

PORO POINT MANAGEMENT CORPORATION

A Member of the Bases Conversion and Development Authority Group

Interaction with the Communities

Section 2.9, 2.10, 2.11 and 2.12 of the PPMC's Manual of Corporate Governance provides that:

2.9 Relations with Stakeholders

As an integral part of the National Government and of the GOCCs, PPMC is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Board of Directors shall thus recognize and perform the obligations that PPMC has towards the National Government, as well as its employees, suppliers, customers and other Stakeholders, and the community in which it operates.

The Board, Officers and all its employees are required to abide by ethical policies as mandated by duly constituted authorities. The protection of the reputation and goodwill of PPMC is of fundamental importance, and the Board, Officers and employees should be aware of the disciplinary implications of breaches of policy.

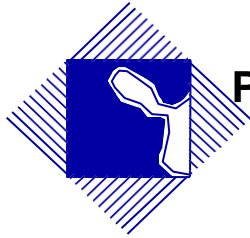
The State. The owner of the all GOCCs is the primary stakeholder. PPMC has governmental and proprietary activities as significant tool for commercial development within the economic program of government. The governance and management of PPMC strictly adhere to the time-honored principle of transparency in government service and fiduciary duties of the Board and officers who have the legal obligations and duty to always act in the best-interest of PPMC.

Locators/investors and private sector. Encourage the active and meaningful participation of the private sector in financing, managing and overseeing conversion projects. One could hardly imagine what will be done without business activity in the zone. PPMC and its locators play symbiotic role to each other. The former provides property or services to the latter which in turn use the prime property to its better operations. There are reciprocal duties and obligations of protection and support between PPMC and its locators.

Business enterprise duly registered in the zone enjoys incentives such as tax and duty free importation of raw materials and capital equipment. No local or national taxes shall be imposed on registered enterprise within the zone notwithstanding contrary provision of existing laws and rules and regulations.

Regular meeting with locators are conducted quarterly as a means to engage them into proactive synergy and feedback mechanism in the implementation of PPMC policy in the zone. In this way, any and all complaints from locators and their customers are expeditiously addressed to by the zone management.

Local Government. PPMC is the implementing arm and exercise regulatory power in the zone affecting business enterprise. However, it likewise owes support and serves the interest of the city government of San Fernando and the provincial government of La Union and shall support projects identified by the host local government units and other agencies. Establish a mechanism



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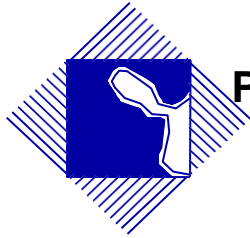
of coordination with appropriate local government units to effect meaningful consultation with communities affected by developmental projects. Coordination with local government units is important for their support and approval of multi-lateral projects in the zone. The host local government unit where the zone is geographically situated is entitled to 2% of the 5% GIE of a registered enterprise.

Community. PPMC shall conduct regular dialogue and interaction with residents of adjoining barangays in the zone. Management sees to it that the phase of development in the zone should inure in one way or another to a nearby residents who shall be benefited. PPMC policy mandated the preference of local labor force in the operation of business in the zone. This will give impetus to the objective of special economic zones are proceeding according to national goals and principles. PPMC as a socially responsible corporate citizen, shall pursue community projects to improve the quality of life of the communities affected by the development of the Poro Point Freeport Zone.

Community projects are pursued through the "PPMC HELPS Program". HELPS Stands for the various components of the program which are as follows: Health, Education and Environment, Livelihood Program, Strengthening Linkages/Sports.

The proposed projects which shall be undertaken are as follows:

Components	Proposed Projects
Health	Medical - Dental Mission Bloodletting Program Disease Prevention Supplemental Feeding Program for Malnourished Children
Education	Adopt-a-school Project Storytelling sessions for Day Care Pupils Literary Arts and Values Formation
Environment	Coastal Clean-up Beautification of Road Projects Integrated Solid Waste Management Project Tree Planting & Conservation
Livelihood Program	Employment Opportunities Inside the Zone Skills Training
Strengthening Linkages/ Sports	Support for Projects Identified by LGUs, locators and other agencies



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2.10 Recognition and respect of stakeholders' rights established by law through mutual agreements.

PPMC shall, as an integral part of its mandate and embodied in its Manual of Corporate Governance, identify and formally recognize its major and other Stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in PPMC, and providing a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how PPMC has serves their legitimate interests.

Employees are encouraged to remember that the biggest stakeholder is the Government, share the vision of PPMC, be accountable to the public, listen and learn from his/her employees, think and act as a team, focus on the customers and strive for customer satisfaction, respect others, communicates with stakeholders and customers, deliver results and celebrate success and protect the reputation of PPMC.

Dealings with customers are necessary for a successful and sustained business relationship. PPMC shall have clear and strong lines of communication which allow it to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in order to successfully and consistently deliver what PPMC is mandated to do.

PPMC shall aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. PPMC shall aim to offer, through partnership with its supplier's strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

2.11 Report on Stakeholder Relations.

PPMC shall communicate with investors, stakeholders and the public at large on their stakeholder policies and provide information on their effective implementation. PPMC shall allow its stakeholder reports to be independently scrutinized in order to strengthen their credibility.

2.12 Development, Implementation and Communication of Compliance Programs for Internal Codes of Ethics.

The PPMC Board shall apply high ethical standards in the organization with checks and balances that will ensure the corporation is protected from deviation from these standards in the course of the interaction of business considerations with political and public policy ones. PPMC shall develop an internal code of ethics that would give clear and detailed guidance as to the expected conduct of all employees and disciplinary measures for non-compliance therewith. The internal code of ethics should include guidance on procurement processes, as well as develop specific mechanisms protecting and encouraging stakeholders, and particularly employees, to report on illegal or unethical conduct by corporate officers.

POLICY ON THE IMPLEMENTATION OF COMMUNITY PROJECTS

On October 4, 2010, the PPMC Board passed PPMC Resolution No. 2010-10-84 approving the Policy on the Implementation of Community Projects.

The success of the Poro Point Freeport Zone (PPFZ) development project largely depends on the support and participation of its various stakeholders from both private and public sectors. Poro Point Management Corporation (PPMC) takes cognizance of the importance of this partnership with stakeholders as reflected in the PPMC Mission Statement:

“ To develop and manage the Poro Point Freeport Zone in order to promote the economic and social development of Northern Luzon in particular, and the country in general while ensuring the conservation and protection of our environment and natural resources”.

Pursuant to its Mission Statement, PPMC, as a socially responsible corporate citizen, shall pursue community projects to improve the quality of life of the communities affected by the development of the Poro Point Freeport Zone and shall support projects identified by the host local government units and other agencies.

Community projects are pursued through the “**PPMC HELPS Program.**”. **HELPS** stands for the various components of the program which are as follows: **Health, Education and Environment, Livelihood Program, Strengthening Linkages/Sports.**

The proposed projects which shall be undertaken are as follows:

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Livelihood Program	Employment opportunities inside the zone, Skills Training
Strengthening Linkages/Sports	Support for projects identified by LGUs and other agencies, Friendship games with LGUs, locators and other agencies

A Committee is hereby created to recommend, endorse and approve the allocation of funds for the specific projects which shall be implemented under the said program. For each project to be undertaken, a Certificate of Availability of Funds shall be secured from the Vice President for Finance.

The PR & Community Development Officer shall be responsible for the preparation of Annual Budget of the PPMC HELPS Program for inclusion in the Corporate Operating Budget to be reviewed and endorsed by Top Management and approved by the PPMC Board of Directors. Likewise, Monthly Report on implemented projects shall be prepared by the PR & Community Development Officer and submitted by Management to the PPMC Board of Directors.

Pursuant also to our Corporate Social Responsibility, PPMC established a Labor Center which provides recruitment assistance and employment facilitation. The Labor Center registers applicants for the purpose of matching their skills with the job requirement of locators.

PPMC through the Labor Center likewise monitors the employment generated inside the Poro Point Freeport Zone (PPFZ).