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# SECURITIES AND EXCHANGE COMMISSION

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**ROCKWELL LAND CORPORATION**

**MANUAL**

**OF CORPORATE GOVERNANCE**

*The Board of Directors of Rockwell Land Corporation adopts this Manual of Corporate Governance to institutionalize corporate governance principles.*

*The Board, management, employees and shareholders believe that good corporate governance is necessary component of what constitutes sound strategic business management and would improve the economic and commercial prosperity of the Corporation and ultimately, the shareholders.*

## **Section 1. Compliance Officer**

The Board may appoint a Compliance Officer for Corporate Governance who shall directly report to the Chairman of the Board. This Compliance Officer shall have the following duties and responsibilities:

- Establish an evaluation system to determine and measure compliance with this Manual. Monitor compliance with the provisions and requirements of this Manual;
- Submit a report to the Securities and Exchange Commission every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year.
- Identify, monitor and control compliance with corporate governance matters.
- Recommend to the Board the review of the provisions of this Manual.
- Determine violations of this Manual and recommend to the Chairman of the Board the appropriate actions for such violations, for further review and approval of the Board.

## **Section 2. Composition, Duties and Responsibilities of the Board**

### Composition

In accordance with the Articles of Incorporation, the Board shall be composed of at least five but not more than fifteen members who are elected by the stockholders. There shall be at least two independent directors or such number of independent directors that constitutes 20% of the members of the Board, whichever is lesser, but in no case less than two.

## General Duties and Responsibilities of the Board

The Board represents the shareholders' interest in perpetuating a successful business, including optimizing long-term financial returns. The Board shall be responsible for determining that the Corporation is managed in such a way to ensure the result.

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

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

The Board may delegate its duties and/or responsibilities to a committee or Management.

## Duties and Responsibilities of a Director

A director has the duty to be diligent and loyal to the Corporation.

A director must exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in honest belief that the action was taken in the best interest of the Corporation.

A director is a fiduciary of the Corporation and shall not take advantage of the Corporation by means of fraudulent or unfair transactions. He must act honestly and in good faith in the interest of the Corporation. He must avoid actual and potential conflicts of interest and shall disclose fully and fairly his interests in contracts with the Corporation.

The directors must act only within corporate powers.

A director shall devote time and attention necessary to properly and effectively perform his duties and responsibilities. A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work.

A director shall 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.

A director shall exercise independent judgment. A director should view each problem or situation objectively.

A director shall have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulation of the SEC and, where applicable, the requirements of relevant regulatory agencies.

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

A director shall 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.

#### Specific Duties and Responsibilities of the Board to Implement Corporate Governance Principles

The Board has the following specific duties and functions to implement corporate governance principles:

- The Board shall determine the Corporation's purpose and values, its vision and mission, determine the strategies to achieve this purpose and to implement its values in order to ensure that the Corporation survives and thrives.
- The Board shall ensure that adequate procedures, systems and practices that protect the Corporation's assets and reputation are in place and are maintained. The Board shall be guided by best business practices. The Board shall ensure the Corporation's faithful compliance with all applicable laws, regulations and be guided by best business practices.
- The Board shall monitor the effectiveness of management policies and decisions.
- The Board shall have a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management..
- The Board shall ensure that the Corporation communicates with shareholders and other stakeholders effectively by providing them with relevant, accurate, and timely information, including periodic and other reports submitted to regulatory authorities, and an annual report of its performance.
- The Board shall provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate

and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

- The Board shall establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.
- The Board shall identify the sectors in the community in which the corporation operates or are affected by its operations and formulate a relevant communications policy affecting them;
- The Board shall adopt a system of check and balance within the Board. A regular review of the effectiveness of such a system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- The Board shall identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- The Board shall formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers, and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- The Board shall constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- As may be deemed proper by the Board, it may establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
- The Board shall keep its activities and decisions within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations.

- The Board shall appoint a Compliance Officer with the rank of at least vice-president. In the absence of such appointment, the Corporate Secretary or Assistant Corporate Secretary, preferably a lawyer, shall act as the Compliance Officer.
- The Board shall constitute the proper committees to assist it in good corporate governance.

### Board Meetings

The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws. A director shall attend such meetings, either in person or through teleconferencing or videoconferencing as may be allowed by law, except when a justifiable reason prevents his attendance.

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.

The minutes of Board meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

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

### **Section 3. Nominations and Qualifications of the Board**

The Board should ensure that, through a managed and effective system, board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on the decision making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The following disqualifications of a director may be considered in the selection process:

- Final judicial conviction of an offense involving moral turpitude or fraudulent act or transgressions;
- Finding by final and executory judgment by the Securities and Exchange Commission or a court or other administrative body of competent

jurisdiction of a willful serious violation, or willful aiding, abetting, counseling, inducing, or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;

- Judicial declaration of insolvency;
- Finding by final and executory judgment by a foreign court or equivalent financial regulatory authority with competent jurisdiction of material acts, serious violations or misconduct similar to any of the acts , violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- Having competing or antagonistic businesses with the Corporation.

#### Qualifications of a Director

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least one (1) share of stock of the Corporation;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Corporation (subject to the discretion of the Board), time availability and motivation.

#### Qualifications of an Independent Director

- An independent director shall mean a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.
- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director.



## Disqualifications of Directors

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

- a. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them;
- b. Final judgment or order of the Securities and Exchange Commission or any court or administrative body of competent jurisdiction which enjoins a person, by reason of misconduct, from (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or 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 of participant of the organization;

- c. Conviction by final judgment or order by a court for competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Final judgment or order of the Securities and Exchange 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 Securities and Exchange Commission or BSP, or any of its rule, regulation or order;

- e. Employment as officer or employee or engagement as consultant of the corporation where he has been elected as an independent director.
- f. Judicial declaration of insolvency;
- g. 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 a to e above;
- h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;

#### Temporary Disqualification and Grounds for Dismissal of Directors

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

- 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 unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board 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;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.

The Board shall have the final decision to determine the qualification or disqualifications of a Director.

#### Section 4. **Remuneration of Officers**

The Board shall promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively. It is imperative that the Board seeks to drive the business enterprise proficiently through the proper and considered decision-making processes and recognizes entrepreneurial endeavor among its management without contravening laws and regulations.

In matters of compensation and remuneration, the Board shall set a policy that creates a reward system to recruit, retain and motivate high quality executives and employees. Towards this end, the Board may create a Compensation or Remuneration Committee and delegate such powers and duties to such committee as it may deem proper.

#### Section 5. **Audit Committee**

The Board shall create an Audit Committee composed of three (3) members of the Board, at least one (1) of whom shall be an Independent Director. The Chairman of the Audit Committee shall be an Independent Director.

Each member of the Audit Committee shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

##### Duties and Responsibilities

The Audit Committee shall have the following duties and responsibilities:

- 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 Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency in connection with the conduct of external audit.
- Interface with internal auditors and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:

- i. A definitive timetable within which the accounting system of the Corporation will be International Accounting Standards (IAS) compliant.
  - ii. An accountability statement that will identify officers and/or personnel responsible for the accomplishment of such task.
- Develop a transparent financial management system that aims to ensure the integrity of internal control activities throughout the Corporation.
  - Regularly review organizational and procedural controls guided by best practices.
  - Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. The function includes regular receipt from Management of information on risk exposures and risk management activities.
  - Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
    1. Any change/s in accounting policies and practices;
    2. Major judgmental areas;
    3. Significant adjustments resulting from the audit;
    4. Going concern assumptions;
    5. Compliance with accounting standards; and
    6. Compliance with tax, legal and regulatory requirements.
  - Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation’s annual report.
  - Ensure that, in the performance of the work of the Internal Auditor, the Internal Auditor shall be free from interference by outside parties.

**Section 6. Nomination and Election Committee**

The Board shall create a Nomination and Election Committee to be composed of at least three (3) members, one of whom is an independent director. The Committee shall ensure

that, through a managed and effective system consistent with the by-laws, board elections are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on the decision making process.

#### Duties and Responsibilities

The Nomination and Election Committee shall have the function of reviewing and evaluating the qualification of all persons nominated to the Board and other requirements that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. selecting directors and passing upon their qualifications.

### Section 7. **Risk Management Committee**

The Board shall create a Risk Management Committee composed of at least three (3) members of the Board, or such other number as may be prescribed by the Board. The Chairman of the Board shall designate the Chairman of the Committee.

#### Duties and Responsibilities

The Risk Management Committee shall have the following powers and functions:

- i. oversee the formulation and establishment of an enterprise-wide risk management system;
- ii. review, analyse and recommend the policy, framework, strategy, method and/or system of or used by the Corporation to manage risks, threats or liabilities;
- iii. review and assess the likelihood and magnitude of the impact of material events on the Corporation and/or to recommend measures, responses or solutions to avoid or reduce risks or exposures; and
- iv. perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors.

### Section 8. **Officers**

#### The Chairman

The roles of the Chairman of the Board and the President shall, 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 the President. If the positions of Chairman

and President are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. The Corporation shall disclose the relationship between the Chairman and the President, if any, in its annual report to the Securities and Exchange Commission or such other regulatory agency as may be required by law.

#### The Corporate Secretary and Assistant Corporate Secretary

The Corporate Secretary and the Assistant Corporate Secretary shall be Filipino citizens.

#### Duties and Responsibilities

The Corporate Secretary and the Assistant Corporate Secretary shall have the following duties and responsibilities:

- Assist the Board in the preparation of the agenda of meetings and the management in the preparation and gathering of materials to be presented to the Board or the shareholders.
- Implement such methods adopted by the Board to efficiently and timely inform and brief the board members prior to board meetings.
- Attend Board meeting and take down the minutes of special and regular meetings of the Board and shareholders.
- Be loyal to the mission, vision and objectives of the Corporation.
- Work fairly and objectively with the Board, Management and stockholders.
- Have appropriate administrative and interpersonal skills.
- If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the Corporation.
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in this Manual.
- Issue a certification every January 30<sup>th</sup> of the year on the attendance of directors in meetings of the Board, countersigned by the Chairman of the Board.

## Section 9. **External Auditor**

The Board, after consultation with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC and who shall undertake an independent audit of the Corporation and provide an objective assurance on the manner by which the financial statements will be prepared and presented to the stockholders.

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The external auditor shall not at the same time provide the services of an internal auditor. 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. The Audit Committee shall ensure that other non-audit work of the external auditor shall not be in conflict with the functions of the external auditor.

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

The handling partner of the Corporation's external auditor shall be changed every five (5) years or earlier, as determined by the Board.

## Section 10. **Internal Auditor**

The Corporation shall have in place an independent audit system which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and shareholders shall be provided with reasonable assurance that key organizational and procedural controls are effective, appropriate, and complied with. The internal audit system to be adopted shall take into account the nature and complexity of the Corporation's business and the business culture, the volume, size and complexity of the transactions, the degree of risks, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance.

The internal control system for management's operational responsibility shall center on the Chief Executive Officer.

The Internal Auditor shall report to the Audit Committee.

## Section 11. **Timely Information, Communication Process**

### Adequate and Timely Information

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

Members of the Board should be given independent access to Management and the Corporate Secretary.

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

The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable.

### Accountability and Audit

The Board is primarily accountable to the Corporation, and as may be applicable, to the stockholders. It should provide them a balanced and comprehensive assessment of the Corporation's performance, position and prospects. It is essential that Management provide the members of the Board adequate information that will enable the Board to comply with its responsibilities to the stockholders.

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

- a. 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;
- b. 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;



- c. 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; and

### Communication

This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. Copies of this Manual shall also be made available to officers and employees.

Individual Board members may, from time to time, at the request of management, meet or otherwise communicate with various constituencies that are involved with the Corporation. If comments from the Board are appropriate, they should, in most circumstances come from the Chairman of the Board or the Director designated as spokesperson for the Corporation.

### Section 12. **Accountability and Audit**

The Board is primarily accountable to the Corporation, and as may be applicable, to the stockholders. It should provide them a balanced and comprehensive assessment of the Corporation's performance, position and prospects. It is essential that Management provide the members of the Board adequate information that will enable the Board to comply with its responsibilities to the stockholders.

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

- a. 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;
- b. 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; and
- c. 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.

### Section 13. **Orientation Process**

New directors should be familiarized with the Corporation's operations, senior management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations. If new directors have no board experience, they should receive orientation in their unaccustomed responsibility. Opportunities for orientation for existing and potential directors shall be identified and appropriate development undertaken.

### Section 14. **Reportorial or Disclosure System of Corporate Governance Policies**

The reports or disclosures required under this Manual shall be prepared and submitted to the Securities and Exchange Commission by the responsible officer.

### Section 15. **Investor's Rights and Protection**

The shareholders have the right to receive timely and transparent information about the Corporation.

The Board recognizes and shall respect the rights of the stockholders under the law, the articles of incorporation and the by-laws, specifically the stockholders' rights to vote, pre-emptive rights, power of inspection, right to dividend and appraisal rights.

Stockholders' meetings shall be conducted fairly and in a transparent manner and the stockholders shall 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 doubts about the validity of a proxy should be resolved in the stockholders' favor.

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

The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether by 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 and approval.

The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation.

**Section 16. Disclosure and Transparency**

All material information about the corporation which could adversely affect its viability or the interest of the stockholders shall be publicly and timely disclosed. Such information shall include among others, earnings results, acquisitions or dispositions of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of the members of the Board and Management. All such information shall be disclosed through the appropriate submissions to the SEC.

**Section 17. Monitoring and Assessment**

The Committees shall report to the Board in such manner as the Board may require.

This Manual shall be subject to annual review or at such frequency as may be determined by the Board.

**Section 18. Penalties for Non-Compliance with the Manual**

To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.

The commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

**Signed:**

  
**MANUEL M. LOPEZ**  
*Chairman of the Board*