



**Manual on
Corporate Governance**

Table of Contents

	<i>Page</i>
1. Objectives	1
2. Compliance System	
2.1 Compliance Officer	1-2
2.2 Plan of Compliance	2
2.2.1 Board of Directors	2-4
2.2.2 Board Committees	4-8
2.3.3 The Corporate Secretary	8-9
2.3.4 External Auditor	9
2.3.5 Internal Auditor	9-10
3. Communication Process	10
4. Training Process	10
5. Reportorial or Disclosure System of Company's Corporate Governance Policies	11
6. Shareholders' Benefit	11
6.1 Investors' Rights and Protection	11-14
7. Monitoring and Assessment	14
8. Penalties for Noncompliance with Manual	15

MANUAL ON CORPORATE GOVERNANCE

A BROWN Company, Inc.

The Board of Directors and Management, i. e. officers and staff, of A BROWN Corporation hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1 OBJECTIVE

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

The Board of Directors and Management, employees and shareholders, believe that corporate governance is an important and necessary component of sound business management and will therefore undertake to nurture and maintain awareness within the organization.

2 COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall initially act as Compliance Officer. If and when the scope of corporate activities so require, the Chairman may, upon approval of the Board of Directors, delegate this responsibility to a subordinate of appropriate rank. In such a case the designated officer shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2 The Compliance Officer shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- 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;
- Issue a certification every January 30th of the year on the extent of the Corporation'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.

2.1.3 The appointment of the compliance officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.1.2 Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers.
- Review at intervals deemed appropriate the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure to the best of its ability that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Review at appropriate intervals the company's list of stakeholders, its manner and frequency of communicating with them, appropriate to the size of the company, its number of shareholders, the complexity and variability of its operations, to insure the optimum system of informing them of corporate developments consistent with the company's financial capability.
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall continue to be given due consideration. The minutes of all meetings shall be duly recorded to the degree appropriate; and
- Continue to Keep Board actions within the powers of the institution as prescribed in the Articles of Incorporation, By-laws and existing laws, rules and regulation.

2.2.1.3. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;

- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.2.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

2.2.2.1 Nominations Committee

The Board shall create a Nominations Committee which shall have at least three (3) voting (one of whom must be independent). The inclusion of (1) one nonvoting Director in the person of the HR Director/Manager, or an equivalent position may be considered at such time as the size of the corporation and its scale of operations so require.

2.2.2.1.1. It shall prescreen and short list all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualification:

Qualifications

- Holder of at least one (1) share of stock of the Corporation ;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity; and
- He should have sufficient interest in the business of the corporation to be willing as well as able to make a positive contribution to its undertakings.

Disqualification

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any 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;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Any of the following shall be a ground for the temporary disqualification 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 whatever reasons 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/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 Corporation;
- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

2.2.2.1.2. In consultation with the executive or management committees, review at regular intervals and if so necessary redefine the role, duties and responsibilities of the Chief Executive Officer with the aim of maintaining at all times acceptable standards of good governance.

2.2.2.1.3. The Nomination Committee may consider the following guidelines in the recommending to the Board for approval of the shareholders a maximum number of directorships for individual members of the Board:

- § The nature of the business of the Corporations which he is a director;
- § Age, and physical capacity of the director,

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

2.2.2.1.4. 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.

2.2.2.2. Compensation and Remuneration Committee

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

2.2.2.2.2 Duties and Responsibilities

- Review and if necessary establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.

The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The compensation and remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards.

Develop a form on Full Business Interest Disclosure as part of the preemployment requirements for all officers and directors , which should require all officers and directors to declare under the penalty of perjury all their existing business interests or share holdings that may directly or indirectly conflict with their performance of duties to the Corporation. Such Disclosures should be updated at least every year. It should be clear that it is mandatory for officers and directors even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.

- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

2.2.2.3. Audit Committee

2.2.2.3.1 The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member shall have adequate understanding at least of the company's financial management systems and environment.

2.2.2.3.2 Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Pre-approve all audit plans, scope and frequency before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- In conjunction with the external auditors and regulatory agencies to elevate to international standards appropriate to the size of the company and the complexity of its operations appropriate accounting and auditing processes, practices and methodologies.
- Maintain a transparent financial management system that will ensure the integrity of internal control activities throughout the company .

2.3.3. The Corporate Secretary

2.3.3.1 The Corporate Secretary is an officer of the company. As such a high level of competence and dedication to duty is expected of him.

2.3.3.2 The Corporate Secretary shall be a Filipino citizen.

2.3.3.3 Considering his varied functions and duties, he must possess some level of competence not only in legal matters but also in other areas deemed necessary for him to perform the tasks assigned to him.

2.3.3.4. Duties and Responsibilities

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same.
- Submit to the Commission, at the end of every fiscal year, an annual certification as

to the attendance of the directors during Board meetings.

2.3.4. External Auditor

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

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

2.3.4.3 The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

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

2.3.5. Internal Auditor

2.3.5.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

2.3.5.2. The Internal Auditor shall report to the Audit Committee and the CEO.

2.3.5.3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

2.3.5.4. 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; 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.

3 COMMUNICATION PROCESS

3.1. This manual shall be available for inspection by any stockholder of the Corporation at the company's head offices during regular office hours on business days.

3.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of the contents of this Manual to all employees and related third parties,

and to likewise enjoin continuing compliance.

3.3. An adequate number of printed copies of this Manual must be reproduced with a minimum of at least one (1) hard copy of the Manual per operating division.

4 TRAINING PROCESS

4.1 If necessary, funds shall be allocated by the appropriate officer for the purpose of conducting an orientation program or workshop to improve the understanding of and fully implement this Manual.

4.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute. Those directors who assumed office prior to the issuance of this manual shall comply with this requirement if they are to be considered for reelection.

5 REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

5.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;

5.2. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, if the amount of such acquisition or disposal shall involve a significant effect on the financial structure of the company or is not be in the normal course of business. Board changes, related party transactions, material changes in the share holdings of directors such as to affect management and or ownership control of the business must be disclosed.

5.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management. Major changes in corporate strategy, and off balance sheet transactions, the size of which has a significant effect on the business should always be disclosed.

5.4. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

6 SHAREHOLDERS' BENEFIT

The company recognizes that good corporate governance should be visible to its shareholders. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and its shareholders.

6.1 INVESTORS' RIGHTS AND PROTECTION

6.1.1 Rights of Investors/Minority Interests

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

6.1.2 Voting Right

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

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

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

6.1.3 Preemptive Right

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

6.1.4 Power of Inspection

All shareholders shall be allowed to inspect corporate 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.

6.1.5 Right to Information

6.1.5.1 The Shareholders shall be provided, upon reasonable request, with periodic reports which disclose 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. Such information is found in the annual report.

6.1.5.2. The minority shareholders shall have reasonable access to information relating to matters for which the management is accountable for, provided that such information shall not include details of corporate strategy, proprietary formulations, or similar matters, which if revealed to competitors would cause the company harm.

Such requests for information shall be addressed to the Chairman of the Board who is required to refer such requests to the management at the next Board meeting. The Board shall decide on whether or not to grant the request. If, in the opinion of the Board, it considers the request for information as unreasonable or may have adverse effect on the corporation, it shall so inform the requesting shareholder, copy furnished the SEC.

Minority shareholders shall also have the right to request certain items to be placed on the agenda of the shareholders meeting. Such requests shall be addressed to the Chairman who shall agenda the request for the next board meeting. As in the request for information, the Board shall act on the request and if it does not grant the same, it shall inform the shareholder and the SEC of its

action.

Any shareholder not satisfied with this action may bring this matter to the attention of the shareholders under other matters during the annual meeting, in which case the final decision on whether or not to deliberate on the matter will be exercised by the shareholders.

6.1.6 Right to Dividends

6.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

6.1.6.2 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 corporation 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 Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.7 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 of the Philippines, under any of the following circumstances:

- § In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any 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.

6.1.8 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 directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints, and subject to the financial capability of the corporation.

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

7.2. 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.

7.3. 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 Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

7.4. This Manual shall be subject to yearly review. The frequency of review as well as amendment of its provisions is the prerogative of the Board, subject to applicable rules and regulations of the PSE, the SEC, as well as pertinent provisions of law.

7.5. All business processes and practices being performed within any department or business unit of A Brown Company, Inc. that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

8 PENALTIES FOR NONCOMPLIANCE WITH THE MANUAL

8.1. 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.

8.2. 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.

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

Signed:


CHAIRMAN OF THE BOARD