

**MANUAL ON CORPORATE GOVERNANCE
OF
MERALCO EMPLOYEES MUTUAL AID AND BENEFITS ASSOCIATION, INC.
(MEMABA, INC.)**

The Board of Trustees and Management, i. e. officers and staff, of **MERALCO EMPLOYEES MUTUAL AID AND BENEFITS ASSOCIATION, INC. (MEMABA)** hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1. OBJECTIVE

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

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

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission 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;
- Issue a certification every January 30th of the year on the extent of the Association's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance risks.

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

2.2. *Plan of Compliance*

2.2.1. Board of Trustees

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

To ensure a high standard of best practice in the Association and its members, the Board shall adopt a process of selection to ensure a mix of competent trustees.

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

2.2.1.1. General Responsibility

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

2.2.1.2. Specific Duties and Functions

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

- Install a process of selection to ensure a mix of competent Trustees and officers;
- Determine the Association's purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that the Association complies with all relevant laws, regulations and codes of best business practices;
- Identify the Association's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly recorded and its minutes transcribed; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

2.2.1.3. Duties and Responsibilities of a Trustee

A Trustee shall have the following duties and responsibilities:

- To conduct fair business transactions with the Association and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;

- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Association, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.;
- To observe transparency; and
- To ensure the continuing soundness, effectiveness and adequacy of the Association's control environment.

2.2.2. Independent Trustee

2.2.2.1. Independent Trustee is a natural person who is independent of the Management of the Association and is free from any business or relationship with any other corporation which could, or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a trustee of the Association.

2.2.2.2. He must be a member of the Association in good standing.

2.2.2.3. He does not represented or acting for and behalf of any group of the Association comprising more than 20% of the members nor is employed as an employee or officer of the Association nor has resigned as Trustee or whose term has already ended with the Association.

2.2.2.4. He is not related either by consanguinity or by affinity in any other related corporation or association nor hold substantial interests in such corporations or association.

2.2.3. Orientation Program for New Trustees

2.2.3.1. The existing program for incoming new trustees shall continue to be enforced which should not be limited to seminars in Anti-Money Laundering of the Bangko Sentral ng Pilipinas, sound business policies enunciated by the Insurance Commission, the regulatory body of the Association, SEC Rules and

Regulations as well as other related laws, but shall likewise embrace good corporate governance and sound corporate business practices.

2.2.4. Board Committees

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

2.2.4.1. Nomination Committee

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

2.2.4.1.1. It shall pre-screen and shortlist all candidates nominated to become a regular or independent member of the board of Trustees in accordance with the following qualifications and disqualifications:

Qualifications of Trustees

- He must be a member of the Association;
- He shall be at least a college graduate having sufficient knowledge or experience in managing the business;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the Insurance Commission or Securities and Exchange Commission or a court or other administrative body to have

willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas or the Insurance Commission;

- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- Any of the following shall be a ground for the temporary disqualification of a Trustee:
- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Trustees during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination from Trusteeship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;

- Being under preventive suspension by the Association;
- If the independent Trustee becomes an officer or employee of the Association he shall be automatically disqualified from being an independent Trustee; and
- Conviction that has not yet become final referred to in the grounds for the disqualification of Trustee.

2.2.4.1.2. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

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

- The nature of the business of the Associations which he is a Trustee;
- Age of the Trustee;
- Number of Trusteeships/ active memberships and being as officers in other corporations or organizations; and
- Possible conflict of interest; and
- The optimum number shall be related to the capacity of a Trustee to perform his duties diligently in general.

2.2.4.1.4. The Chief Executive Officer and other executive Trustees shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent trustees. In any case, the capacity of Trustees to serve with diligence shall not be compromised.

2.2.4.2. Compensation and Remuneration Committee

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

2.2.4.2.2. Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers, employees and Trustees, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Association's culture, strategy and control environment;
- Designate amount of remuneration, which shall be in conformity with the By-Laws of the Association needed to run the Association successfully;
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Trustees, subject to the provision of the By-Laws if any, officers and employees which in conformity with the policies of the Association;
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or contributions or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- Disallow any Trustee to decide his or her own remuneration;
- Provide in the Association's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;

- Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.4.3. Audit Committee

2.2.4.3.1. The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent Trustee. Each member shall have adequate understanding at least or competence at most of the Association's financial management systems and environment.

2.2.4.3.2. Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Association, and crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:

- Ensure that the accounting system of the Association 100% compliant with International Accounting Standard (IAS) and the Philippine Accounting Standards.
- An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Association through a step-by-step procedures and policies handbook that will be used by the entire organization.

2.2.4.4. Election Committee

2.2.4.4.1. The election committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent Trustee. Each member shall have adequate understanding at least or competence at most of the Association's By-laws and other regulatory laws such as the Corporation Code, Insurance Code, and the like in the election of the Association's board of trustees.

2.2.4.4.2. Duties and Responsibilities

- Planning of all activities relative to the election of the regular and independent members of the board of trustees from the nominees submitted by the Nominations Committee.
- Establish policies, rules and regulations governing the manner of the election of regular and independent members of the board of trustees during the annual general membership meeting of the Association.
- Appoint deputies in assisting for the distribution, collection, and counting of ballots and/or proxies for the regular members and independent members of the board of trustees.

- Sole authority to declare winning candidates for the regular and independent members of the board of trustees.
- Regular members of the board shall be elected only from the list of nominees and/or candidates for regular members of the board of trustees. In the same manner, independent members of the board shall only be also elected from the list of nominees and/or candidates for independent members of the board of trustees.

2.2.4.5. Other Committees

2.2.4.5.1. Executive Committee

2.2.4.5.1.1. The Management of the Association is represented by the Executive Committee headed by the President who shall be the Chief Executive Officer (CEO) of the Association composed by at least three (3) Trustees one of which is an Independent Trustee and the General Manager as members.

2.2.4.5.1.2. All polices, guidelines, rules and regulations of the Association including its management and operation shall be formulated and implemented by this Committee upon approval by the Board of Trustees.

2.2.4.5.3 The CEO shall be in-charge of the management and administration of business, operations, affairs as well as properties of the Association. He shall ensure that all resolutions of the Board are faithfully implemented in accordance with sound business practices.

2.2.4.5.2. Membership Committee

2.2.4.5.2.1. The Membership Committee shall be composed of three (3) Trustees one of which shall be an independent trustee.

2.2.4.5.2.2. The Committee shall ensure that membership of the Association shall only be limited to the regular employees of the Manila Electric Company (MERALCO) and its subsidiary companies such as Soluziona, Inc., MIESCOR, MESALA, Meralco Energy, Miescor Builders, Inc., Miescor Logistics Corporation, and the like.

2.2.4.5.3. Benefits Committee

2.2.4.5.3.1. The Benefits Committee shall be composed of three (3) Trustees one of which shall be an independent trustee.

2.2.4.5.3.2. The Committee shall review, institute, and ensure that the benefits of the members of the Association shall always be in accordance with the policies, rules and regulations of the Insurance Commission and that the same are attuned with the present and future times.

2.2.4.5.4. Investments Committee

2.2.4.5.4.1. The Investment Committee shall be composed of three (3) Trustees one of which shall be an independent trustee and the Treasurer of the Association as Chairman.

2.2.4.5.4.2. The Committee shall be in-charge in reviewing the financial operations of the Association and matters regarding the acquisition of or investments in companies, business, or projects in generating income for the Association for the benefits of its members.

2.2.4.5.4. IT Committee

2.2.4.5.4.1. The I.T. Committee shall be composed of three (3) Trustees.

2.2.4.5.4.2. The Committee shall ensure that the computing system or the Association shall be at par with the present technologies and that its

financial transactions are properly encoded in the system.

2.2.4.5.4.3. It shall also be responsible for the development and maintenance of the Association's website and other communication facilities whether internal or external

2.2.4.5.4.4. Recommends to the Board the procurement of new technologies to improve the Association's operations.

2.2.4.5.5. Corporate Governance Committee

2.2.4.5.5.1. The Membership Committee shall be composed of three (3) Trustees one of which shall be an independent trustee.

2.2.4.5.5.2. The Committee shall be responsible in the recommendation to the Board regarding committee membership appointments and chairmanships based on the recommendations of the CEO;

2.2.4.5.5.3. Review regularly the Association's disclosure of information and ensure the Association's compliance to these Manual.

2.2.5. *The Corporate Secretary*

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

2.2.5.2. The Corporate Secretary shall be a Filipino citizen.

2.2.5.3. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have

some legal skills. He must also have some financial and accounting skills.

2.2.5.3.1. Duties and Responsibilities

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

2.2.6. External Auditor

2.2.6.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Association, an external auditor shall be selected and appointed by the members upon recommendation of the Audit Committee.

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

2.2.6.3. The external auditor of the Association shall not at the same time provide the services of an internal

auditor to the same client. The Association shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.2.6.4. The Association's external auditor shall appointed by the Board of Trustees on a yearly basis with the handling partner shall be replaced every five (5) years.

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

2.2.7. Internal Auditor

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

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

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

2.2.7.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3. MEMBERS' BENEFIT

The Association recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors and members. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Association and all its investors:

3.1. Members' Rights and Protection

3.1.1. Rights of Members/Minority Interests

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

3.1.2. Voting Right

3.1.2.1. Members shall have the right to elect, remove and replace Trustees and vote on certain corporate acts in accordance with the Corporation Code.

3.1.2.2. Cumulative voting shall be used in the election of Trustees.

3.1.2.3. A Trustee shall not be removed without cause if it will deny minority Members representation in the Board.

3.1.3. Pre-emptive Right

All members 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 contribute to the capital stock of the in proportion of its monthly contributions. The Articles of Incorporation shall lay down the specific rights and powers of Members with respect to the particular contributions they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

3.1.4. Power of Inspection

All Members 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.

3.1.5. Right to Information

3.1.5.1. The Members shall be provided, upon request, with periodic reports which disclose personal and professional information about the Trustees and officers and certain other matters such as their holdings of the Association's capital, dealings with the Association, relationships among Trustees and key officers, and the aggregate compensation of Trustees and officers.

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

3.1.5.3. The minority Members shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority Members shall be allowed to propose to include such matters in the agenda of members' meeting, being within the definition of "legitimate purposes".

3.1.6. Appraisal Right

The Members' shall have appraisal right or the right to dissent and demand payment of the fair value of their contributions in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any members or class of contributions, or of authorizing preferences in any respect superior to those of outstanding contributions 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 for which an independent appraiser shall be appointed by the Board for this purpose to evaluate the fairness of the transaction price and other related matters thereof

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

4. POLICY ON DIVIDENDS

The Association as a non-stock and non-profit corporation which was incorporated to provide a system of death, sickness, or other mutual benefits and to render mutual aid and assistance to its members and their families who sustained serious physical injuries or suffered personal damages due to natural calamities, is a tax-exempt business entity and thus is prohibited by law to declare dividends to its members. All of its income derived from its operations inure to the direct benefit of its members by way of an increase in its Legal Policy Reserve and Equity. However, as its internal policy and pursuant to the provisions of the Insurance Code, it is mandated to refund to its members the 50% of such member's total contribution, in cases, where such members voluntarily or involuntarily disassociates himself/herself from the Association.

Members however is entitled to one (1) vote on a cumulative voting on any issues set forth by the Board for the members' in the Association's Annual General Membership Meeting upon notice to each member where at said meeting all the acts and resolutions of, as well as transactions entered into by, the Board are disclosed to all the members in the said notice and likewise posted in the Association's offices.

The Association has no subsidiary company whatsoever.

5. POLICY ON TRUSTEES, MEMBERS, AND RELATED INTERESTS

The members of the Board of Trustees and its corporate officers upon assumption of their offices are required to disclose their interests in transactions, contracts, loans in the Association, and other material

transactions involving conflict of interest and to observe the highest degree of transparency, selflessness, and integrity in the performance on their duties, free from any conflict with personal interest.

They shall not obtain loans and other benefits from the Association beyond the limit on their individual borrowing capacity laid down by the Bangko Sentral ng Pilipinas, Insurance Commission, and limits set forth by the Association to its members or those that may materially impair the financial condition of the Association.

6. COMMUNICATION PROCESS

6.1. This manual shall be available for inspection by any member of the Association at reasonable hours on business days.

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

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

7. TRAINING PROCESS

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

7.2. All Trustees shall, before assuming as such, be required to attend a seminar on corporate governance as well as on-going professional education programs for those who are professionals in their respective fields such as accountancy, lawyers, engineering, and others, which shall be conducted by a duly recognized private or government institute.

8. REPORTORIAL OR DISCLOSURE SYSTEM OF THE ASSOCIATION'S CORPORATE GOVERNANCE POLICIES

8.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Insurance Commission by the Association's Compliance Officer;

8.2. All material information, i.e., anything that could potentially affect member's contributions in the Association, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, withdrawal of membership and other material information of the Association.

8.3. Other information that shall always be disclosed includes remuneration of all Trustees and senior management corporate strategy, and off balance sheet transactions.

8.4. All disclosed information shall be released via the approved member exchange procedure for the Association's announcements as well as through the annual report.

8.5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the members. All material information may include: earning results, acquisition or disposition of assets, Board changes, related party transactions, remuneration of all trustees, officers and employees and others.

9. OTHER POLICIES

The Association shall continue to cooperate and connect and participate to the corporate responsibility (CR) of the Manila Electric Company considering that its members are also employees of the latter.

It shall continue to enhance and improve its Employees' Annual Performance Merit and Salary Increase system for its employees' health, safety and welfare, trainings for career development and advancements and enforce its Code on Employee's Discipline concerning complaints by employees concerning illegal (including corruption) and unethical behaviour of any of its Trustees, Officers, and/or employee and to protect an employee/person who reveals illegal/unethical behavior from retaliation.

10. MONITORING AND ASSESSMENT

10.1. Each Committee shall report regularly to the Board of Trustees.

10.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof

shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

10.2.1 Board and Trustees' Appraisal

10.2.1.1. An annual Board and individual Trustee's assessment as well as each of the committee's performance shall be conducted not later than every 28th day of February following the close of the previous' year transactions and results of operations of the Association using the prescribed Association's approved assessment form based on the SEC Revised Code of Corporate Governance and this Manual and the Association's By-laws. This evaluation covers self-assessment of individual duties and responsibilities, effectiveness of each committee, and efficiency of the Association's structures.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Association's annual report (SEC Form 17-A) or in such form of report that is applicable to the Association. The adoption of such performance evaluation system must be covered by a Board approval.

10.3. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

10.4. All business processes and practices being performed within any department or business unit of **MERALCO EMPLOYEES MUTUAL AID AND BENEFITS ASSOCIATION, INC. (MEMABA)** that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

11. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

11.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Association's Trustees, officers, staff, subsidiaries and affiliates and their respective Trustees, officers and staff in case of violation of any of the provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.

- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- **For third violation**, the maximum penalty of removal from office shall be imposed.

11.2. The commission of a third violation of this manual by any member of the board of the Association or its subsidiaries and affiliates shall be a sufficient cause for removal from Trusteeship.

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

Signed:

(Originally Signed)
NESTOR J. DIVINA
Chairman of the Board