January 11, 2010

Disclosure Department
The Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City
Fax No. 636-0809

Attn.: Ms. Janet A. Encarnacion
Head

Gentlemen:

In compliance with the requirements of the Securities and Exchange Commission Memorandum Circular No. 6 dated June 22, 2009, attached is the Far Eastern University’s Revised Manual on Corporate Governance which was filed with SEC on January 8, 2010.

Thank you.

Very truly yours,

FAR EASTERN UNIVERSITY

[Signature]

ANGELINA P. JOSE
Corporate Secretary
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Atty. Fe B. Barin
Chairperson
The Securities and Exchange Commission
SEC Building, EDSA
Greenhills, Mandaluyong City

Subject: Revised Manual On Corporate Governance

Dear Madam Chairperson:

We are pleased to submit the Far Eastern University’s Manual on Corporate Governance in accordance with the requirements of the SEC Memorandum Circular No. 6, Series of 2009, Revised Code of Corporate Governance, issued on June 22, 2009.

Among other provisions, the Manual provides that:

- The Compliance Officer, who shall report directly to the Chairman of the Board, shall be appointed by the Board of Trustees. He has a rank of at least an Assistant Vice President.

- Three board level committees shall be created, namely: Nomination Committee, Compensation/Remuneration Committee and Audit Committee.

- The Manual shall be subject to an annual review by the Board of Trustees.

We likewise wish to inform the SEC that, although not in the Manual, the Board of Trustees, at its organizational meeting held on September 15, 2009, created the Corporate Governance Committee and the Risk Management Committee.

We hope that you will find the Manual compliant with the Revised Code of Corporate Governance.

Thank you.

Sincerely yours,

LOURDES R. MONTINOLA, Ph.D
Chairperson
MANUAL ON CORPORATE GOVERNANCE
Far Eastern University

The Board of Trustees and Management of Far Eastern University commit themselves to the principles contained in this Manual.

1.0 OBJECTIVE

FEU firmly believes that good corporate governance is necessary to achieve its corporate goals. This Manual institutionalizes the principles of good corporate governance in the organization.

2.0 COMPLIANCE SYSTEM

2.1 Compliance Officer

2.1.1 To ensure FEU’s consistent adherence to the corporate principles in the Manual, the Board of Trustees shall designate a University Compliance Officer, with a minimum rank of Assistant Vice President. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2 The Compliance Officer shall perform the following duties:

2.1.2.1 Monitor compliance by the corporation with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies;

2.1.2.2 If any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;

2.1.2.3 Appear before the Securities and Exchange Commission when summoned in relation to compliance with this Manual; and

2.1.2.4 Issue a certification to the Securities and Exchange Commission every January 30th of the year on the extent of FEU’s compliance with this Manual for the completed year and if there are any deviations, explain the reason for such deviation.

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

2.2.1 Board of Trustees

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

It shall be the Board’s responsibility to foster the long-term success of FEU and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of FEU, 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 Trustee’s office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.1.2 Specific Duties and Functions

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

- Install a process of selection to ensure a mix of competent trustees and officers;
- Determine FEU’s purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that FEU complies with all relevant laws and strives to adhere to best business practices in the industry;
- Identify FEU’s major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relation 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 meeting shall be given due consideration and all such meetings shall be duly minuted;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in the existing laws, rules and regulations;

- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;

- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions; and

- Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, third parties, including the regulatory authorities.

2.2.1.3. Duties and Responsibilities of a Trustee

A Trustee shall have the following duties and responsibilities:

- Conduct fair business transactions with FEU and ensure that personal interest does not conflict with the interests of the corporation;

- Devote the time and attention necessary to properly and effectively perform his duties and responsibilities;

- Act judiciously;

- Exercise independent judgment;

- Have a working knowledge of the statutory and regulatory requirements affecting FEU, 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;

- Observe confidentiality; and

- Ensure the continuing soundness, effectiveness and adequacy of FEU’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 which shall have at least 3 voting trustees (one of whom must be independent), and one non-voting member in the person of the Chief Finance Officer.

2.2.2.1.1 It shall process, pre-screen and short list all candidates nominated to become a member of the Board of Trustees in accordance with the following qualifications and disqualifications:

Qualifications:

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

Disqualifications:

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent 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, the Corporation Code, or any other laws administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- 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 6 years, or a violation of the Corporation Code, committed within 5 years prior to the date of his election or appointment.

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

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- Absence or non-participation for whatever reason/s for more than 50% of all meetings, both regular and special, of the Board of Trustees during his incumbency, or any 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 FEU;

- If the independent trustee becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent trustee;

- Conviction that has not yet become final referred to in the grounds for the disqualification of trustees; and

- If the beneficial ownership of an independent trustee in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock.

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

2.2.2.1.2 In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
2.2.2.1.3 The Nomination Committee shall consider the following guidelines in the determination of a candidate’s suitability, and his ability to devote sufficient time to his duties as a trustee:

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

The optimum number shall be related to the capacity of a trustee to perform his duties diligently in general.

2.2.2.1.4 The Chief Executive Officer and other Trustees shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive trustees who serve as full-time executives in other corporations. In any case, the capacity of trustees to serve with diligence shall not be compromised.

2.2.2 Compensation or Remuneration Committee

2.2.2.1 The Board shall create a Compensation or Remuneration Committee which shall have at least three (3) voting trustees (one of whom must be independent), and one (1) non-voting member in the person of the Chief Financial Officer.

2.2.2.2 Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and trustees, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation’s culture, strategy and control environment;

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain trustees and officers who are needed to run the company successfully;
• Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual trustees, if any, and officers;

• Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

• Disallow any trustee to decide his or her own remuneration;

• Provide in the corporation’s annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous year and ensuring year;

• Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefit policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective post; and

• In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.2.3 Audit Committee

2.2.2.3.1 The Audit Committee shall be composed of at least 3 members of the Board, two of whom shall be independent trustees. Each member shall have adequate understanding at least or competence at most of the company’s financial management systems and environment. The chair of the Audit Committee shall be an independent trustee.

2.2.2.3.2 Duties and Responsibilities

- 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;

- Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from the Management of information on risk exposures and risk management activities;
Perform oversight functions over the corporation’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;

Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

Prior to the commencement of the audit, discuss with the external auditors 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;

Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

Monitor and evaluate the adequacy and effectiveness of the corporation’s internal control system, including financial reporting control and information technology security;

Review the reports submitted by the internal and external auditor;

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

Coordinate, monitor and facilitate compliance with laws, rules and regulations;

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 corporation’s overall consultancy expenses. The committee shall disallow any
non-audit work that will conflict with his duties as 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; and

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities.

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.

2.3.3 The Corporate Secretary

2.3.3.1 The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation.

2.3.3.2 Duties and Responsibilities:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;

- Be loyal to the mission, vision and objectives of the corporation;

- Work fairly and objectively with the Board, Management and stockholders;

- Have appropriate administrative and interpersonal skills;

- If he is not at the same the corporation’s legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

- Have a working knowledge of the operations of the corporation;

- Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

- Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
• Submit to the Commission, on or before January 30th of the following year, a sworn certification as to attendance of the trustees’ during Board meetings.

2.3.4 External Auditor

2.3.4.1 The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

2.3.4.2 If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation’s annual report and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

2.3.4.3 The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work maybe 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.

2.3.4.4 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 corporation should be changed with the same frequency.

2.3.4.5 If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission 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 report.

2.3.5 Internal Auditor

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

2.3.5.3 The minimum internal control mechanisms for management’s operational responsibility shall center on the CEO being ultimately accountable for FEU’s organizational and procedural controls.

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

3.0 COMMUNICATION PROCESS

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

3.2 All Trustees and senior executives are tasked to ensure that employees are oriented on the provisions of this Manual.

4.0 TRAINING PROCESS

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

4.2 A Trustee shall, before assuming as such, or at the earliest convenience, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

5.0 REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY’S CORPORATE GOVERNANCE POLICIES

5.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through FEU’s Compliance Officer.

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

5.3 Other information that shall always be disclosed includes remuneration (including stock options) of all trustees and senior management corporate strategy and off-balance sheet transactions.
5.4 All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

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

6.0 SHAREHOLDERS’ BENEFIT

The company recognizes that the most cogent 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 company 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 Shareholders shall have the right to elect, remove and replace trustees and vote on certain corporate acts in accordance with the Corporation Code.

6.1.2.2 Cumulative voting shall be used in the election of trustees.

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

6.1.3 Pre-emptive Right

All stockholders shall have the pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of FEU. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular share 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 The shareholders shall be provided, upon request, with periodic reports which disclosed personal and professional information about the trustees and officers and certain other matters such as their holdings of the company’s shares, dealings with the company, relationships among trustees and key officers, and the aggregate compensation of trustees and officers.

6.1.5.2 The shareholders shall be granted the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

6.1.5.3 The shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the shareholders shall be allowed to propose to include such matters in the agenda of stockholders’ meeting, being within the definition of “legitimate purposes”.

6.1.6 **Right to Dividends**

6.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

6.1.6.2 The company 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 FEU, such as when there is a need for special reserve for probable contingencies.

6.1.7 **Appraisal Right**

The shareholders’ 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 of the Philippines, under any of the following circumstances:
- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any 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 Corporation Code; and

- In case of merger or consolidation.

6.1.8 It shall be the duty of the Trustees to promote shareholder 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 participating in meetings and/or voting in person. The Trustees shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

7.0 MONITORING AND ASSESSMENT

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

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

7.3 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 FEU. The adoption of such performance evaluation system must be covered by a Board approval.

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

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

8.0 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

8.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company’s trustees, officers, staff, subsidiaries and affiliates and their respective trustees, officers and staff in case of violation of any of the provisions of this Manual.
- For the first violation, the subject person shall be reprimanded.

- For the second violation, suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.

- For the third violation, the maximum penalty of removal from office shall be imposed.

8.2 The commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from trusteeship.

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

Signed:

LOURDES R. MONTINOLA, Ph.D
Chairperson
Board of Trustees