account the opinions of management and internal audit.
 - 3) Review and evaluate the lead partner of the independent auditor.
 - 4) Present its conclusions with respect to the external auditor to the Board.
- d. Pre-approve the engagement of the external auditor or other independent accountant to conduct any non-audit services to be performed during the year.
- e. Ensure the rotation of the lead audit partner every five years and other audit partners, and consider whether there should be regular rotation of the audit firm itself.
- f. Present its conclusions with respect to the independent auditor to the full board.
- g. Set clear hiring policies for employees or former employees of the independent auditors.
- h. Periodically consult with the external auditors out of the presence of management about internal controls and fullness and accuracy of the company's financial statements.

-
- i. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

4.2 Financial Statement

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b. Review and discuss with management and external auditor the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
- 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;
- c. Meet with management and the external auditor to review and discuss the company's annual financial statement and quarterly financial statements, as well as all internal control reports. Review other relevant reports or financial information submitted by the company to any governmental body or the public or financial report and relevant reports rendered by the external auditor.
- d. Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation; and
- e. Evaluate relationship that senior management, financial management, external and internal auditors have to ensure accurate and timely financial reporting and resolve any disagreement between management and the external auditors regarding financial reporting.
- f. Check all financial reports against its compliance with pertinent accounting standards, including laws and regulatory requirements and review the management representation letter to the external auditor.

4.3 Internal Audit:

- a. Review with management and the audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- b. Review the appointment, replacement, or dismissal of the audit executive.

-
- c. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
 - d. Review the significant issues raised in internal audit reports to management and management's responses and ensure appropriate corrective actions are undertaken.
 - e. Perform oversight functions over the corporation's internal auditors. It should ensure that the internal auditors act independently, and that said auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions;
 - f. Require the internal auditor to render to the committee an annual report on the activities and performance of the internal audit organization relative to the audit plan approved by the committee, including significant risk exposures and control issues, corporate governance issues, and other matters requested by the committee.
 - g. Establish and identify the reporting line of the internal auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

4.4 Internal Control

- a. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.
- b. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company.
- c. In consultation with the external auditor and the internal audit function, review the integrity of the company's financial reporting processes (both internal and external).

4.5 Legal, Regulatory and Ethical Standards Compliance:

- a).Review the effectiveness of the system for monitoring compliance with laws and regulations and covering the conducts of its operations and business activities.
- b).Review the findings of any examinations by regulatory agencies, and any auditor's observations.
- c). Review and oversee related party transactions and other potential conflicts of interest situations where appropriate considering that the company is a public firm subject to regulatory scrutiny and public perception

d). Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.

f). Evaluate and monitor compliance with the Code of Ethics for management.

g). Obtain regular updates from management and company legal counsel regarding compliance matters.

4.6 Corporate Manual Reporting Process

The Chairman of the Committee, or in his absence, the Chairman of the meeting, shall report to the Board on the decisions and recommendations made by the Committee following each meeting.

Section 5. Performance Evaluation

5.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the Board.

5.2 The Committee shall assess its performance through a self-assessment worksheet (the "Assessment") that substantially adopts the Securities and Exchange Commission (SEC) Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.

5.3 The Assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the Assessment shall be validated by the Company's Compliance Officer.

5.4 A feedback mechanism shall be in place to receive comments from management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance.

5.5 The entire assessment process shall be documented and shall form part of the records of the Company that may be examined by the SEC from time to time.

5.6 This Charter shall be reviewed annually, updated as required, and shall be made available to any requesting party upon written request to the Corporate Secretary.

Section 6. Resources

The Committee shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities hereunder. The Committee may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Committee shall be provided with sufficient resources by the Company to discharge its duties.

Section 7. Amendment

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

8. RELATED PARTY TRANSACTIONS

Policies

Possible and actual conflicts of interest between the Company and the Board and Management must be identified in all transactions and contracts entered into by the Company. In case such exists and it is determined that the contract or transaction is vital or beneficial the Company, the approval process must be in consonance with certain standards on Related Party Transactions.

“Related Party Transaction” means any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships involving an aggregate amount of Five Million Pesos (P 5,000,000.00) in which the Company or any of its subsidiary was, is or is proposed to be a participant and in which a Related Party has, had or may have a direct or indirect material interest.

The Company recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Policies mandating the review and approval of Related Party Transactions should be adopted in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

“Related Party” means any (i) director, nominee for director or executive officer of the Company; (ii) beneficial owner (other than a financial or investment institution) of more than 5% of the Company’s voting securities; (iii) Immediate Family Member of a director, executive officer, nominee for director or beneficial owner of more than 5% of the Company’s voting securities; (iv) an entity which is owned or controlled by someone who falls within the categories listed above in (i), (ii) or (iii); or (v) an entity in which someone listed above in (i), (ii) or (iii) has a substantial ownership interest or control.

An immediate family member is any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of any director, nominee for director or executive officer of the Company.

8.1 Identification of Potential Related-Party Transactions

All Related-Party Transactions must be brought to the Management's attention. On an annual basis, each of the directors and executive officers are required to complete a questionnaire designed to elicit information about any potential Related-Party Transactions.

Any potential Related-Party Transaction that is raised will be analyzed by the Company's Legal Department, in consultation with management and, whenever warranted, the Company's external auditor. The team will determine whether the transaction or relationship does, in fact, constitute a Related-Party Transaction requiring compliance with this Policy.

8.2 Review and Approval of Related Party Transactions

At each of its meetings, the Audit Committee will be provided with the details of each existing or proposed Related-Party Transaction that it has not previously approved or disapproved with the following information:

- a. the terms of the transaction;
- b. the business purpose of the transaction;
- c. benefits to the Company and to the relevant director, executive officer or employee.

In the event the Legal Department determines that it is impractical or undesirable to wait until the next Committee meeting to review a Related-Party Transaction, the Chairman of the Audit Committee may act on its behalf to review and approve the Related-Party Transaction. In determining whether to approve a Related-Party Transaction, considerations should be placed on whether the terms of the Related-Party Transaction are fair to the Company or on terms at least equally favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or employee of the Company. In addition, the following parameters must be applied in the approval of Related Party Transactions:

- There should be good demonstrable business reasons for the Company to enter into the Related Party Transaction;
- The Related-Party Transaction should not impair the independence of a director; and
- The Related-Party Transaction should not present an improper conflict of interests for any director, executive officer or employee of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or employee, the direct or indirect nature of the interest of the director, executive officer or employee in the transaction, the ongoing nature of any proposed relationship, and any other relevant factors.

9.INTERNAL CONTROLS

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

Internal control aims to ensure that the Company's business activities are efficient and proficient, financial reporting is reliable and that applicable laws, regulations and company's internal policies are followed.

The Company shall implement an effective internal control system, based on following guidelines:

1. Structuring rules and principles shall be applicable to the Company and its Subsidiaries to standardize methodologies and processes;
2. Internal control standards shall be defined and explained with clarity in simple language as to be understood both by Management and personnel.
3. There should be a list of mandatory key controls designed to cover the main risks pertaining to processes impacting financial information, protection of assets, detection and prevention of fraud.

The internal control system shall include control objectives and common control points for financial reporting as well as roles and responsibilities in executing and monitoring internal control in the Company.

9.1 Implementation

Implementation of the Internal Controls shall be a joint effort by and among the Board, various standing committees, particularly the Audit Committee, Chief Executive Officer and Chief Finance Officer.

The Company's internal controls and systems must be implemented to provide reasonable, and not absolute, assurance on the integrity and reliability of the financial statements. Measures must also be in place to safeguard, verify and maintain accountability of its assets and to detect fraud, potential liability, loss and material misstatement.

The board shall review the effectiveness of controls on an annual basis through a process of management self-assessment. Consideration must be given to information and report from the Audit Committee and external auditor.

10 INTERNAL AUDIT

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

The Internal Auditor will be responsible for the execution of company activities advising management and the Board regarding ways and means to better execute their functions and responsibilities. The Internal Auditor to be appointed maybe on employment or consultancy basis, depending on the needs and requirements of the Company and its on-going businesses.

Internal Auditing requires various functions related to the evaluation of the effectiveness the Company's risk management, internal controls and governance. Internal Audit helps ensure: Risks are appropriately identified and managed;

- a. Significant financial, managerial, and operating information is accurate, reliable, and timely;
- b. Resources are used efficiently and adequately safeguarded.
- c. Operations are transacted in accordance with sufficient internal controls, good business judgment, and high ethical standards;
- d. Quality and continuous improvement are fostered in the Company's internal control processes.

10.1 The Director for Internal Audit

The Board will appoint a Director for Internal Audit and Tax Compliance charged with the following duties:

- a. Develop, document, implement, test, and maintain a comprehensive internal audit plan and system of internal controls to help provide

-
- assurance that applicable laws, regulations, and policies and procedures are complied with judiciously;
- b. Examine financial transactions for accuracy and compliance with institutional policies and applicable laws and regulations;
 - c. Evaluate financial and operational procedures to assure adequate internal controls are present;
 - d. Identify, assess, and evaluate risk areas; make appropriate recommendations for improved internal controls and accounting procedures; and research and adopt industry best practices where appropriate;
 - e. Direct research and strategic planning efforts related to tax issues;
 - f. Advise senior management on policy and procedure developments with respect to tax issues;

10.2 Annual Internal Audit Plan

Based on a risk assessment of the Company, the Director for Internal Audit, Internal Auditor, management and the Board shall determine where to focus internal auditing efforts on an annual basis. An audit plan will be proposed by the Audit Committee for approval by the Board. The plan shall cover, among others, the following:

- a. Establish and communicate the scope and objectives for the audit to appropriate management;
- b. Develop an understanding of the business area under review. This includes objectives, measurements, and key transaction types. This involves review of documents and interviews. Flowcharts and narratives may be created if necessary.
- c. Describe the key risks facing the business activities within the scope of the audit.
- d. Identify management practices in the five components of control used to ensure each key risk is properly controlled and monitored.
- e. Develop and execute a risk-based sampling and testing approach to determine whether the most important management controls are operating as intended.
- f. Report issues and challenges identified and negotiate action plans with management to address the problems.
- g. Follow-up on reported findings at appropriate intervals. Internal audit departments maintain a follow-up database for this purpose.

10.3 Internal audit reports

The Internal Auditor will prepare their reports at the end of each audit that summarize their findings, recommendations, and any responses or action plans from management. Recommendations in an

internal audit report should help the Company achieve effective and efficient governance, risk and control processes associated with operations objectives, financial and management reporting objectives; and legal/regulatory compliance objectives.

Audit findings and recommendations may also relate to particular assertions about transactions, such as whether the transactions audited were valid or authorized, completely processed, accurately valued, processed in the correct time period, and properly disclosed in financial or operational reporting, among other elements.

11 DISCLOSURE AND TRANSPARENCY

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

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information and submission to the Commission for the interest of its stockholders and stakeholders.

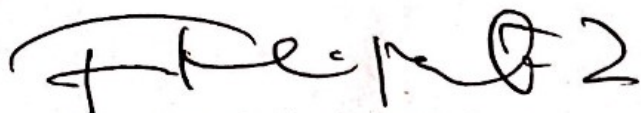
12 PENALTIES

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

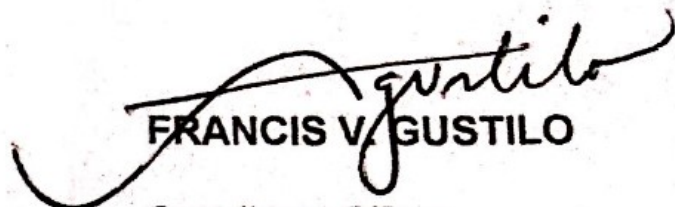
The Compliance officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Signed, as approved by the Board of Directors:

A handwritten signature in black ink, appearing to read 'F. Matsuda' with a stylized flourish at the end.

FRANKLIN D. MATSUDA

Chairman / President

A handwritten signature in black ink, appearing to read 'Francis V. Gustilo' with a large, sweeping flourish.

FRANCIS V. GUSTILO

Compliance Officer

Kalahi Realty, Inc.

Suites 214-215, State Condominium IV
Ortigas Avenue, Greenhill's
San Juan City, Philippines
Telephone Nos. 8570-3639


CERTIFICATION

I, **Frederick D. Matsuda**, as the Vice President / Treasurer of **Kalahi Realty, Inc.**, with SEC registration number **161872** with principal office at Suite 214 State Condominium IV, Ortigas Avenue, Greenhills, San Juan, Metro Manila, on oath state:

- 1) That on behalf of Kalahi Realty, Inc. I have caused this **Corporate Governance Manual** to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company Kalahi Realty, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.


SEP 21 2020

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of September 2020.


Frederick D. Matsuda
Affiant

SEP 21 2020

SUBSCRIBED AND SWORN to before me this ___ day of September 2020 affiant exhibiting his Passport no. P4703704B expire on February 05, 2030.


ATTY. RUBEN M. AZANES, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
PTR NO. 9269843, Jan. 2, 2020 Quezon City
IBP No. AR54011860-Jan. 2, 2020 QC Chapter
Roll of Attorney's No. 46427
Admin Matter No. 053
MCLE NO. VI-0030360/02-18-2020
INV. 14U-334-386-000

Doc. No. 03
Page No. 01
Book No. 74
Series of 2020