

CORPORATE GOVERNANCE

The Company's Manual on Corporate Governance (the "Manual") was approved by the Board of Directors on September 5, 2014. The Manual is a supplement to the Company's Amended By-Laws. The Board elected two (2) directors, Ms. Ma. Therese G. Santos and Mr. Ernesto R. Alberto, who qualify as "independent" pursuant to Section 38 of the Securities Regulation Code.

The Manual also provides for the formation of the following committees: Nomination, Compensation and Remuneration, Audit, Risk, and Executive.

To measure the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance, the Manual mandates the establishment by the Company of an evaluation system consisting of a self-rating assessment and performance system by Management and submission of certifications by the Compliance Officer on the Company's compliance with the provisions of the Manual.

Furthermore, to ensure the Company's adherence to corporate principles and best practices, the Board is mandated to appoint a Compliance Officer who shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified;
- Determine violations of the Manual and recommend the appropriate penalty for violation thereof for further review and approval of the Board;
- After the end of each year, issue a certification or attest on the extent of the Company's compliance with this Manual for the completed year, explaining the reasons for the deviation from the same; and
- Identify, monitor and control compliance risks.

Independent Directors

The amended By-laws require the Company to have at least two (2) independent directors in its Board of Directors. The Manual requires that there must be at least one (1) independent director voting in the Company's Nomination Committee, Compensation and Remuneration

Committee, Audit Committee, and Risk Management Committee. Apart from his fees and shareholdings, an independent director must hold no interests or relationships with the Company that may hinder his independence from the Company or its management and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Code of Corporate Governance, an independent director is required to attend board meetings for quorum requirements, unless he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Nomination Committee

The Manual requires that the Nomination Committee be composed of at least three (3) voting members of the Board of Directors, one of whom must be an independent director. The Nomination Committee is tasked to 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.

At present, the Company has a Nomination Committee composed of five (5) members, one of whom is an independent director. The Nomination Committee's specific duties and responsibilities include:

- Pre-screening and short-listing all candidates nominated to become a member of the Board; and
- Developing and recommending a set of criteria for Board membership;
- Redefining the role, duties, and responsibilities of the CEO;
- Assessing the contributions and independence of incumbent Directors;
- Making recommendations to the Board on such matters as the retirement age, tenure, and removal of Directors; and
- Reviewing directorships in other public or private companies held by or offered to Directors and executive officers of the Company.

Mr. Walter H. Villanueva was appointed as the Chairman of the Nomination Committee with Mr. Eugene H. Lee Villanueva, Mr. Ernesto R. Alberto, Ms. Tita P. Villanueva, and Mr. Nicasio T. Perez were also appointed as members of the Nomination Committee.

Compensation and Remuneration Committee

The Manual requires that the Compensation and Remuneration Committee be composed of at least three (3) members of the Board of Directors, one of whom must be an independent director. The Compensation and Remuneration Committee is tasked to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment in which it operates.

At present, the Company has a Compensation and Remuneration Committee composed of five (5) members, one of whom is an independent director. The Compensation and Remuneration Committee's specific duties and responsibilities include:

- Establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers and directors;
- Providing Management and the Board assistance in defining the remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's financial capability as well as reasonable industry standards;

- Developing a form on Full Business Interest Disclosure as part of the preemployment requirements for all officers and directors to require them to declare all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties to the Company;
- Evaluating the performance of each of the Chief Executive Officer/President and the Company's other officers;
- Administering the Company's incentive compensation and equity-based plans and other equity-based incentive awards; and
- Annually review the Company's Compensation Disclosure.

Mr. Eugene H. Lee Villanueva was appointed as the Chairman of the Compensation and Mr. Walter H. Villanueva, Ms. Tita P. Villanueva, Ms. Ma. Therese G. Santos, and Mr. Nicasio T. Perez were also appointed as members of the Compensation and Remuneration Committee.

Audit Committee

The Manual requires that the Audit Committee be composed of at least three (3) members of the Board of Directors, one of whom must be an independent director. The Independent Director member shall also serve as the Chairman of the Board. Each member is required to be financially literate, have an adequate understanding of the Company's financial management systems and environment. At least one member of the Committee is required to have accounting or related financial management expertise or relevant business experience as determined by the Board.

At present, the Company has an Audit Committee composed of three (3) members, one of whom is an independent director. The independent director also serves as the Chairperson of the Committee.

The Audit Committee's duties and responsibilities include:

- Overseeing the Company's financial controls and reporting processes on behalf of the Board and reporting the results of its activities to the Board;
- Performing oversight financial management functions, with the Risk Committee, specifically in the areas of managing credit, market, liquidity, operational, legal, and other risks of the Company;
- Performing oversight functions over the Company's internal and external auditors to ensure that they act independently from each other and that they are given adequate access to all pertinent records of the Company;
- Appointing and overseeing the work of the independent auditor/s engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit review or attesting services for the Company;
- Pre-approving all audit plans, scope and frequency before the conduct of the external and internal audit;
- Establishing policies and procedures for the engagement of the independent external auditors to provide permissible non-audit services;

- Reviewing of financial reports and their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- Organizing an internal audit department;
- Establishing procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls, and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters; and
- Reviewing and pre-approving related-party transactions.

Ms. Ma. Therese G. Santos was appointed as the Chairman of the Audit Committee with Ms. Tita P. Villanueva, and Mr. Jefferson Sy also appointed as members of the Audit Committee.

The above enumeration comprises the general duties and responsibilities of the Company's Audit Committee. In accordance with the requirements of SEC Memorandum Circular No. 4, Series of 2012, the Company shall promulgate an Audit Charter, which shall provide, among others, the purpose, membership, structure, operations, reporting process, and resources of the Committee. The Charter shall likewise serve as basis for the Company's assessment of the performance of its Audit Committee.

Risk Committee

The Manual requires that the Risk Committee be composed of at least three (3) members of the Board of Directors, one of whom must be an independent director. The Independent Director member shall also serve as the Chairman of the Audit Committee.

At present, the Company has a Risk Committee composed of seven (7) members, one of whom is an independent director. The independent director also serves as the Chairperson of the Committee. Each member is required to meet the financial-literacy and independence standards of the Securities and Exchange Commission (SEC).

The Risk Management Committee's duties and responsibilities include:

- Overseeing the company's risk management function;
- Developing a formal risk management policy that guides the Company's risk management and compliance processes and procedures;
- Designing and undertaking its enterprise-wide risk management activities in accordance with internationally-recognized frameworks;
- Discussing and reviewing policies with respect to risk assessment and risk management including the Company's major financial and business risk exposures and the actions Management has undertaken to control them;
- Setting the tone and influencing the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue, as well as determining what types of risk are acceptable;

- Monitoring the management of significant risk to reduce the likelihood of unwelcome surprises; and
- Annually reviewing the Company's approaches to risk management and recommend to the Board changes or improvements to key elements of its processes and procedures.

Mr. Ernesto R. Alberto was appointed as the Chairman of the Risk Committee. Current members are Mr. Walter H. Villanueva, Mr. Eugene H. Lee Villanueva, Ms. Tita P. Villanueva, Mr. Nicasio T. Perez, Mr. Derrick P. Villanueva, and Mr. Jefferson Sy.

Executive Committee

The Manual requires that the Executive Committee be composed of at least three (3) members of the Board of Directors. The Chairman of the Board shall be the Chair of the Committee. The other members of the Committee shall be appointed annually by the Board.

At present, the Company has an Executive Committee composed of one (1) Chairperson and six (6) members, all of whom are regular directors.

The Committee shall have all the authority of the Board of Directors or such authority as may be delegated by the Board. However, it shall not have the authority to:

- Approve any action for which stockholders approval is also required;
- Fill vacancies in the Board or in any committee thereof;
- Amend or repeal the By-laws or adopt new By-laws;
- Amend or repeal any resolution of the Board that which, by its express terms, is not so amenable or repealable;
- Distribute cash dividends to the stockholders;
- Fix the compensation of Directors for serving on the Board or any committee thereof;
- Fix or amend the compensation, benefits, or prerequisites of the Chief Executive Officer;
- Take any action that the Corporation Code of the Philippines or the Company's By Laws prohibit the Board from delegating to a committee; or
- Take any action required by the rules or regulations of the Securities and Exchange Commission or the Philippine Stock Exchange to be approved by the full Board or by another committee of the Board.

Mr. Walter H. Villanueva was appointed as the Chairman of the Executive Committee. Mr. Eugene H. Lee Villanueva, Ms. Tita P. Villanueva, Mr. Nicasio T. Perez, Mr. Derrick P. Villanueva, Ms. Stephanie Lauren Lee Villanueva, and Mr. Samuel Leonard Lee Villanueva were also appointed as members of the Risk Committee.

Compliance with Rules on Corporate Governance

The Company is not aware of any non-compliance with or deviation from its Manual. The Company will continue to monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.