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Far Eastern University, Incorporated FEU

PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

Form/Report Type	Manual on Corporate Governance
Report Period/Report Date	May 15, 2017

Description of the Disclosure
In compliance with SEC Memorandum Circular No. 8, Series of 2017, attached is the new Manual on Corporate Governance of Far Eastern University, which was submitted and received by SEC on 11 May 2017.

Filed on behalf by:

Name	Santiago Jr. Garcia
Designation	Corporate Secretary/Compliance Officer



FAR EASTERN UNIVERSITY



15 May 2017

Nicanor Reyes Street

Sampaloc, Manila

P.O. Box 609 Philippines 1015

www.feu.edu.ph

Disclosure Department
The Philippine Stock Exchange, Inc.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attn.: Mr. Jose Valeriano B. Zuño III
OIC – Head



Gentlemen:

In compliance with SEC Memorandum Circular No. 8, Series of 2017, on Signatories and Penalty for Non/Late Submission of the Manual on Corporate Governance (MCG), attached is the new Manual on Corporate Governance of Far Eastern University (FEU), duly signed by the Chairman of the Board of Trustees, Chairman of Corporate Governance Committee, and Compliance Officer. Said MCG replaces our submission on 20 April 2017.

Thank you.

Very truly yours,

FAR EASTERN UNIVERSITY


SANTIAGO L. GARCIA, JR.
Vice President for Compliance
and Corporate Secretary 



FAR EASTERN UNIVERSITY



Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1015
www.feu.edu.ph

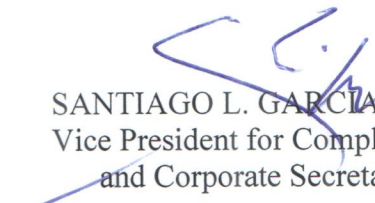
Atty. Justina F. Callangan
Director
Corporate Governance and Finance Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

Dear Atty. Callangan:

In compliance with SEC Memorandum Circular No. 8, Series of 2017, on Signatories and Penalty for Non/Late Submission of the Manual on Corporate Governance (MCG), attached is the new Manual on Corporate Governance of Far Eastern University (FEU), duly signed by the Chairman of the Board of Trustees, Chairman of Corporate Governance Committee, and Compliance Officer. Said MCG replaces our submission on 18 April 2017.

Thank you.

Very truly yours,

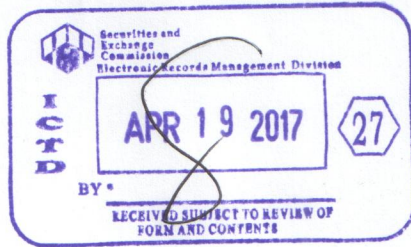

SANTIAGO L. GARCIA, JR.
Vice President for Compliance
and Corporate Secretary

mad
10/05/17

cc: Philippine Stock Exchange



FAR EASTERN UNIVERSITY



18 April 2017

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1015
www.feu.edu.ph

Atty. Justina F. Callangan
Director
Corporate Governance and Finance Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila


Dear Atty. Callangan:

In compliance with SEC memorandum Circular No. 19, Series of 2016, on the Code of Corporate Governance for Publicly-Listed Companies, please find attached new Manual on Corporate Governance of Far Eastern University (FEU), which was approved by the Board of Trustees of FEU at its meeting held on 18 April 2017.

We hope that you will find the Manual compliant with the Code of Corporate Governance for Publicly-Listed Companies.

Thank you.

Very truly yours,


SANTIAGO L. GARCIA, JR.
Vice President for Compliance
and Corporate Secretary

cc: Philippine Stock Exchange

Far Eastern University, Inc.

Manual on Corporate Governance

I. INTRODUCTION

The Board of Trustees and Management of Far Eastern University, Inc. (FEU or the University) commit themselves to the principles contained in this Manual, which is based on SEC Memorandum Circular No. 19, Series of 2016, on the *Code of Corporate Governance for Publicly-Listed Companies*.

II. OBJECTIVE

Good corporate governance is necessary to achieve FEU's corporate goals. This Manual institutionalizes the principles of good corporate governance in the organization.

III. THE BOARD'S GOVERNANCE RESPONSIBILITIES

A. Establishing a Competent Board

1. The Board shall be composed of trustees with appropriate mix of knowledge, experience or expertise that is relevant to the University's industry/sector. The Board shall ensure that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities relative to the needs of the organization. The Board shall ensure that its composition considers the obligations of an equal opportunity institution. The Board shall be composed of a majority of non-executive trustees, which include independent trustees, who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.
2. Each Board trustee shall undergo an orientation program to educate the trustee about his/her duties and responsibilities, the Company's business, corporate governance, Code of Conduct, and other relevant information. The Company shall also provide all trustees with relevant continuing education program that include developments in the business and regulatory environment.
3. The Board shall ensure that it is assisted in its duties by a Corporate Secretary. The Corporate Secretary shall not be a member of the Board of Trustees and should annually attend a training on corporate governance.
4. The Board shall ensure that it is assisted in its duties by a Compliance Officer, who shall have a rank or position with adequate stature and authority in the University. The Compliance Officer shall not be a member of the Board of Trustees and shall annually attend a training on corporate governance.

B. Establishing clear roles and responsibilities of the Board

1. The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the University and all shareholders.
2. The Board shall oversee the development of and approve the University's business objectives and strategy, and monitor their implementation, in order to sustain the University's long-term viability and strength.
3. The Board shall be headed by a competent and qualified Chairperson.
4. The Board shall be responsible for ensuring and adopting an effective succession planning program (including retirement age) for trustees, key officers and management.
5. The Board shall align the remuneration of key officers and board members with the long-term interests of the company. Further, no trustee shall participate in discussions or deliberations involving his own remuneration.
6. The Board shall have a formal and transparent board nomination and election policy that should include: (a) how it accepts nominations from minority shareholders; (b) how it reviews nominated candidates; and (c) an assessment of the effectiveness of the Board's processes and procedures in the nomination, election or replacement of a trustee.
7. The Board shall ensure that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.
8. The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).
9. The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.
10. The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter.
11. The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks.

12. The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties and should be publicly available and posted on the University's website.

C. Establishing Board Committees

1. The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.
2. The Board shall establish an Audit Committee to enhance its oversight capability over the University's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. In the absence of a separate Related Party Transactions Committee, the Audit Committee shall also be tasked with reviewing all material related party transactions of the University. The committee shall be composed of at least three appropriately qualified non-executive trustees, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall not be the chairman of the Board or ideally, of any other committees.
3. The Board shall establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of at least three members, a majority of whom should be independent trustees, including the Chairman.
4. The Board shall establish a separate Risk Management Committee (RMC) that shall be responsible for the oversight of the University's Enterprise Risk Management system to ensure its functionality and effectiveness. The RMC shall be composed of at least three members, the majority of whom shall be independent trustees, including the Chairman. The Chairman shall not be the Chairman of the Board or ideally, of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.
5. All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. It should also be fully disclosed on the University's website.

D. Fostering Commitment

1. The trustees shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so.

2. The non-executive trustees of the Board shall concurrently serve as trustees to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.
3. A trustee shall notify the Board where he/she is an incumbent trustee/director before accepting a trusteeship/directorship in another company.

E. Reinforcing Board Independence

1. The Board shall have at least three independent trustees, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Board shall ensure that its independent trustees possess the necessary qualifications and none of the disqualifications for an independent trustee to hold the position.
2. The Board's independent trustees shall serve for a maximum cumulative term of nine years. After which, the independent trustee shall be perpetually barred from re-election as such in the University's Board, but may continue to qualify for nomination and election as a non-independent trustee. In the instance that the University wants to retain an independent trustee who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.
3. The positions of Chairman of the Board and Chief Executive Officer shall ideally be held by separate individuals. Where the positions are held by the same person, a Chief Operating Officer shall be appointed and each should have clearly defined responsibilities.
4. The responsibilities of the Chief Executive Officer (Chair) and the Chief Operating Officer (President) are clearly defined.

On issues that would benefit from the specific focus of the relevant Board Committee, the Board will designate the Independent Trustee chairing the Committee to facilitate and lead the discussion on the subject.

5. A trustee with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.
6. The non-executive trustees shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive trustee present to ensure that proper checks and balances are in place within the corporation. The meetings shall be chaired by the lead independent trustee.

F. Assessing Board Performance

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The assessment process should allow for a feedback mechanism from the shareholders.

G. Strengthening Board Ethics

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, including acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees and disclosed through the University website. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

IV. DISCLOSURE AND TRANSPARENCY

A. Enhancing Company Disclosure Policies and Procedures

1. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the University's financial condition, results and business operations.
2. The Company shall have a policy requiring all trustees and key officers, as defined in the Policy on Insider Trading, to disclose/report to the University any dealings in the University's shares within three business days.
3. The Board shall fully disclose all relevant and material information on individual board members and key officers to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
4. The University shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.
5. The material or significant Related Party Transactions reviewed and approved during the year in accordance with the Company's RPT Policy shall be disclosed in the Company's Annual Corporate Governance Report or Annual Report (financial section).
6. The University shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of material assets.
7. The University corporate governance policies, programs and procedures shall be contained either in this Manual on Corporate Governance or in other official documents, which shall be submitted to the regulators and posted on the University's website.

B. Strengthening the external auditor's independence and improving audit quality

1. The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.
2. The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter shall also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
3. The University shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

C. Increasing focus on non-financial and sustainability reporting

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The University shall adopt a suitable standard/framework in reporting sustainability and non-financial issues.

D. Promoting a comprehensive and cost-efficient access to relevant information

The Company shall include media and analyst briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

V. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

Strengthening the internal control system and enterprise risk management framework

1. The University shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.
2. The University shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the University's operations.

3. The University shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including any portion that is outsourced to a third party service provider.
4. Subject to its size, risk profile and complexity of operations, the University shall have a separate risk management function to identify, assess and monitor key risk exposures.
5. In managing the University's Risk Management System, the University shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities.

VI. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

Promoting shareholders rights

1. The Board shall ensure that shareholders are informed of their basic rights. The shareholders rights shall be disclosed in the University website.
2. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
3. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the University website within five business days from the end of the meeting.
4. The Board shall make available, whenever warranted, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. This mechanism should be disclosed an official document.
5. The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO function shall be assigned to an appropriate corporate officer, who should be present at every shareholders' meeting.

VII. DUTIES TO STAKEHOLDERS

A. Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights

1. The Board shall identify the University's various stakeholders and promote cooperation between them and the University in creating wealth, growth and sustainability.

2. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the University and to obtain redress for the violation of their rights.

B. Encouraging Employees' Participation

1. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the University's goals and in its governance.
2. The Board shall adopt an anti-corruption policy and program in its Code of Conduct which shall be disseminated to employees across the organization through trainings to embed them in the University's culture.
3. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

C. Encouraging Sustainability and Social Responsibility

The University shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.


VIII. ADOPTION AND EFFECTIVITY

This Manual is adopted by the Board of Trustees on 18 April 2017.

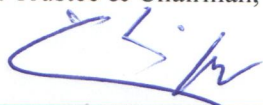
Signed by:



AURELIO R. MONTINOLA III
Chairman, Board of Trustees



EDILBERTO C. DE JESUS
Independent Trustee & Chairman, Corporate Governance Committee



SANTIAGO L. GARCIA, JR.
Compliance Officer

ANNEX 1 - Definition of Terms

Corporate Governance - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance 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 - to 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.

Board of Trustees - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

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 corporation.

Independent Trustee - 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 trustee.

Executive Trustee - a trustee who has executive responsibility of day-to-day operations of a part or the whole of the organization.

Non-executive Trustee - a trustee who has no executive responsibility and does not perform any work related to the operations of the corporation.

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.

Internal Control - a process designed and effected by the board of trustees, 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 and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Enterprise Risk Management - a process, effected by an entity's Board of Trustees, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.²

Related Party - shall cover the company's subsidiaries, as well as affiliates and any party (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 trustees; 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.

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.

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.