



UNIVERSITY OF THE EAST

2020 AMENDED MANUAL ON CORPORATE GOVERNANCE

The Board of Trustees and Management of the University of the East hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same will guide the attainment of the University's corporate goals.

Article 1: University's Objective

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

The Board of Trustees and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to create awareness of its value within the organization.

Article 2: Definition of Terms

- A. Corporate Governance** – the framework of rules, systems and processes in the University that governs the performance by the Board of Trustees and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. It is the system of stewardship and control in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders. Its purpose is to maximize the University's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.
- B. Board of Trustees** – the governing body elected by the stockholders that exercises the corporate powers of the University, conducts all its business and controls its properties;
- C. Management** – a group of executives given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the business of the University;
- D. Independent trustee** – a person who, apart from his fees and shareholdings, is independent of management and the controlling shareholder and is 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 a trustee;
- E. Executive trustee** – a trustee who has executive responsibility of day-to-day operations of a part or the whole of the University.

- F. *Non-executive trustee*** - a trustee who has no executive responsibility and does not perform any work related to the day-to-day operations of the University.
- G. *Non-audit work*** – the other services offered by an external auditor to the University that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, 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;
- H. *Internal control*** – a system established by the Board of Trustees, the Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the University's policies and procedures.
- I. *Internal control system*** – the framework under which internal controls are developed and implemented (alone or in concert 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 University is exposed;
- J. *Internal audit*** – an independent and objective assurance activity designed to add value to and improve the University's operations, and to 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;
- K. *Internal audit department*** – a department or unit of the University and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the University's operations;
- L. *Internal Auditor*** – the highest position in the University 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.
- M. *Related Party Transactions*** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- N. *Stakeholders*** - any individual, organization or society at large who can either affect and/or be affected by the University's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the University operates.

Article 3: Rules of Interpretation

- A. All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- B. All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the University.

Article 4: Board Governance

The Board of Trustees is primarily responsible for the governance of the University. Corollary to setting the policies for the accomplishment of its objectives, the Board shall provide an independent check on Management.

A. Composition of the Board

The Board shall be composed of twelve (12) trustees with at least two (2) independent trustees, who are elected by the stockholders, with a collective working knowledge, experience or expertise that is relevant to the University's operations.

The membership of the Board may be a combination of executive and non-executive trustees (which include independent trustees) in order that no trustees or small group of trustees can dominate the decision-making process.

The non-executive trustees should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

B. Multiple Board Seats

The optimum number of trusteeship/active membership and officerships in other corporation or organization shall not compromise the capacity of a trustee to diligently perform his duties and responsibilities to the board/s he serves.

C. Responsibilities, Duties and Functions of the Board**1. General Responsibility**

It shall be the Board's responsibility to foster the long-term success of the University and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board shall formulate the University'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 University, its stockholders and other stakeholders, the Board shall 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 trustees 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 for the attainment of the University's vision, mission and objectives. 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 University's faithful compliance with all applicable laws, regulations and best business practices.
- d. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the University.
- e. Identify the corporation's stakeholders in the community in which the University 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 the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the University'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 University to anticipate and prepare for possible threats to its operational and financial viability.
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the University and its associates, affiliates, major stockholders, officers and trustees, including their spouses, children and dependent siblings and parents, and of interlocking trustee relationships by members of the Board.
- i. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

- j. Establish and maintain an alternative dispute resolution system in the University that can amicably settle conflicts or differences between the University and its stockholders, and the University and third parties, including the regulatory authorities.
- k. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
- l. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- m. The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Trustees.
- n. The Board shall ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the University. In the absence of a Compliance Officer, the Corporate Secretary, preferably a lawyer, should act as such. The Compliance Officer should not be a member of the Board of Trustees.

D. Internal Control Responsibilities of the Board

The control environment of the University consists of (a) the Board which ensures that the University is properly and effectively managed and supervised; (b) a Management that actively manages University operations in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the University'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.

1. The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:
 - a. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the University'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 University's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
2. The University shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and shall require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

E. Specific Duties and Responsibilities of a Trustee

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

A trustee shall observe the following norms of conduct:

1. Conduct fair business transactions with the University, and ensure that his personal interest does not conflict with the interests of the university.

The basic principle to be observed is that a trustee shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a trustee, he shall fully and immediately disclose it and shall not participate in the decision-making process.

A trustee who has a continuing material conflict of interest shall seriously consider resigning from his position. A conflict of interest shall be considered material if a trustee's personal or business interest is antagonistic to that of the University, or stands to acquire or gain financial advantage at the expense of the University.

2. Devote time and attention necessary to properly and effectively perform his duties and responsibilities.

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

3. Act judiciously.

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

4. Exercise independent judgment.

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

5. Have a working knowledge of the statutory and regulatory requirements that affect the University, including its articles of incorporation and by-laws, the rules and regulations of the Securities and Exchange Commission and, where applicable, the requirements of relevant regulatory agencies.

A trustee shall also keep abreast with industry developments and business trends in order to promote the University's competitiveness.

6. Observe confidentiality.

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

F. Board Committees

To assist in complying with the principles of good governance, the Board shall constitute the following Committees:

1. *Nomination Committee*

The Board shall create a Nomination Committee which shall have at least three (3) voting members, one of whom must be an independent trustee, 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 trustees. In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulations Code and other relevant laws, the Committee shall pre-screen and shortlist all Board of Trustees nominees' in accordance with the following qualifications and disqualifications:

Qualifications of a Trustee

- a. He shall be a holder of at least one (1) share of stock of the University;
- b. He shall be at least a college graduate or has practical understanding of the business of the University;
- c. He shall have been proven to possess integrity and probity; and

- d. He shall be a member in good standing in relevant industry, business or professional organizations or his previous business experience.

Disqualifications of a Trustee

Permanent Disqualifications

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

- a. 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 as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities Exchange Commission, Bangko Sentral ng Pilipinas (BSP) 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 or practice in any of the capacities as above mentioned or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (a) such person is currently the subject of an order of the Securities Exchange Commission, BSP 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 Securities Exchange Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) 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;

- c. 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 fraudulent acts;
- d. Any person who has been adjudged by final judgment or order of the Securities and Exchange Commission, BSP, 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 Securities and Exchange Commission or BSP, or any of its rule, regulation or order;

- e. Any person earlier elected as independent trustee who becomes an officer, employee or consultant of the University shall be automatically disqualified from being an independent trustee;
- f. Any person judicially declared as insolvent;
- g. 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 (a) to (f) above;
- h. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five (5) years prior to the date of his election or appointment; and
- i. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

Temporary Disqualifications

The Board shall provide for the temporary disqualification of a trustee for any of the following reasons:

- a. 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;
- b. 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;
- c. Dismissal, termination or removal for cause as director/trustee of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
- d. If the beneficial equity ownership of an independent trustee in the University 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; and

- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

2. Compensation or Remuneration Committee

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

Duties and Responsibilities

- a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and trustees, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the University's culture, strategy and control environment.
- b. Formulate the amount of remuneration which shall be in a sufficient level to attract and retain the services of qualified trustees and officers.
- c. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual trustees, if any, and officers.
- d. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties once hired.
- e. Disallow any trustee to decide his own remuneration.
- f. Provide in the University's annual reports, information and proxy statements a disclosure of compensation of its Trustees and top four (4) executive officers for the previous fiscal year and the ensuing year.
- g. Review 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.

3. Audit Committee

The Audit Committee shall consist of at least three (3) trustees, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent trustee and another with audit experience. The chair of the Audit Committee shall be an independent trustee. 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, monitoring of compliance with applicable laws, rules and regulations;
- b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the University. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c. Perform oversight functions over the University'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 University. 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. Monitor and evaluate the adequacy and effectiveness of the University's internal control system, including financial reporting and information technology security;
- g. Review the reports submitted by the internal and external auditors;
- h. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - h.1 Any change/s in accounting policies and practices
 - h.2 Major judgmental areas
 - h.3 Significant adjustments resulting from the audit
 - h.4 Going concern assumptions
 - h.5 Compliance with accounting standards
 - h.6 Compliance with tax, legal and regulatory requirements;
- i. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- j. 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 University's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the University's annual report;
- k. 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; and
- l. 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.

G. 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 Securities and Exchange Commission (SEC). To promote transparency, the Board may request the presence of at least one (1) independent trustee in all its meetings.

To monitor the trustees' compliance with the attendance requirements, the University shall submit to the SEC, on or before January 30 of the following year, a Compliance Officer Certification about the trustees' record of attendance in Board meetings for the preceding year.

H. The Chairman and Chief Executive Officer (CEO)

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

The roles of the Chairman and the Chief Executive Officer are unified in one individual in order to provide a single vision and mission and a uniform approach and philosophy of implementing policies, strategies, plans and programs.

In order to help ensure that independent, outside views, perspectives, and judgments are given proper hearing in the Board, the Board shall constitute a Board of Advisers consisting of distinguished individuals recognized in Philippine society for their sterling records in their chosen fields of endeavor. The Board of Advisers shall be distinct from the Board of Trustees but may be invited to sit at Board meetings.

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

1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair shall deem necessary;

2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management and the trustees; and
3. Maintain qualitative and timely lines of communication and information between the Board and Management.

The duties and responsibilities of the Chairman as Chief Executive Officer shall include, among others, the following;

1. Exercise general supervision and direction over the affairs and business of the University.
2. See to it that all orders and resolutions of the Board are carried into effect.
3. Execute bonds, mortgages and other contracts requiring a seal, under the seal of the University.
4. From time to time, as the interest of the University may require, he shall report to the Board any and all matters within his knowledge which are necessary to be brought to its attention. He shall submit a report of the operations of the University to the Board of Trustees at the regular monthly meeting and to the stockholders at the annual meeting.
5. Appoint and, for cause shown, remove or suspend employees of the University. He shall also prescribe their duties, fix their salaries or emoluments, and require security in such instances and in such amounts as he may see fit.
6. In general, he shall perform such duties as may from time to time be assigned to him by the Board of Trustees and those which are prescribed by the By-Laws or which may be implied from those expressly prescribed.

I. The Corporate Secretary

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

1. 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 University;
2. Be loyal to the mission, vision and objectives of the University;
3. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
4. Have appropriate administrative and interpersonal skills;

5. If he is not at the same time the University's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
6. Have a working knowledge of the operations of the university;
7. 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;
8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
10. Submit to the Securities and Exchange Commission, at the end of every fiscal year, an annual report as to the attendance of the trustees in the Board meetings.

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:

1. Monitor compliance by the University with this Manual 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;
2. Appear before the Securities and Exchange Commission when summoned in relation to compliance with this Manual; and
3. Issue a certification every January 30th of the year on the extent of the university's compliance with this Manual 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 shall 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 shall be given independent access to Management and the Corporate Secretary.

The information shall 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 University's expense.

Article 6: Accountability and Audit

A. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the University's performance, position and prospects on an annual 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 provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

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

1. The extent of its responsibility in the preparation of the financial statements of the University, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the university shall be maintained for the benefit of all stockholders and other stakeholders;
3. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the University'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.
4. The University shall consistently comply with the financial reporting requirements of the SEC;
5. The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the University, shall be changed with the same frequency. The Internal Auditor 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 shall include significant risk

exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor shall 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 Audit Committee shall recommend to the Board an external auditor duly accredited by the SEC who shall undertake an independent audit of the University, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the University. 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 University's annual and current reports. The report shall include a discussion of any disagreement between him and the University on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the University failed to resolve satisfactorily. A preliminary copy of the said report shall be given 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 SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

Article 7: Stockholders' Rights and Protection of Minority Stockholders' Interests

- A.** The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
1. Right to vote on all matters that require their consent or approval;
 2. Pre-emptive right to all stocks issuances of the University;
 3. Right to inspect corporate books and records;
 4. Right to information
 5. Right to dividends; and
 6. Appraisal right.
- B.** The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the University. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirement 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 stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove 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 shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders shall be treated equally or without discrimination, the Board shall 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 University.

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 Manual.

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

Article 9: Disclosure and Transparency

The essence of corporate governance is transparency. All material information about the University which could adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of trustees and ownership changes. All such information shall be disclosed through the annual report and submission to the Securities and Exchange Commission.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanism for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

Article 10: Commitment to Good Corporate Governance

The University shall establish and implement the corporate governance rules in accordance with this Manual. The rules shall be embodied in a Manual that can be used as reference by the members of the Board and Management. The Manual shall be submitted to the Securities and Exchange Commission for its evaluation to enable the SEC to determine its compliance with the Revised Code of Corporate Governance taking into consideration the nature, size and scope of the business of the University.

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

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.

An adequate number of printed copies of this Manual shall be reproduced under the supervision of University's DHRD, with a minimum of at least one (1) hard copy of the Manual per department.

Article 11: Employees Participation Towards Realizing a Symbiotic Environment with the University's Management, its Goals and Corporate Governance Processes

The Board in recognition of the indispensable contribution of the University personnel undertakes to promote, maintain, and enhance the existing policies of the University concerning the health, safety and welfare of the employees as provided in the Collective Bargaining Agreement (CBA), the training, development and reward/compensation of University employees as implemented by the Department of Human Resources and Development of the University.

Article 12: Sustainability & Social Responsibility

In addition to its Constitutional mandate to provide quality education to students as Higher Education Institution, the University, through its Office of Extension and Community Outreach undertakes to deliver technical, entrepreneurial, computer literacy, industrial arts, supplementary feeding program, dental health, literacy and communication services to the adopted barangays, and adjacent communities in collaboration with Non-Governmental Organizations (NGOs), People's Organization (POs), Government Agencies, Civil Society and other institutions as part of its Corporate Social Responsibility.

Article 13: Regular Review of the Manual and the Scorecard

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

Article 14: Training Process

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

A trustee shall, before assuming his office as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

Article 15: Penalties for Non-Compliance with the Manual

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company's trustees, officers, and staff in case of violation of any provision of this Manual:

- In case of first violation a reprimand shall be imposed.
- 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.

The commission of a third violation of this Manual by any trustee of the University shall be a sufficient cause for removal from the Board.

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

22 September 2020.

(SGD)
LUCIO C. TAN
Chairman of the Board

(SGD)
DIVINOFIEL E. JARAS
Corporate Secretary and Compliance Officer

CERTIFICATION

I DIVINOFIEL E. JARAS, Corporate Secretary of UNIVERSITY OF THE EAST with SEC registration number 2023 with principal office at 2219 Claro M. Recto Avenue, Barangay 404, Zone 41, Sampaloc, 1008 Manila, Philippines, on oath state:

- 1) That on behalf of UNIVERSITY OF THE EAST, I have caused this Manual on Corporate Governance to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, UNIVERSITY OF THE EAST, will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of September, 2020.



DIVINOFIEL E. JARAS

Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this SEP 24 2020 day of 2020, 20 .

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