

COVER SHEET

102415

S.E.C. Registration Number

ZEUS HOLDINGS, INC.

(Company's Full Name)

201 F LKG TOWER 6801 AYALA AVE.
MAKATI CITY

(Business Address : No. Street City / Town / Province)

ATTY. DANY L. PARKER

Contact Person

884-1106

Company Telephone Number

12 31

Month Day
Fiscal Year

MANUAL ON CORPORATE GOVERNANCE

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

ZEUS HOLDINGS, INC.

20/F LKG Tower, 6801 Ayala Avenue, Makati City
Tel. No. 884-1106 / Fax No. 884-1450

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Received by: [Signature]

24 January 2003

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills
Mandaluyong City

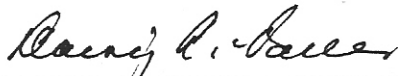
Attention : **Atty. Justina F. Callangan**
Director
Corporation and Finance Department

Re : Zeus Holdings, Inc. (ZHI)

Gentlemen:

In compliance with your letter dated 17 January 2003 (copy of which we received on 21 January 2003), we submit herewith the Manual on Corporate Governance duly signed by ZHI's Chairman of the Board and President.

Very truly yours,



DAISY L. PARKER / ARIEL T. LOPEZ
Corporate Secretary / Asst. Corporate Secretary

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1 OBJECTIVE

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

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 COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. Designation of Compliance Officer

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

2.1.2. Duties of the Compliance Officer

He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission (the "Commission") upon summons on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed calendar year, explaining the reason/s of the latter's deviation from the same, if any; and

- Identify, monitor and control compliance risks.

2.1.3. *Disclosure of Appointment to the Securities and Exchange Commission*

The appointment of the Compliance Officer shall be immediately disclosed to the Commission through SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

2.2. **Plan of Compliance**

2.2.1. **Board of Directors**

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

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

2.2.1.1. *General Responsibility*

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

2.2.1.2. *Specific Duties and Functions*

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

- Install a process of selection to ensure a mix of competent directors and officers;
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;

- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.

2.2.1.3. *Duties and Responsibilities of a Director*

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interests do not unduly influence Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.2.2. **Board Committees**

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

2.2.2.1. **Nomination Committee**

The Board shall create a Nomination Committee composed of at least three (3) voting directors (one of whom must be independent) as members.

2.2.2.1.1. *Pre-screening and Shortlisting of Candidates to the Board*

It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

Qualifications

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least twenty one (21) years old;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall have been proven to possess integrity and probity; and
- He shall be assiduous.

Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code (SRC), the Corporation Code (CC), or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or any rule, regulation or order of the Commission or BSP;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the CC, committed within five (5) years prior to the date of his election or appointment

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or

any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;

- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director; and
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

2.2.2.1.2. Redefinition of Role of Chief Executive Officer

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

2.2.2.1.3. Guidelines on the Number of Directorships of a Board Member

The Nomination Committee shall consider the following guidelines on the number of directorships of each member of the Board:

- The nature of the business of the corporations which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The optimum number of directorships held by a director shall be related to the capacity of a director to perform his duties diligently in general.

2.2.2.1.4. Low Indicative Limit on Membership of CEO and Other Executive Directors

The CEO and other executive directors may submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit may apply to independent, non-executive directors

who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.1.5. Pre-screening and Shortlisting of Nominees to Positions Requiring Board Appointment

The Nomination Committee shall pre-screen and shortlist all nominees to positions requiring appointment by the Board. Pursuant thereto, the Nomination Committee may consult with the Head of the Human Resources Department (HRD) of the Corporation to determine the qualifications of the nominees.

2.2.2.2. Audit Committee

2.2.2.2.1. Composition

The Audit Committee shall have three (3) members composed of a director, the independent director and the Treasurer. Each member must have a working knowledge and understanding of the Corporation's financial management systems and environment.

2.2.2.2.2. Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency at least one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

2.3 The Corporate Secretary

2.3.1. General Responsibility

The Corporate Secretary is an officer of the Corporation and utmost competence is expected of him. Likewise, he must perform his functions in accordance with the mission, vision and specific business objectives of the corporate entity.

2.3.2. Citizenship Requirement

The Corporate Secretary shall be a Filipino citizen.

2.3.3. Required Skills

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

2.3.4. Duties and Responsibilities

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

2.4 External Auditor

2.4.1. Purpose

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

2.4.2. *Resignation, Dismissal or Cessation from Service*

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

2.4.3. *Conflict of Interest*

The external auditor of the Corporation shall not at the same time provide services as an internal auditor to the Corporation. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.4.4. *Rotation*

The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.4.5. *Incorrect or Incomplete Corporate Reports*

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

3 **COMMUNICATION PROCESS**

3.1. *Availability of the Manual for Inspection*

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

3.2. *Dissemination of Manual*

All directors, executives, and 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.

3.3. *Printed Copies*

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.

4 **TRAINING PROCESS**

4.1. *Allocation of Funds*

If necessary, funds shall be allocated by the Chief Financial Officer (CFO) or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

4.2. *Directors' Attendance in Seminar on Corporate Governance*

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

5 **REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

5.1. *Preparation and Submission of Reports/Disclosures*

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible committee or officer through the Corporation's Compliance Officer;

5.2. *Disclosure of Material Information*

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

5.3. *Other Disclosable Information*

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off-balance sheet transactions.

5.4. *Release of Disclosed Information*

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

5.5. *Board Commitment to Disclose Material Information*

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

6 **SHAREHOLDERS' BENEFIT**

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

6.1 INVESTORS' RIGHTS AND PROTECTION

6.1.1 Rights of Investors/Minority Interests

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

6.1.2 Voting Right

6.1.2.1. *Right to Elect, Remove and Replace Directors and Vote on Certain Corporate Acts*

Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the CC.

6.1.2.2. *Election of Directors*

Cumulative voting shall be used in the election of directors.

6.1.2.3. *Removal of Director Without Cause*

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

6.1.3 Pre-emptive Right

The stockholders have no pre-emptive rights, as provided in the Corporation's Articles of Incorporation (AOI). No stockholder of any common stock shall because of his/its ownership of stock shall have a right to purchase or subscribe or take any part of the stock of the Corporation whether out of the unissued authorized capital stock or any future increases thereof unless otherwise provided in the AOI. The AOI shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

6.1.4 Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

6.1.5 Right to Information

6.1.5.1. *Periodic Reports*

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company,

relationships among directors and key officers, and the aggregate compensation of directors and officers.

6.1.6 Right to Dividends

6.1.6.1. Receipt of Dividends

Shareholders shall have the right to receive dividends subject to the discretion of the Board and the availability of unrestricted retained earnings.

6.1.6.2. Declaration of Dividends

The Corporation 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 corporate expansion projects or programs approved by the Board; or b) when the Corporation 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 Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.7 Appraisal Right

The shareholders shall have an 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 CC, under any of the following circumstances:

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

6.1.8 Directors' Duty to Promote Shareholders' Rights

It shall be the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow

possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be

instrumental in removing excessive costs and other administrative or practical impediments to shareholders participation in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

7 MONITORING AND ASSESSMENT

7.1. Regular Reporting to the Board

Each Committee shall report regularly to the Board of Directors.

7.2. Evaluation System

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

7.3. Disclosure of Evaluation System

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

7.4. Quarterly Review of Manual

This Manual shall be subject to quarterly review unless otherwise prescribed by the Board.

7.5. Review of Inconsistent Business Processes and Practices

All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

8.1. Penalties

The following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, including the Corporation's subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- First Violation - Violator shall be subject to written reprimand.
- Second Violation - Suspension from office shall be imposed on such person violating the Manual. The duration of the suspension shall depend on the gravity of the violation.

- Third Violation - The maximum penalty of removal from office shall be imposed.

8.2. *Commission of Third Violation by a Director*

The commission of a third violation of this Manual by any member of the Board of the Corporation or of its subsidiaries and affiliates shall be a sufficient cause for removal as director.

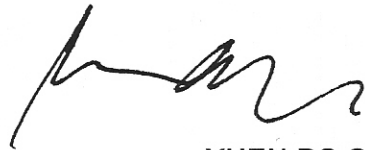
8.3. *Responsibility of compliance Officer to Determine Violation(s)*

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

Signed:



FELIPE U. YAP
Chairman of the Board



YUEN PO SENG
President