



**BUREAU OF JAIL MANAGEMENT AND PENOLOGY
Mutual Benefit Association, Incorporated (BJMPMBAI)**

144 Mindanao Avenue, Bahay Toro, Quezon City, Metro Manila
Tel. 926-69-63

BJMPMBAI CODE OF CORPORATE GOVERNANCE

**By: Revision Committee
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The Board of Director and Management, i.e. officers and staff, of BJMPMBAI hereby commits themselves to the principles and best practices contained in this manual, and acknowledge that the same may guide the attainment of our corporate goals.

ARTICLE 1. OBJECTIVE

This manual shall institutionalize the principles of good corporate governance in the entire BJMPMBAI.

The Board of Directors and Management, employees and members, believe that corporate governance is necessary component of what constitute sound strategic business management and will therefore undertake every effort necessary to create awareness within BJMPMBAI as soon as possible.

ARTICLE 2. DEFINITION OF TERMS

- a. Corporate Governance – the framework of rules, systems and process in the BJMPMBAI that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the member;
- b. Board of Directors – the governing body elected by the members that exercises the corporate powers of a BJMPMBAI, conducts all its business and controls its properties;
- c. Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d. 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 BJMPMBAI;
- e. Independent Director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director.
- f. Executive Director – a director who is also the head of a department or unit of the BJMPMBAI or performs any work related to its BJMPMBAI;

- g. Non-executive Director – a director who is not the head of a department or unit of the BJMPMBAI nor performs any work related to its operation;
- h. Non-audit work – the other services offered by an external auditor to a BJMPMBAI that are not related and relevant to its statutory audit functions, such as, accounting, payroll, booking, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- i. Internal control – the system established by the Board of Directors and Management for the accomplishment of the BJMPMBAI’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- j. Internal control system – the framework under which internal controls are developed and implemented (alone or in connect with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the BJMPMBAI is exposed;
- k. Internal Audit – an independent and objective assurance activity designed to add value to and improve the BJMPMBAI’s, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- l. Internal audit department – a department or unit of the BJMPMBAI and its consultants, if any, that provide independent and objective assurances services in order to add value to and improve the corporation’s operations;
- m. Internal auditor – the highest position in the BJMPMBAI responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

ARTICLE 3. RULES OF INTERPRETATION

- a. All references to the masculine gender in the salient provisions of this Code shall likewise cover the feminine gender.
- b. All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the members and association.

ARTICLE 4. BOARD GOVERNANCE

The BJMPMBAI Board of Directors (the “Board”) is primarily responsible for the governance of the BJMPMBAI Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

(A) Composition of the Board

The Board shall be composed of fifteen (15) members who are elected by BJMPMBAI members. It shall have two (2) independent directors.

(B) Qualifications of Directors

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:

- (i) college education or equivalent academic degree;
- (ii) Practical understanding of the business of the association;
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.

(B) Disqualifications of Directors

1. Permanent Disqualification

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

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct of practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualifications shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization

suspending or expelling him from membership, participation or association with a member or participant of the organization.

- (iii)** Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraud acts;
- (iv)** Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (v)** Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- (vi)** Any person judicially declared as insolvent;
- (vii)** Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- (viii)** Conviction by Final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed with five (5) years prior to the date of his election or appointment.

2. Temporary Disqualification

Following shall be grounds for the temporary disqualification of a director:

- (i)** Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- (ii)** Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (iii)** Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- (iv)** If the beneficial equity ownership of an independent director in the corporation of its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limits are later complied with.
- (v)** If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

(C) Responsibilities, Duties and Functions of the Board

1. General Responsibility

It is the Board's responsibility to foster the long-term success of the BJMPMBAI, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its members.

The Board should formulate the BJMPMBAI's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2. Duties and Functions

To ensure a high standard of best practice for the BJMPMBAI and its members, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a) Implement a process for the selection of director's who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest, and highly motivated management officers. Adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the BJMPMBAI on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the BJMPMBAI's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the members informed of important developments in the BJMPMBAI. If feasible, the BJMPMBAI CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the sectors and the community in which the BJMPMBAI operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board. A regular review of effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the BJMPMBAI'S internal control system in order to maintain its adequacy and effectiveness.

- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the BJMPMBAI to anticipate and prepare for possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedures that would be ensure the integrity and transparency of related party transactions between and among the BJMPMBAI corporation and its members, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an audit committee and such other committees it deems necessary to assists the Board in a performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the BJMPMBAI that can amicably settle conflict or differences between the BJMPMBAI and its members and the BJMPMBAI and third parties, including the regulatory authorities.
- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during board meetings should be encourage and giving due consideration.
- l) Keep the activities and decision of the Board with in its authority under the articles of corporation and by-laws, and in accordance with existing laws, rules and regulations.
- m) Appoint a Compliance Officer who shall have the rank of at least vice-president. In the absence of such appointment, the corporate secretary, preferably a lawyer shall act as compliance Officer.

(D) Specific Duties and Responsibilities

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

A director should observe the following norms of conduct:

- (i) Conduct fair business transactions with the BJMPMBAI, and ensure that his personal interest does not conflict the interest of the BJMPMBAI.**

The basic principle to be observed is the director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.

He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise of the part of director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has continuing material conflict of interest seriously consider resigning from his position.

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

- (ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.**

A director should devote sufficient time to familiarize himself with the BJMPMBAI's business. He should be constantly aware of and non knowledgeable with the BJMPMBAI's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in the Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- (iii) Act judiciously.**

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

- (iv) Exercise independent judgment.**

A director should view each problem or situation objectively. If a disagreement with the other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the BJMPMBAI.

- (vi) Have working knowledge of the statutory and regulatory requirements that affect the BJMPMBAI, including its articles of incorporation and by-laws, the rules and regulations of the commission and, where applicable, the requirements of relevant regulatory agencies.**

A director should also keep abreast with industry developments and business trends in order to promote the BJMPMBAI's competitiveness.

- (vi) Observe confidentiality**

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

(E) Internal Control Responsibilities of the Board

The control environment of the BJMPMBAI consists of (a) the Board which endures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the BJMPMBAI in a sound and prudent manner; (c) the Organizational and

procedural controls supported by effective management information and risk management reporting system; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the BJMPMBAI's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight may include:
 - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the BJMPMBAI's organizational and operational controls;
 - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - c) Evaluation of proposed senior management appointments;
 - d) Selection and appointment of qualified and competent management officers; and
 - e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the system of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved: degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent or regulatory compliance.
- (iii) BJMPMBAI may establish an internal audit system that can reasonably assure the Board, Management and members that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Audit shall be guided by the International Standards on Professional Practice of Internal Auditing.

(F) 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 Commission.

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.

To monitor the director's compliance with the attendance requirements, BJMPMBAI shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the

director's record of attendance in the Board Meetings. The Certification may be submitted through SEC Form 17_C or in a separate filing.

(G) Remuneration of Directors and Officers

The levels of remuneration of the BJMPMBAI should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be constructed or be based on association and individual performance.

BJMPMBAI may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.

The BJMPMBAI's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of a BJMPMBAI, the Commission may, in exceptional cases, e.g., when a BJMPMBAI in under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

(H) Board Committees

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

- (i) The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:
 - a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control. Audit process, and monitoring of compliance with applicable laws, rules and regulation;
 - b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the BJMPMBAI. This function shall include regular receipt from management of information on risk exposures and risk management activities.
 - c) Perform oversight functions over the BJMPMBAI's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- d) Review the annual internal audit plan to ensure its conformity with the objectives of the BJMPMBAI. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal audit and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the BJMPMBAI's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half year and annual financial statements before their submission to the Board with particular focus on the following matters;
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- (j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporations overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external audit or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;
- (l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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

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

- (II) The Board may also organize the following committees:

- a) A nomination committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- b) A compensation or remuneration committee, which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporations culture, strategy and the business environment in which it operates.

(I) The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He Should –

- (i) Be 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 BJMPMBAI;
- (ii) Be loyal to the mission, vision and objectives of the BJMPMBAI;
- (iii) Work fairly and objectively with the Board, Management and members;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the BJMPMBAI's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the BJMPMBAI;
- (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (viii) Attend all Board Meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code

(J) The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the chair of the Board. He shall perform the following duties:

- (i) Monitor compliance by the BJMPMBAI with this Code and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (ii) Appear before the Commission when summoned in relation to compliance with this Code; and
- (iii) Issue a certification every January 30th of the year on the extent of the BJMPMBAI's compliance with this code for the completed year and, if there are any deviations, explain the reason for such deviation.

ARTICLE 5. 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, the 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 at the BJMPMBAI's expense.

ARTICLE 6. ACCOUNTABILITY AND AUDIT

- A)** The Board is primarily accountable to the members. It should provide them with a balanced and comprehensive assessment of the BJMPMBAI's performance, position and prospects on a

quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law;

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

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

- (i)** The extent of its responsibility in the preparation of the financial statements of the BJMPMBAI, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii)** An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the BJMPMBAI should be maintained;
- (iii)** 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 BJMPMBAI's governance, operations and information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv)** The BJMPMBAI should consistently comply with the financial reporting requirements of the Commission;
- (v)** The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the BJMPMBAI, should be changed with the same frequency. The Internal Audit shall submit to the Audit Committee and management an annual report on the Internal Audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

The internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and management the reasons why he has not fully complied with the said standards.

- B)** The Board, after consultations with the Audit Committee, shall recommend to the members an external auditor duly accredited by the Commission who shall undertake an independent audit of the BJMPMBAI and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the members. The external auditor shall not, at the same time, provide internal audit services to the BJMPMBAI. Non-audit work may be given

to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

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

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

ARTICLE 7. MEMBERS RIGHTS AND PROTECTION OF MEMBERS' INTEREST

(A) The Board shall respects the rights of the members as provided for in the Corporation Code , namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Right to inspect corporate books and records;
- (iii) Right to information;
- (iv) Right to dividends; and

(B) The Board should be transparent and fair in the conduct of the annual and special members meetings of the BJMPMBAI. The members should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the member's favor.

It is the duty of the Board to promote the rights of the members, removes impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the member's meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the member's to enable them to make a sound judgment on all matters brought to their attention for consideration and approval.

Although all member's should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the BJMPMBAI.

ARTICLE 8. GOVERNANCE SELF-RATING SYSTEM

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the BJMPMBAI's annual report.

ARTICLE 9. DISCLOSURE AND TRANSPARENCY

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

It is therefore essential that all material information about the BJMPMBAI which could adversely affect its viability or the interests of the members should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through appropriate Exchange mechanisms and submission to the Commission.

ARTICLE 10. COMMITMENT TO GOOD CORPORATE GOVERNANCE

BJMPMBAI shall establish and implement its member governance rules in accordance with this Code. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management. The manual should be submitted to the Commission for its evaluation within in hundred eighty (180) business days from the date this Code becomes effective to enable the Commission to determine its compliance with this Code taking into consideration the nature, size and scope of the business of the corporation.

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

ARTICLE 11. REGULAR REVIEW OF THE CODE AND THE SCORECARD

To monitor the compliance by BJMPMBAI with this Code, the Commission may require them to accomplish annually a scorecard on the scope, nature and extent of the actions that have been taken to meet the objectives of this Code.

The Commission shall periodically review this Code to ensure that it meets its objectives.

ARTICLE 12. ADMINISTRATIVE SANCTIONS

A fine of not more than Two Hundred Thousand Pesos (P200,000.00) shall, after due notice and hearing, be imposed for every year that a BJMPMBAI violates the provisions of this Code, without prejudice to other sanctions that the Commission may be authorized to impose under the law, provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.

ARTICLE 13. EFFECTIVITY AND PROMULGATION OF AUTHORITY

This manual has been required by and for submission to the Insurance Commission and has been approved for implementation, effective immediately, by the BJMPMBAI Board of Directors.