



MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, i. e. officers and staff, of Metro Pacific Tollways Corporation (the "Company") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the "Manual"), and acknowledge that the same may guide the attainment of our corporate goals.

1. PRELIMINARY

This Manual is adopted pursuant to SEC Memorandum Circular no. 2, issued by the SEC ("SEC") on April 5, 2002 and as amended by SEC Memorandum Circular No. 6 series 2009.

2. DEFINITION AND INTERPRETATION

2.1 Definition of Terms

- a) **Articles of Incorporation** – the Articles of Incorporation of the Company and all amendments thereto;
- b) **Audit Department** – a department or unit of the Company, that provide independent and objective assurance services in order to add value to and improve the Company and its subsidiaries' operations;
- c) **Board Committee** – the Nomination, Executive Compensation and Audit Committees and such other committees which the Board may constitute from time to time;
- d) **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.
- e) **BSP** – Bangko Sentral ng Pilipinas;
- f) **By-Laws** - the By-Laws of the Company and all amendments thereto;
- g) **CEO** – the Chief Executive Officer of the Company;
- h) **Chairman** – Chairman of the Board;
- i) **Chief Audit Executive** – the highest position in the Company and its subsidiaries 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;
- j) **Code** – the SEC Memorandum Circular no. 2, Series 2002, otherwise known as the "Code of Corporate Governance";
- k) **Company** – the Metro Pacific Tollways Corporation;
- l) **Corporate Governance** – the framework of rules, systems and processes in the Company that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders;
- m) **Corporation Code** – Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines.
- n) **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- o) **Executives** – the executives of the Company with the rank of Assistant Vice President up to President.
- p) **Executive Director** – a director who is also the head of a department or unit of the Company or performs any work related to its operation;
- q) **Independent Director** – a person who apart from his fees and shareholdings is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

- r) **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Company's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management control and governance processes;
- s) **Internal Control** – the system established by the Board of Directors and Management for the accomplishment of the Company'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 risk or business activities, to which the Company is exposed;
- u) **Management** - the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company;
- v) **Manual** – the Manual on Corporate Governance as the same may be amended from time to time;
- w) **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 independent and objectivity of an external auditor;
- x) **Non-Executive Director** - a director who is not the head of a department or unit of the Company nor performs any work related to its operation;
- y) **Subsidiaries** – this refers to other companies where the Company has significant interest.

2.2 Rules of Interpretation

- 2.2.1 All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- 2.2.2 All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Company.
- 2.2.3 A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.
- 2.2.4 The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

3. OBJECTIVES

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

The Board of Directors, Management, Executives, Employees and Shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the Company and its Subsidiaries as soon as possible.

4. COMPLIANCE SYSTEM

4.1 Compliance Officer

- 4.1.1 To insure adherence to corporate principles and best practices, the Board shall designate a Corporate Governance Officer as Compliance Officer who holds the

position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

4.1.2 The Compliance Officer shall perform the following duties:

- Monitor compliance by the Company with the provisions and requirements of this Manual, and the rules and regulations of regulatory agency;
- Determine violation/s of the Manual and the rules and regulations of regulatory agencies, and if violations are found, report the matter to the Board and recommend the penalty for violation thereof for further review and approval of the Board, including the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent the repetition of the violation.
- Appear before the SEC when summoned in relation to compliance with the Code;
- Issue a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation; and
- Identify, monitor and control compliance risks.

4.2. Board of Directors

The Board of Directors (the "Board") is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

4.2.1 Composition of the Board

The board shall be composed of at least nine (9), but not more than fifteen (15), members who are elected by the stockholders (Hereto attached as Annex 1 is the List of Board of Directors and Officers of the Company).

The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board shall 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 shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

4.2.2 Multiple Board Seats

The number of directorships that members of the Board can hold in stock and non-stock corporations shall be dependent on the capacity of a director to diligently and efficiently perform his duties and responsibilities. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

4.2.3 The Chair and Chief Executive Officer

The roles of Chairman and CEO are 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 is made between the Chairman and CEO upon their election.

The position of the Chairman and CEO shall not be unified, to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board are the following:

- Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- Maintain qualitative and timely lines of communication and information between the Board and Management.

4.2.4 Responsibilities, Duties and Functions of the Board

1. General Responsibility

The Board's responsibility is to foster the long-term success of the Company and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of stockholders, shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

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

2. Duties and Functions

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

- Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
- Provide sound strategic policies and guidelines to the Company on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
- Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. The Company's Chief Financial Officer shall exercise oversight responsibility over the program;

- Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely, and effective communication with them;
- Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, association, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationship by members of the Board.
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities;
- Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
- Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations; and
- Appoint a Compliance Officer who shall have a rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

3. Specific Duties and Responsibilities of a Director

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

A director shall observe the following norms of conduct:

- *To conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interest of the Company;*

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

decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

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

- *Devote time and attention necessary to properly discharge his duties and responsibilities;*

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

- *Act judiciously;*

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

- *Exercise independent judgment;*

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

- *Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.*

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

- *Observe confidentiality;*

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

- *Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.*

4.2.5 Internal Control Responsibilities of the Board

The control environment of the Company consists of: (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting system; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information system, 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.

- 4.2.5.1 The minimum internal control mechanism for the performance of the Board's oversight responsibility shall include:
- Defining the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls;
 - Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - Evaluation of proposed senior management appointments;
 - Selection and appointment of qualified and competent management and officers; and
 - Review of the Company's human resources policies, conflict of interest situation, compensation program for employees and management succession plan.
- 4.2.5.2 The scope and particulars of the systems of effective organizational and operational controls depends on, among others, the following factors: nature and complexity of the business and the business culture: volume, size and complexity of transactions; degree of risk involve; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- 4.2.5.3 Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint a Chief Audit Executive to perform the audit function, and shall require the Chief Audit Executive to report to a level of organization that allows the internal audit activity to fulfill its mandate. The Internal Audit shall be guided by the International Standard on Professional Practice of Internal Auditing.

4.2.6 Board Meetings and Quorum Requirements

Members of the Board shall be attending the regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

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

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

Board Committees

The Board shall constitute the following committees to assist it in good Corporate Governance.

4.2.7 Nomination Committee

- 4.2.7.1 The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting member in the person of the HR Director/Manager.

- 4.2.7.2 The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
- 4.2.7.3 The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

Qualifications of Directors

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

- Holder of at least one (1) share of stock of the Company;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- Membership in good standing in relevant industry, business or professional organization;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

Disqualification of Directors

1. Permanent Disqualification

The following are the grounds for the permanent disqualification of a director:

- Any person convicted by final judgment or order by a competent judicial or administrative body or any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
- The person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-

regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

- Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rules, regulation or order;
- Any person earlier elected as independent director who becomes an officer, employee or consultant of Company;
- Any person judicially declared as insolvent;
- Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs;
- Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his elections or appointment.
- Any person engaged in any business, which competes with or is antagonistic to that of the Company or any of its subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
 - i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of any corporation (other than the one in which this Company owns at least 30% of the capital stock) engaged in business which the Board, by at least two-thirds vote, determines to be competitive or antagonistic to that of the Company or any of its subsidiaries or affiliates;
 - ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 20% or more of any outstanding class of shares of, any corporation or entity engaged in any line of business of the Company or of any of its subsidiaries or affiliates, when in the judgment of the Board, by at least two-thirds vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or if the Board, in the exercise of its judgment in good faith, determine by at least two-thirds vote that he is the nominee of any person in (i) or (ii).
- In determining whether or not a person is a controlling person, beneficial owner or the nominee of another, the Board may take into account such factors as business and family relationships.

2. Temporary Disqualification

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

- Refusal to fully disclose the extent of his 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 refusal persists;

- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Company;
- If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final; and
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

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

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

4.2.7.4 The Nomination Committee shall consider the following guidelines in the determination of the ceiling of the number of directorships in other corporations which may be held by members of the Board:

- The nature of the business of the Company;
- Age of the director;
- Number of directorships/active memberships and officers in other corporations or organizations of such director; and
- Possible conflict of interest.

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

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

4.2.8 Compensation and Remuneration Committee

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

4.2.8.2 Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of

Directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation paid, directly or indirectly, to its executive officers, directors and management officers for the previous fiscal year and the ensuing year.
- Review the existing Human Resources Development Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

4.2.9 Audit Committee

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

4.2.9.2 Duties and Responsibilities

- 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.
- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include the regular receipt from Management of information on risk exposures and risk management activities.
- Perform direct interface functions with the internal and external auditors. To ensure that the internal and external auditors act

independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel in the performance of their respective audit functions.

- Review of the annual audit plan to ensure its conformity with the objectives of the Company. The plan includes the audit scope, resources and budget necessary to implement it.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors.
- Review the quarterly, half-year and annual financial statements before its submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgment areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - A definitive timetable within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant.
 - An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire Company.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Evaluate and determine non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. To disallow any non-audit work that will conflict with external auditor's

duties and poses a threat to his independence. Non-audit works, if allowed, are disclosed in the Company's annual report.

- Establish and identify reporting line of the Chief Audit Executive to properly enable him to fulfill his duties and responsibilities. The Chief Audit Executive shall functionally report directly to the Audit Committee.
- To ensure that the performance of the work of Chief Audit Executive is free from interference by outside parties.

4.2.10 The Corporate Secretary

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

4.2.10.2 Duties and Responsibilities

The Corporate Secretary shall:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company.
- Be loyal to the mission, vision and objectives of the Company.
- Have appropriate administrative and interpersonal skills.
- If he is not at the same time the Company's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the Company.
- Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so.
- Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- In case he is also the Compliance Officer, perform all the duties and responsibilities of the said office as provided for in the Code.

5. ACCOUNTABILITY AND AUDIT

- 5.1 The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- 5.2 It is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

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

- 5.3.1 The extent of 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;
- 5.3.2 An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained;
- 5.3.3 On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company'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;
- 5.3.4 The corporation should consistently comply with the financial reporting requirements of the Commission.

5.4 External Auditor

- 5.4.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
- 5.5.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Company to the external auditor before its submission.
- 5.5.3 The external auditor of the Company shall not at the same time provide the services of an internal auditor to the Company and its Subsidiaries. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 5.5.4 The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, be changed with the same frequency.
- 5.5.5 If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement, or any report filed with the Commission or any regulatory body during his engagement is incorrect or incomplete, he shall present his comments or views on the matter in the said reports.
- 5.5.6 The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, be clearly explained.

5.6 Internal Auditor

- 5.6.1 The Company shall have in place an independent internal audit function which is performed by an Internal Auditor or a group of Internal Auditors headed by a Chief Audit Executive, through which the Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- 5.6.2 The Internal Auditors shall be headed by the Chief Audit Executive.
- 5.6.3 The Chief Audit Executive shall report to the Audit Committee.
- 5.6.4 The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.
- 5.6.5 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- 5.6.6 An effective system of internal control that will ensure the integrity of financial reports and protection of the assets of the Company shall be maintained.
- 5.6.7 On the basis of approved audit plan, internal audit examination covers, at the minimum, the evaluation of the adequacy and effectiveness of controls that covers the Company'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.
- 5.6.8 The Company shall consistently comply with the financial reporting requirements of the Commission.
- 5.6.9 The Chief Audit Executive submits to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plan and strategies as approved by the Audit Committee. The annual report includes significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Chief Audit Executive shall 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.

6. COMMUNICATION PROCESS AND SYSTEM

- 6.1. To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide complete, adequate, and timely information about the matters to be taken in advance of meetings.
- 6.2. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Board members shall be given independent access to Management and the Corporate Secretary. As such, information needed may be inquired directly by a member before the Board, Management, Executives and the Corporate Secretary.
- 6.3. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- 6.4. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, have access to independent professional advice at the Company's expense.
- 6.6. This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.
- 6.7. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 6.8. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resource Department, with a minimum of at least one (1) hard copy of the Manual per department.

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

- 7.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Company's Compliance Officer;
- 7.2. All material information about the Company which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 7.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- 7.4. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 7.5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

8. SHAREHOLDERS' BENEFIT

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

8.1 INVESTORS' RIGHTS AND PROTECTION

8.1.1 Rights of Investors/Minority Interests

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

8.1.2 Voting Right

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

8.1.2.2 Cumulative voting shall be used in the election of directors.

- 8.1.2.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

8.1.3 Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to new issuances of the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

8.1.4 Power of Inspection

All shareholders shall be allowed to inspect Company books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

8.1.5 Right to Information

- 8.1.5.1 The Shareholders shall be provided, upon request, with periodic reports, which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- 8.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- 8.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

8.1.6. Right to Dividends

- 8.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- 8.1.6.2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

8.1.7 Appraisal Right

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 - In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
 - In case of merger or consolidation.
- 8.2 It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
- 8.3 The Board shall be transparent and fair in the conduct of the annual and special stockholder's meetings of the Company. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall 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 shall be resolved in the stockholder's favor.

9. MONITORING AND ASSESSMENT

- 9.1 Each Committee shall report regularly to the Board of Directors.
- 9.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.
- 9.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.4 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 9.5 All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

10. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

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

- In case of first violation, the subject person shall be reprimanded.
 - Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 - For third violation, the maximum penalty of removal from office shall be imposed.
 - The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of this Manual.
- 10.2. The commission of a third violation of this manual by any member of the board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- 10.3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted by unanimous vote of the Board of Directors, 23 February 2011.

Signed:

RAMONCITO S. FERNANDEZ
President & Chief Executive Officer
Metro Pacific Tollways Corporation