

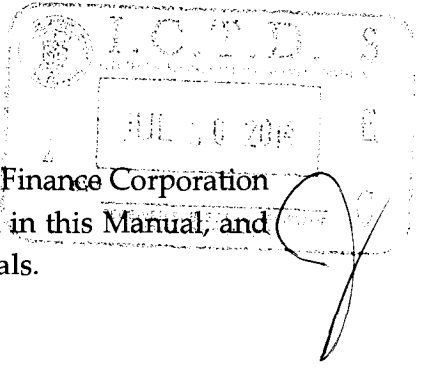
SEC NUMBER 28788

FILE NUMBER _____

MAKATI FINANCE
FINANCIAL SERVICES & ADVISORY

7823 Makati Finance Building
Makati Avenue, Makati City
897-0749

Makati Finance Corporation
Amended Manual on Corporate Governance
July 2014



The Board of Directors and Management, i.e. officers and staff, of Makati Finance 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 a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The manual is aimed at increasing transparency and accountability in a company's operation. It prescribes standards for board governance, qualifications and responsibilities of the board chairman, chief executive officer and the board of directors.

We shall highlight the code of conduct for the board of directors and its members, who have the responsibility of property balancing and judiciously harmonizing the different interests of stockholders and stakeholders which include among others, customers, employees, suppliers, financiers, government and community in which it operates.

2 COMPLIANCE SYSTEM

2.1. Compliance Officer/Comptroller

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer/Comptroller who shall hold the position of least Vice President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer. He shall have direct reporting responsibilities to the Chairman of the Board, President and Audit Committee Chairman.

2.1.2. He shall perform the following duties:

2.1.2.1. Monitor compliance with the provisions and requirements of this Manual;

2.1.2.2. Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;

- 2.1.2.3. Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- 2.1.2.4. 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 reason/s of the latter's deviation from the same; and
- 2.1.2.5. 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.

The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders. It 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 member of the Board shall be a combination of executive and non-executive directors (which include independent 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

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 should 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.

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

- Install a process of selection to ensure a mix of competent board directors and officers.
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the *Corporation's stakeholders* in the community in which it 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;
- 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 be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in 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 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.
- To stop the company's operation when it falls insolvent

2.2.1.4 Board Meetings and Quorum Requirements

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the commission.

Independent directors should always attend Boards 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.

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

2.2.2. Board Committees

The board shall constitute the proper committees to assist it in good corporate governance.

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

2.2.2.1. Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent or non-executive).

2.2.2.1.1. It 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; and

2.2.2.1.2. It 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

- 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 businesses 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 shall be assiduous.

Disqualifications of Directors

1. Permanent Disqualification

- Any person convicted by final judgment or order by a competent judicial or administrative body of any kind 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 advisor, 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 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 or participation of the organization;

- Any person convicted by final judgment or order by a court or competent administrative body of any 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 Corporation Code, or any other law administered by the Commission or BSP, or any its rule, regulation or order;

- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Corporation;
- 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 (i) to (v) above;
- 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.

2. Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons;

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death of the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

- Dismissal or termination for cause as director any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds 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 ground for permanent disqualification has not yet become final.

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.

2.2.2.1.3. 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 good corporate governance at all times.

2.2.2.1.4. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the Corporations which he is a director or an officer;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

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

2.2.2.1.5. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on memberships 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 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

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation'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.
- Review (if any) of the existing Human Resources Development or Personnel 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.

2.2.2.3. Audit Committee

2.2.2.3.1. The Audit Committee shall be composed of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:

2.2.2.3.2. 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;
- Provide oversight over Management's activities in managing credit, market, liquidity, operation, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are unrestricted access

to all records, properties and personnel to enable them to perform the respective audit functions;

- Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include 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 the 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 corporation'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 their submission to the Board, with particular focus on the following matters:
 - a. Any change/s in accounting policies and practices
 - b. Major judgmental areas
 - c. Significant adjustments resulting from the audit
 - d. Going concern assumptions
 - e. Compliance with accounting standards
 - f. Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with the laws rules and regulations;
- 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 in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The 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; and

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

For Philippine branches or subsidiaries of foreign corporations covered by this Code, their Internal Auditor should be independent of the Philippine operations and should report to the regional or corporate headquarters.

2.2.3. The Chairman of the Board

The Chairman of the Board of Directors shall be elected by the Board of Directors from their own number. The roles of Chair and CEO, as much as practicable, shall be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. The Company shall disclose the relationship between the Chairman and the CEO upon their election.

2.2.3.1. Duties and Responsibilities

- Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair 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.

2.2.4. The Corporate Secretary

2.2.4.1. The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

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

Duties and Responsibilities

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees, as well as the other official records of the corporation;
- Be loyal to the mission, vision and objectives of the corporation;
- Work fairly and objectively with the Board, Management and stockholders *and other stakeholders*;
- 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;
- 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;
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.
- Issue certification every January 30th of the year on the attendance of directors in meetings of the Board of Directors, countersigned by the chairman of the board (SEC Memorandum Circular No. 3, series of 2007)

2.2.5. External Auditor

- 2.2.5.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 2.2.5.2. 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.
- 2.2.5.3. 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.
- 2.2.5.4. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 2.2.5.5. If an external auditor believes that the statement 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.

2.2.6. Internal Auditor

2.2.6.1. 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.

2.2.6.2. The Internal Auditor shall report to the Audit Committee.

2.2.6.3. 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.

2.2.6.4. 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 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.

3 ADEQUATE AND TIMELY INFORMATION

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

3.2. 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. Hence, the members should be given independent access to Management and Corporate Secretary.

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

3.4. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

4 ACCOUNTABILITY AND AUDIT

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

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

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:

- The extent of its responsibility in the preparation of the financial statement of the corporation with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit *of all stockholders and other stakeholders*;
- 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;
- The corporation should consistently comply with the financial reporting requirements of the Commission;
- The external auditor should be rotated or changed every five (5) years, or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and

Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

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

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

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

5 COMMUNICATION PROCESS

5.1 This manual shall be available for inspection by any stockholder of the corporation at reasonable hours on business days.

5.2 All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this manual all employees and related third parties and to likewise enjoin compliance in the process.

5.3 An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hardcopy of the Manual per department.

6 TRAINING PROCESS

6.1. If necessary, funds shall be allocated by the Comptroller for the purpose of conducting an orientation program or workshop to operationalize this Manual.

6.2. 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.

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 Corporation's Compliance Officer;

7.2. 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, 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 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.

8.1.4. 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.

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 representing **at least 15%** of outstanding shares 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 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.

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 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

8.1.8. Directors' Duty To Promote Shareholder Rights

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.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders to propose the holdings of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

9 DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of *its stockholders and other stakeholders* should be publicly and timely disclosed. Such information should include, among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. *The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.*

10 COMMITMENT TO GOOD CORPORATE GOVERNANCE

All covered corporations shall establish and implement their corporate governance rules in accordance with this Code. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management. The manual should be submitted to the Commission for its evaluation within one hundred eighty (180) business days from the date this Code becomes effective to enable the Commission to determine its compliance with this Code taking into consideration the nature, size and scope of the business of the corporation; provided, however, that corporations that have earlier submitted their manual may, at their option, continue to use the said manual as long as it complies with the provision of this Code.

The manual shall be made available for inspection by any shareholder at reasonable hours on business days.

11 MONITORING AND ASSESSMENT

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

11.2. The Compliance Officer/Comptroller 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.

11.3. 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.

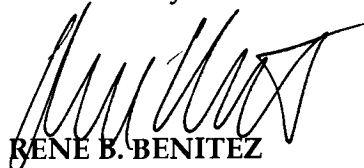
- 11.4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 11.5. All business processes and practices being performed within any department or business unit of **Makati Finance Corporation** that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

12 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 12.1. 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.
- 12.2. 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.
- 12.3. 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.

Signed:

As Passed by the Board of Directors



RENE B. BENITEZ
CHAIRMAN OF THE BOARD