



A Member of the Philippine Stock Exchange

30 May 2017

Securities and Exchange Commission
PICC Complex, Roxas Boulevard
Pasay City

Attention: Hon. Vicente Graciano P. Felizmenio, Jr.
Director, Market & Securities regulation Department

Philippine Stock Exchange, Inc.
3/F Tower 1 and Exchange Plaza
Ayala Triangle, Ayala Avenue., Makati City


Attention: Mr. Jose Valeriano B. Zuño III
OIC- Head, Disclosure Department

Gentlemen:

In compliance with the SEC Memo Circular No. 19 (Series of 2016), the Company hereby submits its Revised Corporate Governance Manual 2017.

Thank you.

Very truly yours,


BERNARD B. RABANZO
Compliance Officer

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Legaspi Village, Makati City, Metro Manila Tel. No. (02) 846 7910
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**REVISED MANUAL
OF
CORPORATE GOVERNANCE
2017**

CORPORATE GOVERNANCE MANUAL

OF

MRC ALLIED INC.

The Board of Directors and Management, of the MRC ALLIED INC (“MRC” / “Corporation”) hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of their corporate goals.

ARTICLE I. DEFINITION OF TERMS

a) Corporate Governance- the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

The system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society.

Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

OBJECTIVE

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

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.

ARTICLE II. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- (a) Monitor compliance with the provisions and requirements of this Manual;
- (b) Appear before the Securities and Exchange Commission ("SEC") upon summon on similar matters that need to be clarified by the same;
- (c) Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- (d) 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
- (e) Identify, monitor and control compliance risks.
- (f) Collaborates with other departments to properly address Compliance issues, which may be subject to investigation;
- (g) Identifies possible areas of compliance issues and works towards the resolution of the same;

- (h) Ensures the attendance of board members and key officers to relevant trainings; and
- (i) Performs such other duties and responsibilities as may be provided by the SEC.

2.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the said Officer.

2.1.4. Risk Management

Risk Management Function

Subject to its size, risk profile and complexity of operations, the company should have a separate risk management function to identify, assess and monitor key exposures.

The risk management function involves the following activities:

- a.) Defining a risk management strategy;
- b.) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c.) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters;
- d.) Establishing a risk register with clearly defined, prioritized and residual risks;
- e.) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- f.) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

g.) Monitoring and evaluating the effectiveness of the organization's risk management process.

2.1.5 Chief Risk Officer

In managing the Corporation's Risk Management System, the Corporation should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the company's size, risk profile and complexity of operations.

The CRO has the following functions:

a.) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;

b.) Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;

c.) Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;

d.) Suggests ERM policies and related guidance, as may be needed; and

e.) Provides insights on the following:

· Risk management processes are performing as intended;

· Risk measures reported are continuously reviewed by risk owners for effectiveness; and

· Established risk policies and procedures are being complied with.

There shall be clear communication between the Board Risk Oversight Committee and the CRO.

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 of MRC where the corporation's management is centralized.

The Board of Directors is primarily responsible for the governance of the corporation. It needs to be structured so that it provides an independent check on management.

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

2.2.2 Composition

The Board of Directors shall have nine (9) members who shall be elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-laws of the Corporation.

As a Corporation publicly listed in the Philippine Stock Exchange (PSE), MRC Allied, Inc. shall have independent directors constituting Twenty Percent (20%) of the members of the Board, but in no case lower than two (2). The independent directors shall be indentified in the annual report.

2.2.3 Qualifications

A director of MRC Allied, Inc. shall have the following qualifications.

- a) Ownership of at least one (1) share of the capital stock of the Corporation;

- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of the real estate industry or sufficient experience and competence in managing a business to substitute for such formal education;
- c) Membership in good standing in relevant industry, and membership in business or professional organizations; and
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.

2.2.4 Disqualifications

The following persons are disqualified from being a director of the Corporation:

Any person who has been finally convicted by a competent judicial or administrative body of the following: (1) any crime involving the purchase or sale of securities, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment Corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.

- a) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or will fully violating laws governing securities, and banking activities. Such

disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the SEC or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization.

- b) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions;
- c) Any person finally found by the SEC 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 of the Philippines, or any other law administered by the SEC or any rule, regulation or order of the SEC or the Bangko Sentral ng Pilipinas;
- d) Any person judicially declared to be insolvent;
- e) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs; and
- f) Any person convicted 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 of the Philippines, committed within five (5) years prior to the date of the his election or appointment;
- g) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged

- h.1) if he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or

- h.2) if he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons' membership in the Board of Directors; or

- h.3) if the Board, in exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

2.2.5 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

- a) 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.

- b) Absence or non-participation for whatever reason(s) in 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, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.
- c) 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.
- d) Being under preventive suspension by the Corporation for any reason.
- e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

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.

2.2.6 Independent Directors

Independent directors shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, management or

controlling shareholder at the time of his election or appointment and/or re-election as a director. In addition, the independent director shall submit to the Corporate Secretary of MRC the list of corporations wherein he is an officer, member of the Board of Directors, independent or otherwise, or a controlling stockholder. Moreover, for purposes of compliance with the legal requirement on independent directors –

- a) Officers, executives and employees of the corporation may be elected as directors but cannot and shall not be characterized as independent directors.
- b) If a director elected or appointed as an independent director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an independent director.
- c) If the beneficial security ownership of an independent director in the Corporation or in its related companies, exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an independent director until the beneficial security ownership of the director is reduced to two percent (2%) or lower.
- d) Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- e) Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f) Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- g) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder,

nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

- h) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j) Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k) Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.
- l) Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

The Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

The Corporation shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.

2.2.6 Lead Independent Director

The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one (1) person to ensure independent views and perspective and avoid abuse of power and authority, and potential conflict of interest.

2.2.7 Policy on Multiple Board Seats

The Corporation shall ensure that adequate time and attention is given to the fulfillment of each directors' duties and that members of the Board are able to effectively commit themselves to perform their roles and responsibilities, regularly update their knowledge and enhance their skills, Independent Directors shall hold no more than five(5) board seats in any group of publicly listed companies and executive directors shall hold no more than two (2) board seats in listed companies outside the Corporation's group.

A director shall exercise due discretion in accepting and holding directorships outside of MRC. A director may hold any number of directorships outside of MRC provided that in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation. A director of the Corporation who accepts directorship outside MRC during his tenure shall declare the same

to the Corporate Secretary of MRC. The said declaration shall include the number of shares he acquired in the said corporation and/or the number of shares assigned to him and the individual or entity who made the said assignment.

2.2.8 Board Meetings and Quorum Requirements

The directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through Tele/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC.

The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an independent director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

2.2.9 General Responsibility of the Board of Good Governance

- a) Compliance with principles of good 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 the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders.

- b) To ensure good governance of the Corporation, the Board should establish the vision and mission and strategic objective and key policies and procedures for management of the Corporation, as well as the mechanism for monitoring and evaluation Management's performance.
- c) To the extent set forth above, the Board of Directors shall orient all its activities towards three general guidelines:
- All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.
 - All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Company in a sustainable manner.
 - The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed Company.
- d) The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
- d.1) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
 - d.2) Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

- d.3) Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
- d.4) Reviewing proposed senior management appointments;
- d.5) Ensuring the selection, appointment and retention of qualified and competent management, reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
- d.6) Institutionalizing the internal audit function;
- d.7) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
- e.) The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.
- f.) The Board should align the remuneration of key officers and board members with the long-term interests of the Company.
- g.) The Board shall be primarily responsible for approving the selection and assessing the performance of the management lead by the Chief Executive Officer (CEO), and control functions lead by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).
- h.) The Board shall establish an effective performance management framework that will ensure that the

Management, including the Chief Executive Officer, and personnel's performance is at part with the standards set by the Board and Senior Management.

- i.) The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and shareholders. The Board shall also approve the Internal Audit Charter upon endorsement by the Audit Committee.
- j.) The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/ business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

2.2.10 General Responsibility of the Board for Good Governance

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*.

- a.) The Board members should act on a fully informed basis, in good faith, with due-diligence and care, and in the best interest of the Corporation, its shareholders and other stakeholders.
- b.) To ensure good governance of the Corporation, the Board should establish the vision and mission, strategic objectives and key policies and procedures for the management of the Corporation, as well as the mechanism for monitoring and evaluating Management's performance.
- c.) The Board should oversee the development of and approve the Corporation's business objectives and strategy,

and monitor their implementation, in order to sustain the Corporation's long-term viability and strength.

d.) The Board should be headed by a competent and qualified Chairperson.

e.) The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.

f.) The Board should align the remuneration of key officers and board members with the long-term interests of the Company.

g.) The Board shall be primarily responsible for approving the selection and assessing the performance of the management lead by the Chief Executive Officer (CEO), and control functions lead by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

h.) The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

i.) The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and shareholders. The Board shall also approve the Internal Audit Charter upon endorsement by the Audit Committee.

j.) The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/ business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

2.2.11 Board Self -Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

To strengthen the objectivity of the assessment, the Board will engage an external facilitator to conduct the process every three (3) years.

The external facilitator can be any independent party such as, but not limited to, a consulting firm, an academic institution, or a professional organization.

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:

- (a) A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.
- (b) The Board of Directors shall exercise leadership, prudence and integrity in directing MRC towards sustained progress over the long term.
- (c) The Directors assume certain responsibilities to different constituencies or stakeholders, who have the right to expect that the institution is being run in a prudent and sound manner.
- (d) They shall ensure good governance of MRC by establishing the corporation's vision and mission, strategic objectives, policies and procedures that may guide and direct the activities of MRC and the means to attain the same as well as the mechanism for monitoring management performance.
- (e) 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.

2.2.13 Specific Duties and Functions

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

- (a) Install a process of selection to ensure a mix of competent directors and officers, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
 - Select and appoint the Chief Executive Officer and other senior officers, who must have the motivation, integrity, competence and professionalism at a very high level;
 - Adopt a professional development program for employees and officers, and succession planning for senior management.
- (b) Determine MRC's purpose and value as well as strategies and general policies to ensure that it survives and thrives despite financial crises and its assets and reputation are adequately protected.
 - Provide sound written policies and strategic guidelines that will help decide on major capital expenditure;
 - Determine important policies that bear on the character of MRC, ensuring its long term viability and strength;
 - Periodically evaluate and monitor implementation of such strategies and policies, business plans and operating budgets as well as Management's over-all performance to ensure optimum results.
- (c) Ensure that MRC complies with all relevant laws, regulations and codes of best business practices;

- (d) Identify MRC's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
 - There must be an accounting rendered to them regularly in order to serve their legitimate interests;
 - An investor relations program that reaches out to all shareholders and fully informs them of corporate activities shall be developed
 - As a best practice, the CEO and CFO shall have oversight of this program and shall actively participate in public activities.
- (e) Adopt a system of internal checks and balances;
 - A regular review of the effectiveness of such system shall be conducted so that the decision-making capability and integrity of corporate operations and reporting systems are maintained at a high level.
- (f) Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- (g) 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
- (h) 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.

2.2.14 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- (a) To conduct fair business transactions with MRC and to ensure that personal interest does not bias Board decisions;
 - A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest;
 - He shall avoid situations that may compromise his impartiality;
 - In case an actual or potential conflict of interest should arise on the part of directors or senior executives, the same shall be fully disclosed.
- (b) To devote time and attention necessary to properly discharge his duties and responsibilities;
- (c) To act judiciously;
- (d) To exercise independent judgment;
 - A director shall view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position.
 - He should support plans and ideas that he thinks are beneficial to MRC.
- (e) To have a working knowledge of the statutory and regulatory requirements affecting MRC, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
- (f) To observe confidentiality;
 - A director should observe the confidentiality of on-public information acquired by reason of his position and shall not disclose any information to any other person without the authority of the Board.

(g) To ensure the continuing soundness, effectiveness and adequacy of MRC's control environment.

h.) Exercise of 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 an honest belief that the action was taken in the best interest of the Corporation.

i.) Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. The re-elected Directors shall likewise attend at least once a year, a seminar on corporate governance which shall be conducted by training providers that are duly accredited by the SEC. If necessary, funds shall be allocated by the Corporation for this purpose.

2.2.15 Directorship in Other Companies

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

2.2.16 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and

must account for the profits which otherwise would have accrued to the Corporation.

2.2.17 Compensation and Liability Insurance Coverage of Directors

a.) The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which may be in the form of cash remuneration and/or stock option plans, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

b.) Effective from the effective date of this Code, no director shall be involved in deciding his or her own remuneration.

c.) The Corporation, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2.2.18 Separate Periodic Meetings for Non-Executive Directors

Non-executive directors (NEDs) hold meetings semi-annually for proper check and balance; to ensure adequacy of the Company's internal controls and effectiveness of risk management.

2.2.19 Board Diversity

MRC Allied, Inc. encourages the selection of a mix of competent directors, where each can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

The Corporation seriously considers the objectives set by the Board regarding its composition, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation.

The Corporation gives careful attention to ensure that there is independence and diversity, and appropriate representation of women in the Board, subject to possession of knowledge, abilities, skills and experience determined by the Board as necessary for the Board to properly perform its functions.

2.3 Board Committees

The Board shall establish Board committees that focus on specific Board functions to aid in the optimal performance of its roles and responsibilities.

The Board of Directors may create such committees as it may deem necessary to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established shall be contained in a publicly available Committee Charter.

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

2.3.1. The Audit Committee

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 or competence at most of the company's financial management systems and environment.

The Audit Committee shall be composed of at least three (3) entirely non-executive directors, the majority of whom shall be independent. An independent director shall chair the

Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies efficiency and effectiveness of operations and safeguarding of assets.

It shall have the following duties and responsibilities, among others:

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*.

Duties and Responsibilities:

Internal Audit

- (a) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

Reviewing and approving the Internal Audit Charter and subsequent revisions thereto for approval of the Board. The Internal Audit Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPA).

- (b) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and

other risks of the company, and crisis management;

Set up the Internal Audit Division, including the appointment of the Chief Audit Executive (CAE). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The Committee shall set up the qualification criteria for internal auditors.

- (c) Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit;

Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function and that the Internal Audit Division shall be free from interference in determining its scope, performing its work and communicating its results.

Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk. In the event that outsourcing internal audit services is needed, the terms and conditions for outsourcing should be approved by the Committee.

- (d) Perform direct interface functions with the internal and external auditors;
- (e) Review reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.

- (f) Monitor and evaluate the adequacy and effectiveness of MRC's internal control system;

Review Internal Audit Division's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee.

- (g) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:

Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

(i) A definitive timetable within which the accounting system of MRC will be 100% International Accounting Standard (IAS) compliant.

(ii) An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task; and;

- (h) Receive and review reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies.

Provide inputs on the performance of the Internal Audit Division and communicating/discussing such inputs with the Chief Finance Officer (CFO) who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

- (i) Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

Institute special investigations as necessary and, if appropriate, hiring special counsel or experts to provide the necessary assistance.

- (j) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through step-by-step procedures and policies handbook that will be used by the entire organization.

Review the evaluation of compliance with the Code of Conduct for management.

Financial Reporting

(k.) Reviewing the financial statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements.

(l.) Reviewing the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

(m.) Reviewing and approving management representation letter before submission to the independent auditor.

(n.) Ensuring that a transparent financial management system, supported by a Procedures and Policies Handbook that will be used by the entire organization is established, to ensure the integrity of internal control activities throughout the Corporation.

(o.) Elevating to international standards the accounting and auditing processes, practices and methodologies.

(p.) Ensuring that actions and measures in case of finding of error or fraud in the financial statements and related disclosures are in place and followed.

(q.) Reviewing unusual or complex transactions including all related party transactions.

(r.) Communicating with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

Independent Audit

(s.) Recommending the appointment, reappointment and removal of the Independent Auditors and the fixing of their remuneration to the Board. The Committee shall conduct an assessment of independence and professional qualifications and competence of the independent auditor and ensure that a rotation process is observed in the engagement of independent auditor.

(t.) Reviewing and pre-approving the Independent Auditor's plans one (1) month before the conduct of external audit to

understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

(u.) In this regard, the Committee shall discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed. In addition, the Committee shall review compliance of independent auditor with auditing standards.

(v.) Monitoring the coordination of efforts between the independent and internal auditors.

(w.) Ensuring that the Independent Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function.

x. Reviewing the reports of the Independent Auditors and regulatory agencies, where applicable, and ensuring that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.

y. Conducting a separate meeting in executive session, with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

z. Reviewing and approving the proportion of audit versus non-audit work both in relation to their significance to the Independent Auditor and in relation to the Corporation's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the

Independent Auditor. The amount of both audit and non-audit work of Independent Auditors shall be disclosed in the annual report.

aa. Ensuring that there is a process in place for understanding disagreements between the independent auditor and the Management of the Corporation.

The Internal Audit group of the Corporation shall support the Audit Committee in the rendition of its functions.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO and other management team members, and periodically meets with the head of the internal audit.

2.4 Board Risk Oversight Committee

There shall be a Risk Oversight Committee composed of at least three (3) members, majority of whom shall be independent directors. The independent director shall chair the Risk Oversight Committee. Each member shall have an adequate understanding of the assessment and mitigation of risks faced by the Corporation and at least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

The Risk Oversight Committee has the responsibility to assist the Board in ensuring that there is effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to

significant business activities, plans and opportunities.

The Committee has the following duties and responsibilities:

a.) Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

b.) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Board Risk Oversight Committee conducts regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

c.) Review the adequacy of the Corporation's risk management framework ensure that an overall set of risk management policies and procedures exist for the Corporation and oversee its implementation through the Risk Management Group.

d.) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Board Risk Oversight Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of

significant developments that seriously impact the likelihood of harm or loss;

e.) Advises the Board on its risk appetite levels and risk tolerance limits;

f.) Reviews at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation.

g.) Conduct discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports, review the results of the annual risk assessment done by the Chief Risk Officer (CRO), including the risks identified, their impact or potential impact on the Corporation and its subsidiaries and how they are addressing and managing these risks;

h.) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

i.) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the Corporation maintains a framework for fraud prevention and detection (i.e. Whistleblower Program) and plans for business continuity (i.e. Business Continuity Plan)

j.) Meet periodically with Management to discuss the Committee's observations and evaluation on its risk management activities.

k.) Reports to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

2.3.2 The Remuneration Committee

The Remuneration Committee shall be composed of three (3) members of the Board.

2.2.2.2.1 Duties and Responsibilities

- (a) 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 MRC's culture, strategy, and control environment.
- (b) Designate amount of remuneration, which shall be in a sufficient level to attract officers who are needed to run the company successfully.
- (c) 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.
- (d) Disallow any director to decide his or her remuneration.
- (e) Develop a policy on personnel recruitment and compensation covering hiring standards, salaries

and benefits, promotions, and career advancement directives.

- (a) Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

2.5 External Auditor, Appointment, Reappointment, Removal and Fees

2.2.4.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. Pursuant to the By-Laws of MRC, the Commission on Audit shall audit the accounts of the corporation. The Auditor has the duty of auditing the books of accounts of the Corporation whenever he shall see fit, and to report on the annual balance sheet to be published jointly with his report. The books of accounts, vouchers and all documents of the Corporation relating to its financial administration shall be at his full disposal.

2.2.4.2. 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.

The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by Audit Committee, approved by the Board and ratified by the shareholders. For removal of external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

Audit Committee Charter

The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

2.4 Nature of Non-audit Services

The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

2.6 Internal Auditor

2.2.5.1. In view of the small size of the company's organization and the limited volume and non-complexity of its transactions, having a full-time, independent Internal Auditor is presently not required. The Corporation shall lodge the internal audit function with the Treasurer of the Corporation who will have the rank of at least the Vice President. The Treasurer may have an additional role as Internal Auditor, through whom the Board, senior management and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

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

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

2.2.5.4. 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 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.

ARTICLE III.

MANAGEMENT

General Responsibilities of Management

a) Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation. b) Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with Berlin Initiative German Code of Corporate Governance complete, adequate

information on the operations and affairs of the Corporation in a timely manner.

2. Executive Officers of the Corporation

The Executive Officers of the Corporation are the Chairman, Vice Chairman, the President and Chief Executive Officer, the Treasurer and/or the Chief Finance Officer, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition, the Board of Directors shall appoint (from time to time) one or more Senior Vice Presidents and Vice Presidents, a Comptroller and such other officers as provided for in the Corporation's By-Laws. 26 The Board of Directors may, in its, discretion and in accordance with the By-Laws, elect a Vice-Chairman of the Board from among its members. The roles of the Chairman and the Chief Executive Officer ("CEO") may be made separate by the Board to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO, if any, in its annual report to the Securities and Exchange Commission.

2.1 Chairman of the Board

The Board shall be headed by a competent and qualified Chairperson.

The Chairman has the following roles and responsibilities:

a.) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

b.) Guarantees that the Board receives accurate, timely, relevant, in

c.) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on skills and expertise of individual directors;

d.) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

e.) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and

f.) Makes sure that performance of the Board is evaluated at least once a year and discussed/ followed up on. The positions of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each should have clearly defined responsibilities. This setup avoids conflict or a split board and fosters an appropriate balance of power, increased accountability and better capacity for independent decision-making.

The positions of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each should have clearly defined responsibilities. This setup avoids conflict or a split board and fosters an appropriate balance of power, increased accountability and better capacity for independent decision-making.

The division of responsibilities and accountabilities between Chairman and CEO is clearly defined and delineated and disclosed in the Board Charter.

2.2 Vice-Chairman

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

2.3 President/CEO

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

The CEO has the following roles and responsibilities:

a.) Determines the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;

b.) Communicates and implements the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

- c.) Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
- d.) Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e.) Directs, evaluates and guides the work of the key officers of the Corporation;
- f.) Manages the corporation's resources prudently and ensures a proper balance of the same;
- g.) Provides the Board with timely information and interfaces between the Board and the employees;
- h.) Builds the corporate culture and motivates the employees of the Corporation; and
- i.) Serves as the link between internal operations and external stakeholders.

2.4 The Treasurer

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- a.) Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- b.) Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- c.) Ensure funds availability on a timely basis and at the most economical means;
- d.) Optimize yields in temporary excess funds;
- e.) Provide relevant and timely capital market information; and
- f.) Ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

2.5 Chief Finance Officer

The CFO shall be the appointed by the Board of Directors. The CFO who may also be the Treasurer of the Corporation, shall be responsible for the following:

- a.) Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b.) Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and government regulatory bodies in compliance with statutory requirements;
- c.) Promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with; and
- d.) Strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board of Directors may impose upon him.

2.4 The Corporate Secretary

The Corporate Secretary is an officer of MRC 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. The Corporate Secretary shall be a Filipino citizen. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general

counsel, then he must have some legal skills. He must also have some financial and accounting skills.

The Board should ensure that it is assisted in its duties by the Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Corporation and its stakeholders and has, among others, the following duties and responsibilities:

Work fairly and objectively with the Board, Management, stockholders and other stakeholders;

Duties and Responsibilities:

(a) Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to MRC.

(b) As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.

(c) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

(d) Attend all Board meetings and maintain record of the same.

e.) Advises on the establishment of Board committees and their terms of reference;

f.) Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

g.) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;

h.) Performs required administrative functions;

i.) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and

j.) Performs such other duties and responsibilities as may be provided by the SEC.

The Board shall have separate and independent access to the Corporate Secretary.

3. Employees' Participation

A mechanism for employee participation should be developed to create a symbiotic environment, realize the Corporation's goals and participate in its corporate governance processes.

3.1 Policies, Programs, Procedures

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the corporation's goals and its governance.

The establishment of policies and programs covering, among others, the following:

(1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees.

3.2 Anti-Corruption Policy and Program

The Board shall set the tone and make a stand against corruption practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture.

The adoption of an anti-corruption policy and program endeavors to mitigate corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, conflict of interest and money laundering. This encourages employees to report corruption practices and outlines procedures on how to combat, resist and stop these corrupt practices.

3.3 Whistleblowing Framework

The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement. A suitable whistleblowing framework sets up the procedures and safe-harbors for complaints of employees, either personally or through their representative bodies confidential direct access to either an independent director or a unit designed to deal with whistleblowing concerns. The Corporation may opt to establish an ombudsman to deal with complaints and/or established confidential phone and e-mail facilities to receive allegations.

4. Sustainability and Social Responsibility

The Corporation shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.

The Corporation's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs value chain processes that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the Corporation plays an indispensable role alongside government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

COMMUNICATION PROCESS

3.1. This manual shall be available for inspection by any stockholder of MRC at reasonable hours on business days.

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

3.3. 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) hard copy of the Manual per department.

IV. TRAINING PROCESS

4.1. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize 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.

V.

REPORTORIAL OR DISCLOSURE SYSTEM OF MRC'S CORPORATE GOVERNANCE POLICIES

5.1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the MRC'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, board changes, related party transactions, shareholdings of directors and changes to ownership.

5.3. 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.

5.4. All disclosed information shall be released through MRC's annual report.

5.5. 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.

ARTICLE VI. SHAREHOLDERS' BENEFIT

MRC 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 MRC and all its investors:

6.1. Investor's Rights and Protection of Minority Stockholders' Interests

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

6.1.1 Voting Right

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

6.1.1.2. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but Directors shall not be removed without cause if it will deny minority shareholders representation in the Board.

Removal of Directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

Any stockholder may nominate candidates for election to the Board of Directors by sending a nomination letter to the Nomination Committee within the relevant deadline as may be approved by the Board and disclosed pursuant to the rules of the Philippine Stock Exchange. All nominations will be reviewed and deliberated upon by the Nomination Committee prior to indorsing the qualified candidates for ratification and approval by the Board.

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

6.1.2 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 MRC. 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.

6.1.3 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.

6.1.4 Right to Information

6.1.4.1. 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 MRC's shares, dealings with MRC, relationships among directors and key officers, and the aggregate compensation of directors and officers.

6.1.4.2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

6.1.4.3. 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".

The notice of the Annual and Special Shareholders' Meeting with sufficient and relevant information shall be sent at least 28 days prior to the meeting.

6.1.5 Right to Dividends

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

6.1.5.2. MRC 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 MRC is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special

circumstances obtaining in the company, such as when there is a need for special reserve for probable contingencies.

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:

- (a) 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;
- (b) 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
- (c) In case of merger or consolidation.

6.1.8 Right to Propose Holding of Meetings

Shareholders have the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' meeting. This right is given to all shareholders, including minority and foreign shareholders.

6.1.9 Right to Nominate, Elect, Remove and Replace Board of Directors

Shareholders have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. All shareholders must be given the opportunity to nominate candidates to the Board of Directors in accordance with

the existing laws. The Company is encouraged to fully and promptly disclose all information regarding the experience and background of the candidates to enable shareholders to study and conduct their own background check as to the candidates' qualification and credibility. Any stockholder, including a minority stockholder, may nominate candidates for election to the Board of Directors by sending a nomination letter to the Nomination Committee within the relevant deadline as may be approved the Board and disclosed pursuant to the rules of the Philippine Stock Exchange. All nominations will be reviewed and deliberated upon by the Nomination Committee prior to indorsing the qualified candidates for ratification by the Board. The results of such deliberations by the Nomination Committee as well as the acceptance by the relevant candidates of their nomination and the approval by the Board of the candidates nominated for election to the Board of Directors at the next annual stockholders meeting will be disclosed pursuant to the rules of the Philippine Stock Exchange. The Board shall have and disclose a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy shall include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.

6.1.10 Alternative Dispute Mechanism for Intra-Corporate Dispute

The Corporation adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to settle disputes with a view towards preventing excessive litigation.

6.1.11 Voting Results in Annual or Special Stockholders' Meeting

The Board shall encourage active shareholder participation by making the result of the votes taken during the most

recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five (5) business days from the end of the meeting. Voting results include a breakdown of the approving and dissenting votes on the matter raised during the Annual or Special Stockholders' Meeting. When a substantial number of votes have been cast against a proposal made by the company, it may make an analysis of the reasons for the same and consider having a dialogue with its shareholders. The Minutes of Meeting include the following matters: (1) A description of the voting and the vote tabulation procedures used; (2) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

6.1.12 Duties to Stakeholders

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of the rights.

6.1.13 Identification of Various Stakeholders

The Board should identify the Corporation's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, etc. In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly affected by its operations.

6.1.14 Fair Treatment and Protection of Stakeholders

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. The Code of Conduct ideally includes provisions on the Corporation's policies and procedures on dealing with various stakeholders. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders ensure their fair treatment and better protection of their rights.

6.1.15 Transparent Communication Framework and Process

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

6.2. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

ARTICLE VII.

MONITORING AND ASSESSMENT

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 an annual review unless the same is amended by the Board.

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

ARTICLE VIII.

PENALTIES FOR NON-COMPLIANCE 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:

- (a) In case of **first violation**, the subject person shall be reprimanded.
- (b) Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- (c) **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 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.

Disclosure and Transparency

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest *of its stockholders and other stakeholders* should be publicly and timely disclosed. Such information should include, among others earnings result, 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 require information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

ARTICLE IX

REVIEW AND AMENDMENT OF MANUAL

1. The provisions of this Manual and the enforcement thereof shall be subject to quarterly review unless otherwise stated by the Board.
2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

ARTICLE X

ADOPTION AND EFFECTIVITY OF REVISED MANUAL

This Revised Manual was adopted by the Board of Directors of the Corporation on 30 May 2017. It shall be effective on 31 May 2017. Amendments to comply with regulatory issuances of the Securities and Exchange Commission shall be deemed adopted and effective upon effectivity of the relevant regulatory issuances.

Signed:



CARLOS JOSE P. GATMAITAN
Chairman of the Board



BERNARD B. RABANZO
Compliance Officer