



August 03, 2010

JANET A. ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange (the "Exchange")
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Subject : Revised Corporate Governance Manual

Dear Ms. Encarnacion:

Please find attached copy of Revised Corporate Governance Manual, which we filed with the Securities and Exchange Commission yesterday, August 02, 2010.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'L. Cariaso', is written over a light blue horizontal line.

Lilian P. Cariaso
Corporate Information Officer



108022010002780



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : August 02, 2010 04:15:05 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000004409
Company Name ABOITIZ TRANSPORT SYSTEM (ATSC) CORPORATION
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108022010002780
Document Type MANUAL ON CORPORATE GOVERNANCE
Document Code MCG
Period Covered August 02, 2010
No. of Days Late 0
Department CFD
Remarks Revised MCG



ABOITIZ TRANSPORT SYSTEM CORPORATION

CORPORATE GOVERNANCE

(REVISED 2010)

Approved for Amendment during the May 27, 2010
ATS Board of Directors Meeting

TABLE OF CONTENTS

1. INTRODUCTION.....	4
1.1. CODE OF CORPORATE GOVERNANCE	4
1.2. OBJECTIVES	4
1.3. DEFINITION OF TERMS	5
2. BOARD GOVERNANCE.....	5
2.1. BOARD OF DIRECTORS	5
2.2. COMPOSITION OF THE BOARD	6
2.3. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER.....	6
2.4. QUALIFICATIONS OF MEMBERS OF THE BOARD	7
2.5. DISQUALIFICATION OF MEMBERS OF THE BOARD	8
2.6. RESPONSIBILITIES, DUTIES AND FUNCTIONS OF THE BOARD OF DIRECTORS.....	11
2.7. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR.....	13
2.8. SELECTION OF THE BOARD DIRECTORS AND OFFICERS.....	17
2.9. GUIDELINES IN THE NUMBER OF DIRECTORSHIPS	18
2.10. CONFLICT OF INTEREST/BUSINESS INTEREST DISCLOSURE	18
2.11. BOARD MEETINGS AND QUORUM REQUIREMENTS.....	19
2.12. ADEQUATE AND TIMELY INFORMATION	19
2.13. ACCOUNTABILITY AND AUDIT	20
3. BOARD COMMITTEES.....	20
3.1. BOARD NOMINATION, COMPENSATION AND REMUNERATION COMMITTEE	20
3.2. BOARD AUDIT AND CORPORATE GOVERNANCE COMMITTEE	25
3.3. BOARD RISK MANAGEMENT COMMITTEE	31
4. THE CORPORATE SECRETARY.....	33
4.1. QUALIFICATIONS OF A CORPORATE SECRETARY.....	33
4.2. DUTIES AND RESPONSIBILITIES	34
5. SHAREHOLDERS’ BENEFIT.....	35
5.1. INVESTORS’ RIGHT AND PROTECTION.....	35
6. AUDIT MECHANISMS.....	37
6.1. EXTERNAL AUDITOR.....	37
6.2. INTERNAL AUDITOR.....	38
7. INFORMATION SECURITY MANAGEMENT.....	39
8. SUSTAINABILITY POLICY	39
9. MONITORING AND ASSESSMENT.....	39
9.1. COMPLIANCE SYSTEM.....	39
9.2. EVALUATION SYSTEM.....	40

9.3. REVIEW PROCESS	40
10. DISCLOSURE AND TRANSPARENCY.....	41
10.1. DISCLOSURE PROCEDURES	41
10.2. MATERIAL INFORMATION.....	41
11. COMMUNICATION AND TRAINING PROCESS.....	42
11.1. COMMUNICATION PROCESS	42
11.2. TRAINING PROCESS	42
12. PENALTIES FOR NON-COMPLIANCE.....	42
13. EFFECTIVITY AND APPROVAL.....	43
13.1. EFFECTIVITY	43
13.2. APPROVAL OF THE BOARD	44

1. INTRODUCTION

1.1 Code of Corporate Governance

In accordance with the State's policy to actively promote corporate governance reforms aimed to raise investor confidence, develop capital market and help achieve high sustained growth for the corporate sector and the economy, the Securities and Exchange Commission (SEC), in its Resolution No.135, Series of 2002 dated April 04 2002, approved the promulgation and implementation of the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002). In a meeting held June 18, 2009, the SEC approved the promulgation of the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) which shall apply to registered corporations operating in the Philippines that (a) sell equity and/or debt securities to the public that required to be registered with the Commission, or (b) have assets in excess of 50 million pesos and at least 200 stockholders who own at least 100 shares each in equity securities, or (c) whose equity securities are listed on an Exchange, or (d) are grantees of secondary licenses from the Commission.

1.2 Objectives

- a. The Board of Directors and Management, i.e. officers and staff, of Aboitiz Transport System Corporation ("ATS" or the "Company") and its Subsidiaries 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. This commitment includes the resolve to build a company that adopts best practices in the area of systems, governance and discipline.
- b. This Manual shall institutionalize the principles of good corporate governance in the entire organization.
- c. The Board of Directors and Management believe that good corporate governance, and the accompanying guidelines, provides ATS with clear accountabilities. Individual officers are enabled to confidently carry out their jobs efficiently and know what standards are expected of them. This in turn leads to increased confidence in, and respect for, our work by stakeholders.
- d. 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 and as soon as possible.

1.3 Definition of Terms

The following terminologies are defined in accordance with the SEC Memorandum Circular No. 6, Series of 2009 – Revised Code of Corporate Governance

- a. Corporate Governance – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and management of their respective duties and responsibilities to the stockholders;
- b. Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c. Management – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- d. Independent Director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationships which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
- e. Executive Director – a director who is also the head of a department or unit of the corporation or performs any work related to its operations; and
- f. Non-Executive Director – a director who is not the head of a department or unit of the corporation nor performs any work related to its operations

2. BOARD GOVERNANCE

2.1 Board of Directors

- a. Compliance with the principles of good corporate governance shall start with the Board of Directors.
- b. It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.

- c. A director's office is one of trust and confidence. He/she should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He/she should exercise leadership, prudence and integrity in directing the corporation towards sustained progress over the long term. A director assumes 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. A Board member or other officer should exercise their powers and discharge their duties in good faith, in the interests of the company and for a proper purpose.

2.2 Composition of the Board

- a. The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders. The Board must have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of its members, whichever is less, but in no case less than two (2).
- b. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.
- c. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

2.3 The Chairman and the Chief Executive Officer

The roles of Chairman and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election. The Chairman should be a non-executive director.

If the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- a. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary.
- b. 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
- c. Maintain qualitative and timely lines of communication and information between the Board and Management.

2.4 Qualifications of Members of the Board

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code, and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- a. He/she shall be a holder of at least one (1) ATS share registered in his/her name; provided, however, that no person shall qualify or be eligible for nomination or election to the Board of Directors if he/she is engaged in any business which competes with or is antagonistic to that of the Company.
- b. He/she shall be a graduate from a reputable university or college or have sufficient experience in managing the business to substitute for such formal education.
- c. He/she shall be at least twenty one (21) years old.
- d. He/she shall have proven to possess integrity and probity.
- e. He/she shall be assiduous.
- f. He/she shall have no conflict of interest;
- g. He/she shall be able to devote his time in fulfilling his duties and responsibilities as Director;
- h. He/she has a practical understanding of the businesses of ATS;
- i. He/she must be a member in good standing in a relevant industry, business or professional organizations; and

- j. He/she has previous business experience.

2.5 Disqualification of Members of the Board

2.5.1 Permanent Disqualification

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

- a. Any person engaged in any business that competes with or is antagonistic to that of ATS. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
 - i. If he/she is an officer, manager or controlling person, of, or the owner (either of record or beneficially) of ten (10) percent or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least thirty (30) percent of the Capital Stock) engaged in a business which the Board by a majority vote, determines to be competitive, antagonistic, and/or in clear conflict of interest to that of the Company; or
 - ii. If he/she is an officer, manager or controlling person, of or the owner (either of record or beneficially) of ten (10) percent or more of any outstanding class of shares, of any other corporation or entity engaged in any line of business of the Company, when in the judgment of the Board, by a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
 - iii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he/she is the nominee of any person set forth in (i) or (ii).
- b. Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a 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 house or investment company employee, investment adviser, principal distributor, mutual fund

dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, investment company or as an affiliated person of any of them.

- c. Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by order, judgment or decree of the SEC 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 willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC 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 (BSP), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he/she is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.
- d. Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions.
- e. 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, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC.

- f. Any person judicially declared to be insolvent.
- g. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs.
- h. Any person who has been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

2.5.2 Temporary Disqualification

The Board may also provide for the temporary disqualification of a director for the following reasons:

- 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 for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.
- c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he/she has cleared himself of any involvement in the alleged irregularity.
- d. Being under preventive suspension by the corporation.
- e. If the independent director becomes an officer or employee of the same corporation he/she shall be automatically disqualified from being an independent director.
- f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

- g. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2.6 Responsibilities, Duties and Functions of the Board of Directors

To ensure a high standard of best practice for the Company and its stakeholders, the Board should conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities which include, among others, the following:

- 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.
- b. Take a direct interest in leadership succession, for the Chief Executive Officer (CEO) in particular 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.
- c. Determine the Company's purpose, its vision and mission and strategies to carry out its objectives. To date, ATS' vision and mission are stated as follows:

Vision

Our dreams inspire a passion for better ways to delight those we serve.

Mission

Aboitiz Transport System Corporation (ATS) is in the business of providing solutions for the movement of people and products. We will keep on improving our people, systems and our network, making it easier for you to deal with us, creating more and more value for all.

- d. Determine the Company's strategic objectives, policies and procedures that may guide and direct the activities of the Company and the means to attain the same as well as the mechanism for monitoring management's

performance. While the management of the day-to-day affairs of the Company is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing management action.

- e. Develop an in-depth understanding of the arenas in which the various Aboitiz' businesses play, and the range of external factors, opportunities and risks, that each business may face.
- f. Periodically seek and receive the perspectives and recommendations of the Company's senior leaders, through the CEO, on goals and strategies going forward. Analyze and challenge those goals and strategies to achieve mutual comfort in the proposed direction, or to encourage reconsideration of aspects of that direction.
- g. Raise with the Company's senior leaders, through the CEO, ideas as to possible redirection, or concerns over potential risks emerging from external factor analysis until such time as mutual comfort is reached on a revised direction, if appropriate.
- h. Adopt long-term goals and objectives for the Company, including the formulated strategies necessary to achieve those objectives.
- i. Consider and evaluate offers or ideas related to significant expansions of existing business operations; mergers or acquisitions; joint ventures, or other forms of significant cooperation with another corporation or enterprise; divestitures or other form of significant investment. Seek and obtain data and information necessary to making an informed decision related to the particular offer or suggestion.
- j. Subsequent to the formal adoption of the goals and strategies, receive from the Company's senior leaders, through the CEO, periodic data and information updates on progress, related to the pre-determined success measures and timing. Review with the CEO, and as appropriate refer back through him to the Company's senior leader, any concerns and/or suggestions for redirection.
- k. Review key matters impacting the external reputation and standing of the Company and the Aboitiz name, including any perceived failure to consistently adhere to corporate values, beliefs and standards of ethical conduct. Decide on a remedial action that may need to be taken.
- l. As and when appropriate, seek expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable.

- m. Ensure that the Company complies with all relevant laws, regulations and codes of best business practices.
- n. Ensure that the members of the Board exercise their powers and discharge their responsibilities honestly, in good faith, in the best interests of the corporation and for the well being of all stakeholders of the company.
- o. Identify the Company's stakeholders and formulate a clear policy on communicating or relating with them effectively through an investor relations program. As a best practice, the Chief Financial Officer (CFO) or CEO should have oversight of this program and should actively participate in public activities.
- p. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. A regular review of the effectiveness of such system must be conducted so that the decision-making capability and the integrity of corporate operations and reporting systems are maintained at a high level at all times.
- q. Identify key risk areas which will prevent the Company from achieving its objectives and design key financial and operational performance indicators and monitor these factors with due diligence.
- r. Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted.
- s. Keep Board authority within the powers of the Company as prescribed in the Articles of Incorporation and By-laws, and in existing laws, rules and regulation. Conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its Articles of Incorporation and By-laws and in existing laws, rules and regulations.

2.7 Specific Duties and Responsibilities of a Director

2.7.1 The Director as a member of the Board

A director's office is one of trust and confidence. A director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

A director shall have the following duties and responsibilities:

- a. *To conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions.* The basic principle to be observed is that a director should not use his/her position to make profit or to acquire benefit or advantage for himself/herself and/or his/her related interests. He/she should avoid situations that may compromise his/her impartiality. If an actual or potential conflict of interest should arise on the part of directors or senior executives, it should be fully disclosed and the concerned director should not participate in the decision-making. A director who has a continuing conflict of interest of a material nature should consider resigning.

A conflict of interest shall be considered material if the Director's personal or business interest is antagonistic to that of ATS, or stands to acquire or gain financial advantage at the expense of ATS.

- b. *To devote time and attention necessary to properly discharge his/her duties and responsibilities.* A Director should devote sufficient time to familiarize himself/herself with the institution's business. He/she should be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He/she should attend and actively participate in Board and committee meetings, request and review meeting materials, ask questions, and request explanations.
- c. *To act judiciously.* Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- d. *To exercise independent judgment.* A Director should view each problem/situation objectively. When a disagreement with others occurs, he/she should carefully evaluate the situation and state his/her position. He/she should not be afraid to take a position even though it might be unpopular. Corollary to this, he/she should support plans and ideas that he/she thinks are beneficial to the Company.
- e. *To have a working knowledge of the statutory and regulatory requirements affecting the corporation, including the contents of its articles of incorporation and by-laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.* A Director should also keep himself/herself informed of industry developments and business trends in order to promote the competitiveness of ATS. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules, and jurisprudence, and best business practices.

- f. *To observe confidentiality.* A Director should observe the confidentiality of non-public information acquired by reason of his/her position as director. He/she should not disclose any information to any other person without the authority of the Board.
- g. To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

2.7.2 The Board Director as a representative of all stakeholders

To honor their responsibilities as Board members, representing all owners/shareholders and other key stakeholders, the Board Director must:

- a. Take time to understand the Company, its goals and strategies, its businesses, its Governance and other key policies, and its brand.
- b. Represent the Company positively and constructively in all external dealings, seeking to enhance the ATS name and reputation.
- c. Perform the role of Board member effectively, by:
 - Regularly attending meetings
 - Effectively contributing during discussion
 - Willingly offering alternative viewpoints, to reflect own personal viewpoints
 - Offering any viewpoints objectively, avoiding any comments of a personal nature about another member of the Board or his/her viewpoints
 - Listening to the viewpoints of other Board members with full respect and with care, to achieve optimal understanding
 - Fully supporting decisions made by the Board in the external arena, even if that decision did not completely reflect own viewpoints.
- d. If an Executive Director, maintain a primary identity as a Board member, while dealing with Board matters, at the same time bringing to the Board the benefit of closer knowledge of operational considerations.
- e. If an Independent Director, bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise.

- f. Be constantly vigilant related to maintaining complete external confidentiality on details of Board discussions, individual viewpoints and any matters of sensitivity, other than the Board agrees is to be communicated in a specific manner.
- g. Seek to find ways to continuously improve the efficiency and effectiveness of the Board, taking any suggestions related to this to the Board Chairman for his consideration.
- h. Be prepared to receive and act upon any feedback received through the Board Chairman on ways that the member might improve performance as a Board Director.

2.7.3 The Board Director as a Committee member

A Board member may also be invited to become a member of one or more Board Committees. That committee(s) will have been formed by the Board to satisfy Board needs in relation to focused consideration of matters in a specific arena, as described in the Committee mandate, for the purpose of better ensuring that the Board is in a position to make properly informed decisions in that arena. To honor their responsibilities as a Board Committee member, the Board Director must:

- a. Become familiar with the Committee mandate
- b. Become familiar with specific content areas covered by the Committee, and not seek to divert into areas of content not specifically envisioned by the Committee mandate
- c. Regularly attend Committee meetings
- d. Effectively contribute during discussion
- e. Willingly offer alternative viewpoints, to reflect own personal experiences and opinions
- f. Constructively engage with the CEO and any other senior leader of the Company, who may be consulted for the purpose of the Committee being better informed, or better positioned to offer the Board a more reliable recommendation
- g. Maintain external confidentiality related to details of Committee discussion, including the individual views of members, other than as agreed for formal

communication to the Board and/or Senior Management by the Committee as a whole

- h. Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee Chairman for his consideration.
- i. Be prepared to receive and act upon any feedback received through the Committee Chairman on ways that the member might improve performance as a Committee member.
- j. Should the Board member accept an invitation to act in the capacity of the Chairman of the Board Committee, these responsibilities are expanded to include overseeing the conduct of the Board Committee in line with the Committee Mandate, including:
 - Managing the agenda of Committee meetings
 - Chairing Committee meetings, ensuring proper consideration of matters for discussion and recommendation to the full Board
 - Ensuring each member of the Committee has full opportunity to express views and contribute effectively to discussion
 - Drawing attention to a Committee member in any situation where for one reason or another the member is not contributing to discussion and recommendations as effectively as he/she could
 - Drawing to the attention of the Board Chairman any situation where for one reason or another a Committee member is failing consistently to honor responsibilities as a Committee member, as outlined above
 - Ensuring appropriate record of Committee deliberations and conclusions are maintained
 - Leading and facilitating the Committee in reporting back to the Chairman of the Board, or the Board overall, on considerations and recommendations on any matter, including both majority conclusions and recommendations and minority conclusions and recommendations

2.8 Selection of the Board Directors and Officers

The Board of Directors and Officers are selected and elected to serve the organization according to the procedures set forth in the By-Laws, with particular care in regard to a director's and an officer's ability to perform duties and responsibilities as specified in this Manual.

The Board follows a screening process and evaluates its Directors and Officers based on:

- a. Background
- b. Skills and characteristics
- c. Ability to act in good faith in the interest of ATS and its stakeholders
- d. Capacity to provide business continuity
- e. Possession of a keen understanding of the business
- f. Qualifications and standing as specified in this Manual

The Board may select or appoint its own members recommended by the Nomination Committee. It may appoint members of senior management as a Director. The invitation to join the Board is extended by the Board itself.

The Board does not believe it should establish term limits. Instead, a review of each Director's continuation on the Board is done annually.

2.9 Guidelines in the Number of Directorship

The Board shall consider the following guidelines in the determination of the number of the directorships for the Board:

- a. The nature of the business of ATS;
- b. Age of the director;
- c. Number of directorship/active memberships and officerships in other corporations or organizations; and
- d. Possible conflict of interest.

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

The Chief Executive Officer and other executive directors shall submit themselves to a low inactive limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.10 Conflict of Interest/Business Interest Disclosure

At all times directors have a duty to avoid conflicts of interest. Thus, a director must not do anything for and on behalf of ATS where his motivation and loyalties would be divided in that his own self-interest or someone connected or related to him, may be given equal or higher stature to that of ATS. Directors have a duty to

account to ATS any profits or gains he may have had as a result of such, and in consequence thereof, ATS may exercise certain rights against the director for acting in circumstances such as conflict of interest.

2.11 Board Meetings and Quorum Requirement

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 SEC.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

The Corporate Secretary shall submit to the SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.

2.12 Adequate and Timely Information

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.

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

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

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

2.13 Accountability and Audit

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

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 shareholders.

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

- a. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the Company's assets should be maintained.
- c. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company'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.
- d. The Company should consistently comply with the financial reporting requirements of the SEC.

3. BOARD COMMITTEES

3.1 Board Nomination, Compensation and Remuneration Committee

3.1.1 Composition

The Board has an option to create a Nomination, Compensation and Remuneration Committee which shall be composed of at least three (3)

board members, one (1) of whom should be an independent director and at least one (1) ex-officio member.

3.1.2 Purpose

The Board believes that it can usefully supplement its ability to make strategic decisions effectively and in a timely manner if it can delegate the task of reviewing the Company's nomination and compensation matters. The Nomination, Compensation and Remuneration Committee is intended to assist the Board and not to pre-empt any board responsibilities in making the final decisions on nomination and compensation matters.

In performing its duties, the Committee will maintain effective working relationships with the Board and the Company's senior leadership. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.

The Committee has four main broad responsibilities:

- a. Assisting the Board through developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against the approved criteria.
- b. Assisting the Board through developing for approval criteria for the identification and selection of independent non-executive directors and executive senior management directors; and making a specific recommendation to the Board, related to the director or directors to be put forward for approval at the next annual meeting of shareholders.
- c. Assisting the Board through ensuring that appropriate senior leadership succession planning is in place throughout the Company and recommending the Board appropriate potential and actual successors to the CEO and other key senior leadership roles.
- d. Assisting the Board through considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation

structures and levels for Board Directors, the CEO's and other senior leaders.

In performing its duties, the Committee shall have the authority to retain at the expense of the Company such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment.

The Committee is required to manage the Company's nominations and compensation affairs, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.

3.1.3 Duties and Responsibilities

The Nomination, Compensation and Remuneration Committee shall represent the Board in discharging its responsibility relating to issues around the Company's nomination of persons into Board and senior leadership roles and the various compensation matters as per the below. The Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

a. Governance around Selection and Performance of Board Members

- Develop a set of governance guidelines applicable to the selection, contribution and conduct of Board members and submit to the Board for approval
- As part of this to develop and recommend to the Board appropriate means of overseeing and evaluating the contribution and conduct of Board members
- Submit to the Board for approval contract formats for Board Directors
- Conduct periodic evaluations of the performance of Board members against the approved criteria
- Recommend to the Chairman of the Board appropriate recognition in situations of positive contribution to the Board in terms of the guidelines, and/or remedial actions to be taken in situations of less than positive contribution to the Board in terms of the approved guidelines

b. Nomination of Board Directors

- Develop criteria for the identification and selection of independent non-executive directors and executive senior management directors and submit the criteria to the Board for approval.
- Develop a suggested policy for the contracting and regular rotation of Board Independent Directors every two years, or at such other intervals as the Board may determine from time to time.
- On an ongoing basis, identify and track potential director appointees to such Board positions, either from internal or external sources.
- As required, due to resignation or non-renewal of an independent non-executive director or an executive senior management director, or in the event of a Board decision to expand Board membership, make specific recommendation to the Board related to replacement or new directors, for the Board in turn to consider and recommend to a subsequent general meeting of shareholders
- Using the prior approved format, prepare a draft of the contract to apply to any new or renewed director for approval by the Board.
- Ensure that all new directors are fully aware of the appropriate governance guidelines and other matters necessary to enable them to perform their directorial duties to expectations

c. Senior Leadership Role Nominations

- Ensure that appropriate senior leadership succession planning is in place throughout the Company, both in terms of program design and in terms of consistent execution
- To this end, receive and consider reports related to succession planning from the Company's senior leadership, through the CEO, periodically
- Evaluate the balance of skills, knowledge and experience required for the CEO and other senior leadership roles, and in light of this identify candidates who may be suitable as potential successors to those roles, and their state of readiness to assume those responsibilities, if necessary

- Recommend to the Board the actual successor to the CEO and other key senior leadership roles, including the Chief Finance Officer, the Chief Strategy Officer, the Chief Resource Officer, and any other senior role agreed by the Board and the CEO from time to time, in the event of the current incumbent's resignation, termination, or non-renewal of his/her contract for any reason.

d. Compensation

- Review and provide recommendations to the Board on the frameworks or broad policy for remuneration and expense reimbursement or allowances for Board Directors of various categories (non-independent, non-executive directors; independent, non-executive directors; and non-independent, executive directors), and including supplemental remuneration, if any, for Board Committee membership.
- Develop and recommend to the Board the format of the typical director contract, for each of the three categories, setting out the role, expectations and requirements of the director, along with the term, remuneration and other conditions of contract.
- Review, in consultation with the CEO, and provide recommendations to the Board on the frameworks or broad policy for compensation of senior leaders (excluding the CEO). Separately, consider and provide recommendations to the Board related to the framework and policy for the CEO's own compensation, including long terms incentive plans, ESOPs, etc. In reviewing the appropriateness of the compensation policies, the Committee is expected to take into account all factors which it deems necessary. The objective of such policy shall be to ensure the compensation structure will be adequate to attract potential successors to key leadership roles, and as well as ensure that current senior leaders are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.
- Where a senior leader of the Company is subject to a specific contract of employment for a defined period, recommend to the Board the appropriate contract terms and conditions at the outset, and on renewal, to ensure that the contractual terms and any payments made are fair to the senior leader and the Company, in

that successful contribution is appropriately rewarded, that failure is not, and that the duty to mitigate loss is fully recognized. No executive director to the Board is to be involved in discussions or recommendations related to his or her own compensation.

e. Policy on Executive Remuneration

The Company rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is the Company's philosophy to reward based on individual performance. Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee for Remuneration but with full discussion and concurrence by the Board.

3.2 Board Audit and Corporate Governance Committee

3.2.1 Composition

The Audit and Corporate Governance Committee shall be composed of at least three (3) Board members, one (1) of whom shall be an independent director and a least one (1) ex-officio member.

The Committee shall have a good mix of members who are knowledgeable about the operations of the Company, have experience in accounting, finance, and audit, and are knowledgeable about regulatory issues.

The Chairperson of this committee should be an independent Director. He/she should be responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

3.2.2 Purpose

The Board believes that it can usefully supplement its ability to make audit decisions effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board and ensuring that the Board is given the information necessary for making good governance and audit-related decisions. The Committee is intended to assist the

Board and not to pre-empt any Board responsibilities in making any final audit related decisions.

In performing its duties, the Committee will maintain effective working relationships with the Board and the Company's senior leaders. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.

a. Audit Function

The Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential shareholders and investment community relating to the:

- Integrity of the listed company's financial statements
- The listed company's compliance with legal/regulatory requirements
- The independent auditor's qualifications and independence
- The performance of the listed company's internal audit function and independent auditors

As part of this process, the external auditors will report to the Committee, and the Company's Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.

The Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of highest quality. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable situations.

b. Corporate Governance Function

The Committee is responsible in developing and recommending to the Board a set of corporate governance principles, including independence

standards and otherwise taking a leadership role in shaping the corporate governance of the Company.

The Committee is required to contribute to the management of the Company's affairs to ensure good governance, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.

3.2.3 Duties and Responsibilities

The Audit and Corporate Governance Committee shall represent the Board in discharging its responsibility relating to audit related matters as well as the Company's governance principles and guidelines as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

a. Audit Internal Controls

- Monitor the effectiveness, integrity and adherence of the Company's financial reporting systems, financial reports and other financial matters, management information systems and internal control systems.
- Review and provide comments to the Company's senior leaders and the Board on any revised or changed financial standards, policies, procedures, systems and controls as may be proposed from time to time.
- Review formal quarterly and annual financial reports prior to disclosure, and advise the senior leadership and the Board of any concerns emerging from that review.
- Review internal auditor's reports, eliciting any opportunities for the improvement of the various internal control procedures, or particular areas where new or more detailed controls or procedures are desirable, to increase efficiency and mitigate potential risks. Recommend to the Board for approval and to the senior leadership for implementation.
- Review management's monitoring of compliance with the Company's Code of Business Conduct.

- Identify, monitor and report to the Board on the Company's exposure to fraud including: (a) management's due attention to ethical considerations regarding the Company's policies and practices; (b) the standard of corporate conduct in areas such as arm's-length dealings and potential conflicts of interest.
- Establish, oversee and periodically review the procedures in place which permit "whistle blowing". These procedures are designed to encourage and ensure that employees may make complaints regarding accounting, internal control, auditing or other related matters on a confidential and anonymous basis, and without fear of some form of retribution.
- Review the findings of any significant examination by regulatory agencies concerning the Company's financial matters.
- Review and approve the hiring policies regarding partners, employees and former partners and employees of the Company's external auditors, and make appropriate recommendations to the Board.

b. Audit External Controls

- Select, monitor and review the independence, performance and effectiveness, and remuneration of external auditors, in consultation with the CEO, the CFO and the Internal Auditor, and where appropriate recommend to the Board replacing the current external auditor with another, having conducted a rigorous search.
- Ensure that external auditors are ultimately accountable to the Board and to the shareholders of the Company.
- Meet with external auditors and the CFO to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, receive the external auditor's report, reviewing and discussing their comments and recommendations, in consultation with the CEO and the CFO, and make specific recommendations to the Board for adoption.
- Consider whether the external auditor's performance of specific non-audit services is compatible with the auditor's independence, and if so determine the specific policies and processes to be

adopted as part of the firm's appointment, to ensure that independence is maintained.

- Provide an open avenue of communication where necessary between senior leaders, the Internal Auditor, the Board and the external auditors.

c. Financial Reporting and Other Public Disclosure

- Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements/restrictions between management and external auditors. Review any unadjusted differences brought to the attention of management by the external auditors and the resolution of the same.
- Review and approve the Company's interim consolidated financial statements and accompanying management's discussion and analysis (MD&A). Review and make recommendations to the Board on approval of the Company's annual audited financial statements and MD&A before they are disclosed to the public or included in the annual reports to the shareholders.
- Review and approve the Company's policy on external communication and disclosure of materials and information, including the form and generic content of any quarterly earning's guidance and of any financial disclosure provided to investment analysts and rating agencies.
- Review and discuss with the CEO, the CFO and the external auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes to the accounting policies of the Company and accounting and financial reporting proposals that may have significant impact on the Company's financial reports

d. Corporate Governance

- In consultation with the Company's senior leaders, develop and recommend to the Board a set of corporate governance guidelines and keep abreast of developments in practice and expectations related to corporate governance, making recommendations to the Board in light of such developments as may be appropriate.

- Develop, and review annually the Corporate Governance Manual, including policies and procedures by which the Company will operate, by-laws to ensure their continued adequacy and relevance, and terms of reference for Board committees.
- Review and develop policies specific to Company disclosures, how and when, including how and when some key stakeholders are advised of pending disclosures, including Board members and senior leaders.
- Evaluate and monitor governance structures and processes, including policy development and processes for Board monitoring/oversight, making linkages to best practices in corporate governance practices.
- Identify and develop recommendations on Board conflict of interest and discipline by-laws, policies and processes.
- Develop, in conjunction with the Board Chairman and the CEO, Board goals and priorities to ensure effective governance linkages with the Company's strategic and corporate planning activities.
- Monitor the Company's fiduciary and regulatory responsibilities with respect to external reporting; i.e., corporate plan, annual report.
- Respond to any matter that may be referred to the Committee by the Board of Directors, and act according to the nature of the referral.
- Ensure that all shareholders have access to officially disclosed corporate and relevant information by the way of the following media:
 - a) Official disclosure statements submitted to the Philippine Stock Exchange and Securities & Exchange Commission
 - b) Press Releases
 - c) Annual reports and other materials to shareholders
 - d) On-line electronic mail containing regular interim and other published materials to stockholders
 - e) Investor/Stockholder meetings with key people in the Company
 - f) Written communication

- Handling investor and stockholder queries by coordinating with departments with primary information and to ensure that investors/stockholders have easy and direct access to officially designated spokespersons for clarifying information, issues and for conveying concerns.
- To secure feedback from investors and stockholders by way of regular formal research/surveys and informal meetings and get-togethers.

3.3 Board Risk Management Committee

3.3.1 Composition

The Board Risk Management Committee shall be composed of at least three (3) directors, one (1) of whom shall be an independent director and at least one (1) ex-officio member.

3.3.2 Purpose

The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk Management Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions. The Committee is intended to assist the Board and not to pre-empt any board responsibilities in making any decisions related to risk management.

In performing its duties, the Committee will maintain effective working relationships with the Board and the Company's senior leaders. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.

The primary purpose of the Risk Management Committee is to assist the Board, and to some extent the Audit and Corporate Governance Committee of the Board, in fulfilling its corporate governance responsibilities relating to risk management. The Risk Management Committee also assists in defining the Company's risk appetite and oversees the Company's risk profile and performance against the defined risk appetite.

The Committee is responsible for overseeing the identification, measurement, monitoring and controlling of the Company's principal business risks. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

The Committee in fulfilling its role is to establish a constructive, collaborative relationship, with the Company's senior leaders, especially, the CEO, the Chief Risk Officer and the heads of each of the businesses within the Company.

The Committee is required to contribute to the management of the Company's risk management, and in doing so to act honestly and in good faith with a view to the best interest of all stakeholders.

3.3.3 Duties and Responsibilities

The Risk Management Committee shall represent the Board in discharging its responsibility relating to risk management related matters around the Company as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or to the extent that such authority is expressly delegated by the Board.

- a. Review and consider the Company's risk management policy, from time to time, but no less regularly than annually. For this purpose, the Committee may consider operational risks; environmental risks; financial and asset risks, other than those coming within the purview of the Board Audit and Corporate Governance Committee; security risks; and any other form of risk as approved by the Board. Provide a forum to review exposures and strategies to mitigate risks with relevant senior leaders and business managers. Make recommendations to the Board related to changes to the policy, based on this review.
- b. Undertake a periodic review of the delegated authorization and control levels. Following consultation with the CEO and CFO, make recommendations to the Board related to any changes in these levels seen to be appropriate, based on this review.
- c. Review the Company's senior leadership's proposed risk appetite statement at least annually and if advisable, recommend it for Board approval.

- d. Review with the Company's senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of the Company's credit, market, and liquidity risk (as well as other treasury-related risk) consistent with the Company's approved risk limits and overall risk appetite. As appropriate recommend to the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate.
- e. Review with the Company's senior leadership key policies and procedures for the effective identification of the Company's reputation and legal risks. Annually, the Committee shall review management's report on compliance with these policies and procedures and report back to the Board.
- f. Monitor and review the Company's senior leadership's reports on the Company's risk profile, identifying material risks associated with the Company's business and operations, emerging risk issues and trends and compliance with the risk limits and policies and procedures established with a view to assessing overall adherence to the Company's defined risk appetite.
- g. As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.

4. THE CORPORATE SECRETARY

The Corporate Secretary is an Officer of the Company. Perfection in performance and no surprises are expected of him/her. Likewise, his/her loyalty to the mission, vision and specific business objectives of the corporate entity come with his/her duties.

4.1 Qualifications of a Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Company.

- a. He/she should work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. As such, he/she should be someone his/her colleagues and these constituencies can turn to, trust and confide with on a regular basis;
- b. He/she must be loyal to the vision, mission and specific business objectives of the Company;
- c. Considering his/her varied functions and duties, he/she must possess administrative and interpersonal skills. He/she must also have some legal, financial and accounting skills.
- d. He/she must have a working knowledge of the operations of the Company; and
- e. He/she must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

4.2 Duties and Responsibilities

- a. Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to the Company
- b. As to Board meetings, gets a complete schedule thereof at least for the current year and puts the Board on notice, a reasonable period before every meeting. He also prepares and issues the agenda in consultation with senior management and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- c. Assists the Board in making business judgments in good faith and in the performance of their responsibilities and obligations.
- d. Attends all Board meetings and personally prepares the minutes of such meetings.
- e. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation; and
- f. Ensures that all Board procedures, rules and regulations are strictly followed by the members.

5. SHAREHOLDERS' BENEFITS

5.1 Investors' Right and Protection

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

a. Voting Rights

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.
- Although directors may be removed with or without cause, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

b. 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 Company. 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.

c. Power of Inspection

All stockholders 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.

d. Right to Information

- The stockholders 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.

- The minority stockholders, holding at least thirty (30) percent of the total issued and outstanding capital stock of the Company which are entitled to vote, may propose the holding of a meeting, and may propose items in the agenda of the meeting, provided the items are for legitimate business purposes and are not frivolous and disruptive attempts.
- Without violating any confidentiality obligation to which the Company may be subject or compromising the protection due any proprietary right or information of the Company, minority stockholders shall have access to any and all information relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

e. Rights to Dividends

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

The Company shall be compelled to declare dividends when its retained earnings shall be in excess of one hundred (100) percent of its paid-in capital, except:

- When justified by definite corporate expansion projects or programs approved by the Board;
- When the Company 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
- 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.

f. Appraisal Right

The stockholders 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, 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.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of stockholders' 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 stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

6. AUDIT MECHANISMS

6.1 External Auditor

- a. The Board, through the Audit and Corporate Governance Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements shall have been prepared and presented. Such external auditor cannot at the same time provide the

services of an internal auditor to the same client. Other non-audit work should not be in conflict with the functions of the external auditor.

- b. The external audit handling partner shall be rotated every five (5) years or earlier.
- c. 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, which if not resolved to the satisfaction of the former auditor, would have caused such former auditor to make reference to the subject matter of the disagreement in connection with its report. A preliminary copy of the said report shall be given by the Company to the external auditor before its submission.
- d. If an external auditor believes that the statements made in an annual report, information statement or proxy statements filed during his engagement are incorrect or incomplete, he/she shall also present his views in said reports.

6.2 Internal Auditor

- a. The Company shall have in place an independent internal audit function which shall be performed by the Internal Audit Department, 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.
- b. The Internal Audit Department shall functionally report to the Audit and Corporate Governance Committee.
- c. The minimum internal control mechanism for management's operational responsibility shall center on the CEO, who is ultimately accountable for the Company's organizational and procedural controls.
- d. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: nature and complexity of the business and the business culture; volume, size, and complexity of transactions; degree of risk; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance

The Chief Audit Executive shall render to the Audit and Corporate Governance Committee and senior management an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Corporate Governance Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management. The Internal auditors shall report that their activities are "conducted in accordance with the Standards for the Professional Practice of Internal Auditing". Otherwise, the Chief Audit Executive shall disclose to the Board and senior management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

7. INFORMATION SECURITY MANAGEMENT

The Board recognizes that information security management is an important component of corporate governance and hereby adopts the general principles and best practices of information security management.

8. SUSTAINABILITY POLICY

ATS is committed to strike a balance among economic growth, social development and environmental stewardship in the conduct of its business. To this end, ATS shall implement programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate.

9. MONITORING AND ASSESSMENT

9.1 Compliance System

- a. To insure adherence to corporate principles and best practices, the Board shall designate the Chief Finance Officer or another responsible person as Compliance Officer. He/she shall have direct reporting responsibilities to the Board.
- b. The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to his/her functions as such shall be addressed to said officer.
- c. Duties of the Compliance Officer. The Compliance Officer shall perform the following duties:
 - Monitor compliance with the provisions and requirements of this Manual;

- Appear before the SEC upon summon on similar matters that need to be clarified by the same;
 - 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 Company'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.

9.2 Evaluation System

- a. 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 on this Manual.
- b. 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 Company. The adoption of such performance evaluation system must be covered by a Board approval.

9.3 Review Process

- a. The Compliance Officer shall report regularly to the Board.
- b. The Compliance Officer shall have direct reporting responsibilities to the Board.
- c. This Manual shall be subject to annual review unless the same is more frequently amended by the Board.
- d. All business processes and practices being performed within any department or business unit of the Company should be reviewed to ensure consistency of this Manual.

10. DISCLOSURE AND TRANSPARENCY

10.1 Disclosure Procedures

- a. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible officer through the Company's Compliance Officer.
- b. All disclosed information shall be released via the approved Exchange's procedure for Company announcements as well as through the Annual Report.

10.2 Material Information

- a. 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.
- b. 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.
- c. 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 stockholders.
- d. **Prohibition Regarding Selective Disclosure of Material Information.** No director, officer, staff or employee of the Company may communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange. This rule does not apply if the disclosure is made to:
 - A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
 - A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

Furthermore, selective disclosure of material non-public information ahead of the general public to securities analysts, institutional investors or other third parties who do not fall under (a) and (b) is strictly prohibited.”

11. COMMUNICATION AND TRAINING PROCESS

11.1 Communication Process

- a. This Manual shall be made available for inspection by any stockholder of the Company at reasonable hours on business days.
- b. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related parties, and to likewise enjoin compliance in the process.
- c. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per division.

11.2 Training Process

- a. If necessary, funds shall be allocated by the Chief Finance Officer for the purpose of conducting an orientation program or workshop to make this Manual operational.
- b. A Director shall, before assuming as such, be required to attend a seminar on corporate governance, which shall be conducted in-house or by a duly recognized private or government institute.

12. PENALTIES FOR NON COMPLIANCE

- 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:
 - a. In case of **first (1st) violation**, the subject person shall be reprimanded.
 - b. Suspension from office shall be imposed in case of **second (2nd) violation**. The duration of the suspension shall depend on the gravity of the violation.
 - c. For **third (3rd) violation**, the maximum penalty of removal from office shall be imposed.

- 12.2 The commission of a 3rd 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 Board the imposable penalty for such violation, for further review and approval of the Board.

13. EFFECTIVITY AND APPROVAL

13.1 Effectivity

- a. This Revised Manual for Corporate Governance as approved by the Board of Directors of the Company during the Aboitiz Transport System Board Meeting held May 27, 2010 shall take effect on June 1, 2010.
- b. This Revised Manual for Corporate Governance shall supersede the Manual that took effect October 1, 2009.
- c. This Manual shall also be applicable to the subsidiary companies of Aboitiz Transport System Corporation.

13.2 Approval of the Board

