

NEW MANUAL ON CORPORATE GOVERNANCE CENTRO ESCOLAR UNIVERSITY

The Board of Directors and Management of Centro Escolar University (“CEU” or “University”) hereby commit themselves to the principles and best practices contained in this New Manual on Corporate Governance (“Manual”), and acknowledge that the same serves as their guide in the attainment of their corporate goals.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire University. Corporate governance is the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and Senior Management accountable for ensuring ethical behavior, reconciling long-term customer satisfaction with shareholder value for the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

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

2. DEFINITION OF TERMS

- a. Board of Directors - the governing body elected by the stockholders that exercises the corporate powers of the corporation, conducts all its business and controls its properties.
- b. Conglomerate - a group of corporations that has diversified business activities in varied industries whereby the operations of such businesses are controlled and managed by a parent corporate entity.
- c. Enterprise Risk Management - a process effected by the organization’s Board of Directors, management and other personnel, applied in strategy setting and across the organization that is designed to identify potential events that may affect the organization, manage risks to be within its risk appetite, and

provide reasonable assurance regarding the achievement of the organization's objectives.

- d. Executive Director – a director who has executive responsibility of day-to-day operations of the organization
- e. Independent Director – a person who 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 director.
- f. Internal Control – a process designed and effected by the Board of Directors, Senior 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 management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
- g. Management – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of business of the corporation.
- h. Non-Executive Director – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- i. Related Party – shall cover the company's subsidiaries, as well as affiliates (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors, officers, shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- j. 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.
- k. Stakeholders – any individual, organization, or society at large who can either affect and/or be affected by the company's strategies, policies, business

decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

3. **BOARD OF DIRECTORS**

3.1 Composition of the Board

- (1) The University should be headed by a competent, working board to foster the long-term, success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.
- (2) The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders. It shall have at least two (2) independent directors.
- (3) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to CEU's industry. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities, and respond to the needs of the organization based on the evolving business environment and strategic direction.
- (4) The membership of the Board may be a combination of executive and non-executive directors, which include independent directors, in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
- (5) First time directors are required to attend an orientation program to be provided by a training provider duly accredited by the SEC and all directors are required to attend an annual continuing training to be provided by an accredited training provider. The courses for the orientation program and continuing training shall comply with the applicable SEC rules and regulations.
- (6) Board diversity shall be a consideration in the nomination and election of the members of the University's Board of Directors.

3.2 Responsibilities of the Board

- (1) The Board is primarily responsible for the governance of CEU. In setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.
- (2) It is the Board's responsibility to foster the long-term success of the University, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.
- (3) The Board should formulate CEU's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

3.3 Duties and Functions of the Board

To ensure a high standard of best practice for CEU, 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:

- (1) Implement a process for the selection of directors 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 to ensure growth and a continued increase in the shareholders' value.
- (2) Determine the University's purpose, its vision and mission, and formulate strategies to carry out its objectives.
- (3) Provide sound strategic policies and guidelines to the University 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.
- (4) Ensure the University's faithful compliance with all applicable laws, regulations and best business practices.
- (5) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in CEU. If feasible,

CEU's Chief Financial Officer shall exercise oversight responsibility over this program.

- (6) Identify the University's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.
- (7) Adopt a system of checks and balance within the Board. A regular review of the 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 University's internal control system to maintain its adequacy and effectiveness.
- (8) Identify key risk areas and key 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.
- (9) 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 encouraged and given due consideration. 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.
- (10) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation ("AOI") and By-Laws, and in accordance with existing laws, rules and regulations.
- (11) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the University and its parent company, joint ventures, subsidiaries, associated, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- (12) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of their duties and responsibilities.

- (13) 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.
- (14) Appoint a Compliance Officer who shall have the rank of at least a Vice President, to comply with duties and responsibilities under the law and this Manual.

3.4. Duties and Responsibilities of a Director

A director is a person of trust and confidence. A director should act in the best interest of the University in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the University towards sustained progress. The duties and responsibilities of a director shall include the following:

- (1) To conduct fair business transactions with the CEU and ensure that his personal interest does not conflict with the interests of CEU.

The basic principle to be observed is that a director should not use his position to profit or gain some advantage or benefit 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 on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.

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

- (2) To 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 University's business. He should be constantly aware of and knowledgeable with CEU'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.

- (3) To act judiciously, on a fully informed basis, in good faith, and with due diligence and care, and in the best interest of the University and all shareholders.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. In all its decisions regarding CEU, the Board shall always keep in mind its duty of care and loyalty to CEU, which requires that Board members should act in the interest of CEU and its shareholders.

- (4) To exercise independent judgment.

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

- (5) To 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 SEC, and where applicable, the requirements of relevant regulatory agencies. He should keep abreast of industry developments and business trends to promote the University's competitiveness.

- (6) To 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.

- (7) To ensure the continuing soundness, effectiveness and adequacy of the University's control environment.

3.5. Qualifications of the Board of Directors

The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders. It shall have at least two (2) independent directors.

(1) Qualifications

a. He is a stockholder of record in the books of the University, owning at least one (1) share of the capital stock of CEU. He must continuously own at least one (1) share of stock during his term, otherwise he shall automatically cease to be a director.

b. He shall have high educational attainment and/or sufficiently relevant experience in managing the business.

(2) Disqualifications

a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:

- i. Involves the purchase or sale of securities, as defined in the Securities Regulation Code ("SRC");
- ii. Arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading adviser, or floor broker;
- iii. 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 SEC or any court or administrative body of competent jurisdiction from:

- i. Acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
- ii. Acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;
- iii. Engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

c. The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rules or regulations issued by the SEC 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.

d. 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.

e. Any person who has been adjudged by final judgment or order of the SEC, 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, SRC, or any other law administered by the SEC or BSP, or any of its rules, regulations or orders.

f. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.

g. Any person judicially declared as insolvent.

h. 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 (e) above.

i. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

(3) Other Qualifications and Disqualifications

The Board may, from time to time, provide for additional qualifications, disqualifications, and grounds for temporary disqualification of a director, consistent with the Corporation Code, the University's AOI, By-Laws and this Manual.

3.6. Remuneration of Directors and Officers

The levels of remuneration of the University 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 structured or be based on corporate and individual performance.

The University shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Remuneration Committees.

3.7. 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 University's expense.

3.8. Assessment of Board Performance

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it has the right mix of backgrounds and competencies.

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

4. BOARD COMMITTEES

To aid in complying with the principles of good corporate governance, the Board shall constitute an Audit Committee, a Nomination Committee and a

Remuneration Committee. The Board may form other committees, as it may deem appropriate, to support the Board in the performance of its functions.

4.1 Audit Committee

The Audit Committee shall be composed of at least three (3) directors, one (1) of whom shall be an independent director. The independent director shall be the committee chairman. Each member shall preferably have accounting and finance backgrounds, have adequate understanding at least, or competence at most, of the University's operations, financial management systems and environment. One member of the committee should have an audit experience. The Audit Committee shall have the following duties and responsibilities:

- (1) 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 regulations.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) Organize an internal audit department, and consider the appointment of an independent internal auditor, and the terms and conditions of its engagement and removal.

- (7) Monitor and evaluate the adequacy and effectiveness of the University's internal control system, including financial reporting control and information technology security.
- (8) Review the reports submitted by the internal and external auditors.
- (9) 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
- (10) Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- (11) 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 this duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.
- (12) 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.

4.2 Nomination Committee

The Nomination Committee shall be composed of at least three (3) directors, one (1) of whom shall be an independent director. The Nomination Committee shall support and advice the Board in relation to the selection and appointment of directors who are able to meet the needs of the University and the ongoing evaluation and review of the performance of the Board and the Directors. The Nomination Committee shall perform the following duties and responsibilities:

- (1) Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval. In the

evaluation of the nominees, the Committee shall consider whether the candidates:

- a. Possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind, given their responsibilities to the Board and in light of the University's business and risk profile;
 - b. Have a record of integrity and good repute;
 - c. Have sufficient time to carry out their responsibilities; and
 - d. Have the ability to promote a smooth interaction between Board members.
- (2) Assess the effectiveness of the Board's processes and procedures in the election and replacement of directors.
 - (3) Recommend to the Board of Directors nominees to fill-up vacancies in the membership of the Board of Directors as they occur and, prior to each meeting of stockholders, recommend a slate of nominees for election as directors at such meeting.

4.3. Remuneration Committee

The Remuneration Committee shall be composed of at least two (2) directors. The Remuneration Committee assists the Board in fulfilling its responsibilities to shareholders and regulators in relation to remuneration within CEU. The Remuneration Committee shall perform the following duties and responsibilities:

- (1) Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers.
- (2) Ensure that the compensation of directors and officers is consistent within CEU's culture, strategy and the business environment in which it operates.
- (3) Authorized to appoint independent remuneration experts to advise them on specific remuneration issues, and seek any information it requires from any employee who must cooperate with the request made by the Committee.

5. THE CHAIRMAN OF THE BOARD AND CEO

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

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

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

- (1) Ensure that the meetings of the Board are held in accordance with the By-Laws of the University. The Chairman shall foster an environment conducive for constructive debate and leveraging of skills and expertise of the individual directors, during each meeting of the Board.
- (2) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the Directors.

In the preparation of the agenda, the Chairman must ensure that the Agenda focuses on strategic matters, including the overall risk appetite of the University, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.

The Chairman shall ensure that the Board members receive accurate, timely, relevant, insightful, concise and clear information regarding the agenda items to enable the Board to make sound decisions.

- (3) Maintain qualitative and timely lines of communication and information between the Board and Management. The Chairman shall ensure that the Board sufficiently challenges and inquires on reports submitted and represented by Management.

6. CORPORATE SECRETARY

The Board shall be assisted in its duties by a Corporate Secretary, who shall not be a member of the Board of Directors. The Corporate Secretary is an officer of

the University, and as such, he is expected to perform his duties efficiently and diligently.

The Corporate Secretary shall attend the annual training provided by an SEC accredited training provider.

The Corporate Secretary, who shall be a Filipino citizen and a resident of the Philippines, shall perform the following duties and responsibilities:

- (1) Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule and agenda of Board and Committee meetings.
- (2) Inform the members of the Board, in accordance with the By-Laws of the agenda of their meetings at least two (2) days in advance 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.
- (3) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so.
- (4) Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- (5) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its Committees, as well as the other official records of the University.
- (6) Be loyal to the mission, vision and objectives of the University.
- (7) Work fairly and objectively with the Board, Management, stockholders and other stakeholders, and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its stakeholders, including shareholders.
- (8) Have appropriate administrative and interpersonal skills.
- (9) Keep abreast on relevant laws, rules and regulations necessary in the performance of his duties and responsibilities, as well as government issuances, relevant industry developments and operations of the University, and advise the Board and the Chairman on all relevant issues as they arise.

- (10) Have a working knowledge of the operations of the University.
- (11) Perform other duties which the Board may delegate.
- (12) Perform duties and responsibilities provided by the SEC and ensure that the University's By-Laws, rules and regulations conform with regulatory requirements.

7. COMPLIANCE OFFICER

To insure adherence to corporate principles and best practices, 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.

The duties of the Compliance Officer shall include the following:

- (1) Ensure the proper orientation of new directors of the University.
- (2) Monitor, review, evaluate and ensure compliance by the University with this Manual, and the rules and regulations of regulatory agencies.
- (3) 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.
- (4) Ensure the integrity and accuracy of all documentary submissions to regulators.
- (5) Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance for Publicly-Listed Companies.
- (6) Identify, monitor and control compliance risks and work towards the resolution of the same.
- (7) Coordinate closely with CEU's Officers, Managers, and other departments to ensure their compliance with their avowed responsibilities to the shareholders and the general public.
- (8) Perform such other duties and responsibilities as may be delegated by the Board, and provided by the SEC.

8. INTERNAL AUDITOR

The University shall have an independent internal audit function in place. This function shall be performed by an Internal Auditor or a group of Internal Auditors, through which the Board, Senior Management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall report to the Audit Committee.

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

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.

9. EXTERNAL AUDITOR

The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee. An external auditor shall ensure an environment of good corporate governance as reflected in the financial records and reports of the University.

The external auditor of the University shall not at the same time serve as internal auditor. The University shall ensure that other non-audit work will not be in conflict with the functions of the external auditor. The University's external auditor shall either be rotated or the handling partner shall be changed every five (5) years or earlier. The reason/s for any resignation, dismissal or cessation from service of an external auditor, and the date thereof, shall be reported in the University's annual and current reports.

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

10. ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the University'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 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 should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (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, should 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 for the benefit of all stockholders and other stakeholders.
- (3) 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 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 should consistently comply with the financial reporting requirements of the SEC.
- (5) 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 University, should be changed with the same frequency.
- (6) The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit, 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 exposure, 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.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders 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 corporation. 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 effectively of such action shall be reported in the corporation'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 by the University 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.

11. STOCKHOLDERS' BENEFITS AND RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

The University recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its stockholders. Therefore, the provisions below are issued for the guidance of all internal and external parties concerned, as a covenant of good governance between the University and all its stockholders.

The University should treat all stockholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. Basic stockholder rights should be disclosed in the Manual and the University website.

11.1 Rights of Stockholders

The Board respects the rights of the shareholders in accordance with the Corporation Code.

(1) Voting Right

Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code and the University's By-Laws. Cumulative voting may be used in the election of directors.

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

(2) Pre-emptive Right

All Stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class in proportion to their respective shareholdings, unless such right is denied in the University's AOI or an amendment thereto. This right shall be subject to the limitations/exceptions prescribed under the Corporation Code.

(3) Power of Inspection

Stockholders shall be allowed to inspect CEU's books and records in accordance with the Corporation Code. They shall be furnished with the University's Annual Report/s (SEC Form 17-A filed with the SEC) upon request to the Office of the Corporate Secretary. Stockholders shall also be furnished with a copy of the Audited Financial Statements (which form part of SEC Form 17-IS or SEC Form 20 filed with the SEC).

(4) Right to Information

The Stockholders shall be provided, upon request, with the latest available reports which disclose personal and professional information about the Directors and Officers and certain other matters such as their holdings of the University's shares, dealings with the University, relationships among directors and key officers, and the aggregate compensation of directors and officers.

Any stockholder shall be granted the right to propose the holding of a meeting and to propose items in the agenda of the meeting, in accordance with Section 50 of the Corporation Code, and provided the items are for legitimate business purposes.

(5) Right to Dividends

Stockholders shall have the right to receive dividends subject to the discretion of the Board, and in accordance with the Corporation Code.

The University shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite University expansion projects or programs approved by the Board; b) when the University is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the University, such as when there is a need for special reserve for probable contingencies.

(6) Appraisal Right

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

- In case any amendment to the AOI has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the University property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

11.2 Promotion and Enhancement of Rights

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

The Board should 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 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 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 should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholder's meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should 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 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 University.

12. REPORTORIAL AND DISCLOSURE SYSTEM ON THE UNIVERSITY'S CORPORATE GOVERNANCE POLICIES

The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or Officer through the Corporation's Compliance Officer.

It is therefore essential that all material information about the University which could adversely affect its validity, or the interest of its stockholders and other stakeholders 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.

Other information that should always be disclosed includes remuneration (including stock options) of all directors and senior management, and corporate strategy.

All disclosed information shall be released via the approved Exchange procedure for corporate announcements, as well as through the annual report.

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

13. COMMUNICATION AND ORIENTATION

This Manual shall be available for inspection by any stockholder of the University at reasonable hours on business days.

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

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.

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

A director may, before assuming his position, be required to attend a seminar on corporate governance, which shall be conducted by a duly recognized private or government institute accredited by the SEC.

14. MONITORING AND ASSESSMENT

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 this Manual.

This Manual shall be subject to annual review by the Board unless the Board determines that it should be reviewed at more frequent intervals. All business processes and practices being performed within any department or business unit of CEU that are not consistent with any portion of this Manual shall be discontinued, unless they are changed to the extent necessary to be compliant with this Manual.

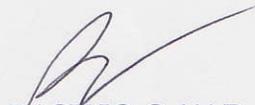
This Manual shall be subject to review, and may be amended or revised at any time at the discretion of the Board.

15. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, the Compliance Officer shall be responsible for determining violation/s after notice and hearing and shall recommend to the Board the imposable penalty for such violation, subject to further review and approval of the Board.

THIS MANUAL SHALL BE AVAILABLE FOR INSPECTION BY ANY STOCKHOLDER OF THE CORPORATION AT REASONABLE HOURS ON BUSINESS DAYS.

Signed:



BASILIO C. YAP
Chairman of the Board



SERGIO F. APOSTOL
Compliance Officer

May 31, 2017