



JOLLIBEE FOODS CORPORATION

MANUAL ON CORPORATE GOVERNANCE

**A Compliance to
Securities and Exchange Commission
Memorandum Circular No. 2**

Date: 5-6-2007 Time: 10:0:45 AM

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JOLLIBEE FOODS CORPORATION
MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, i. e. officers and staff, of Jollibee Foods Corporation (the "Company") hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our Company's values, mission and vision.

OBJECTIVE

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

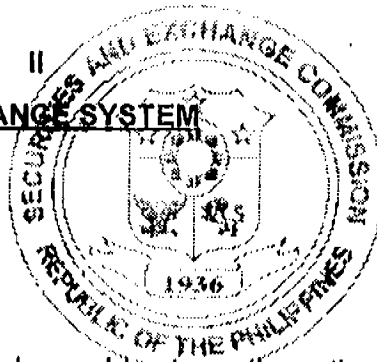
The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

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II
COMPLIANCE SYSTEM



A. 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.

The Compliance Officer may designate an Assistant Compliance Officer who shall represent the Compliance Officer in his absence and/or assist him in performing the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission upon summon 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 Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and~~
- Identify, monitor and control compliance risks.

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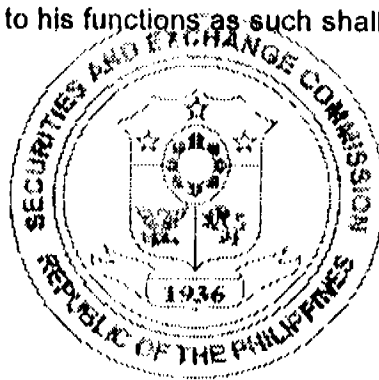
The appointment of the Compliance Officer, and any Assistant Compliance Officer, shall be immediately disclosed to the Securities and Exchange Commission on SEC

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COMPLIANCE OFFICER
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Item 17-C. All correspondence relative to his functions as such shall be addressed to said Officers.



B. Plan of Compliance

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 Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

a. General Responsibility

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

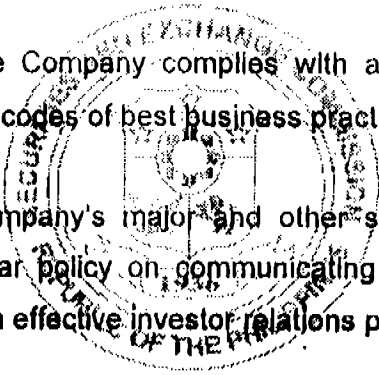
b. Specific Duties and Functions

To insure a high standard of best practice for the Company and its stakeholders, the Board, through its designated or authorized working committee or department, shall:

- Install a process of selection to ensure a mix of competent directors and officers.

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- Determine the Company's purpose, its vision and mission and strategies to carry out its objectives.

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- Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
 - Identify the Company'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;
 - Fix the salaries and bonuses of all officers and the compensation of directors, the latter being subject to the approval of the stockholders;
 - 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 regulation.

c. **Duties and Responsibilities of a Director**

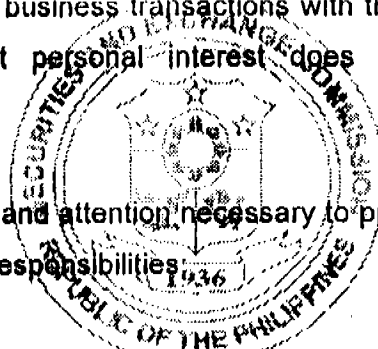
A director shall have the following duties and responsibilities:

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4

User Name: BINDOY

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- To conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions;
 - To devote time and attention necessary to properly discharge his duties and responsibilities;
 - To act judiciously;
 - To exercise independent judgment;
 - To regularly consult with executives, officers, and/or experts to be updated with knowledge of the statutory and regulatory requirements affecting the Company, 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 Company's control environment.

2. Board Committees

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

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a. **Nomination Committee**

The Board shall create a Nomination Committee which shall have at least three (3) voting and one (1) non-voting Member coming from the HR Department. For the first year of effectivity of this Manual, the Committee composition is preferably to include one (1) independent Member. For the succeeding years, however, there must always be one (1) independent Member in the Committee.

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/or disqualifications:

Qualifications

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

Disqualifications

Any person who is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

Date: 5-8-2007 Time: 10:50 AM

1. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least thirty percent (30%) of the Capital Stock) engaged in a business which the Board by a majority vote, determines to be competitive, antagonistic, and/or in clear of interest to that of the Company; or

2. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Company, when in the judgment of the Board, by a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

3. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in (1) or (2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationships.

Date: 5-6-2007 Time: 10:5:16 AM

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;

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User Name: BINDOY

- 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 law 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 six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

The Committee may also place an existing Director under temporary disqualification based on the following:

- 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;

Date: 3-5-2007 Time: 10:50 AM
 Absence or non-participation without justifiable reason/s for 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

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User Name: BINDOY

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 Company with respect to executive directors;
- If the independent director becomes an officer or employee of the same Company he shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

The Nomination Committee shall also recommend to the Board any changes or addition to 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.

The Nomination Committee shall consider the following guidelines in the determination of the fitness of any nominee for directorships in 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

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9

User Name: BINDOY

*Corporation & Organization
List*

- Possible conflict of Interest

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

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall 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.

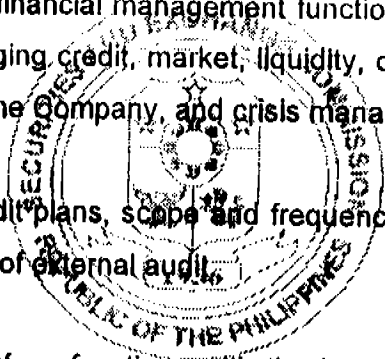
b. Audit Committee

The audit committee shall be composed of at least three (3) members of the Board. For the first year of effectivity of this Manual, the Committee composition is preferably to include one (1) independent Member. For the succeeding years, however, there must always be one (1) independent Member in the Committee.

Each member shall have adequate understanding at least of competence at most of the company's financial management systems and environment.

The audit committee shall have the following duties and responsibilities:

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.

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- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.
 - Pre-approve all audit plans, scope and frequency 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, by developing a definitive timetable within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant, in so far as consistent with the Philippine's Generally Accepted Accounting Principles (GAAP), and 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.

3. The Corporate Secretary

The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

The Corporate Secretary shall be a Filipino citizen.

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.

The Board of Directors may elect an Assistant Corporate Secretary who may act in behalf of the Corporate Secretary in the latter's absence.

The Corporate Secretary and/or the Assistant Corporate Secretary shall have the following duties and responsibilities:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company.
- 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 judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record 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.

Date: 5-6-2007 Time: 10:8:9 AM

4. External Auditor

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

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company'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.

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

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

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

5. Internal Auditor

The Company 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.

The Internal Auditor shall report to the Audit Committee.

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

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

The Audit Committee shall ensure that the internal auditors shall have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity shall be free from interference in determining the scope of internal auditing examinations, performing work and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

III

COMMUNICATION PROCESS

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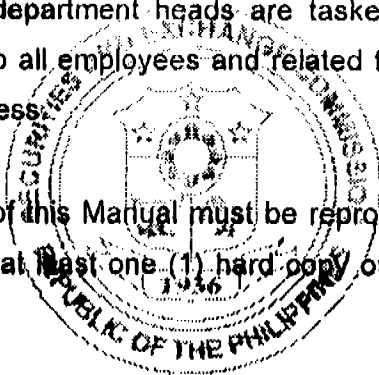
This manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

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

An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.



IV
TRAINING PROCESS

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.

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

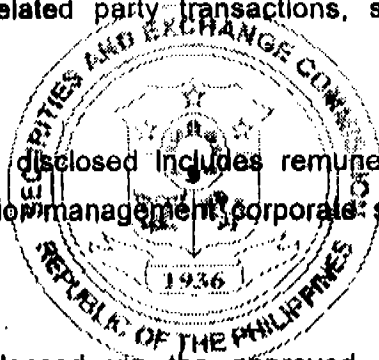
V
REPORTORIAL OR DISCLOSURE SYSTEM
OF COMPANY'S CORPORATE GOVERNANCE POLICIES

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

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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.

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.



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

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.

VI

SHAREHOLDERS' BENEFIT

The company 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 company and all its investors:

A. Rights of Investors/Minority Interests

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

1. Voting Right

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

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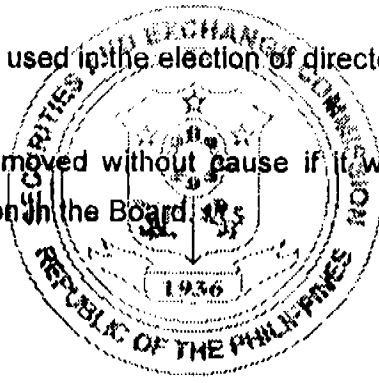
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16

User Name: BINDOY

Cumulative voting shall be used in the election of directors.

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



2. 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 Company Code, provided that the inspection shall be done only for a legitimate purpose and during reasonable office hours and at no cost to the Company. The annual reports, including financial statements, to be provided by the Company to its stockholders shall, however, be for the account of the Company.

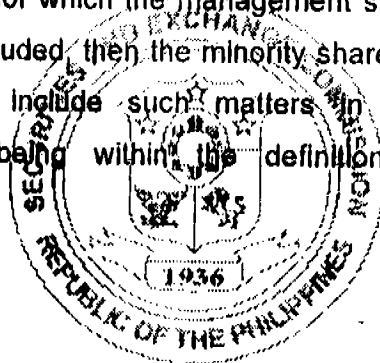
3. Right to Information

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.

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

The minority 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 minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".



4. Right to Dividends

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

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 Company 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 Company, such as when there is a need for special reserve for probable contingencies.

5. 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.

Date: 5-6-2007 Time: 10:11:48 AM

- 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 Company Code; and
- In case of merger or consolidation.

It shall be the duty of the directors 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 directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

VII

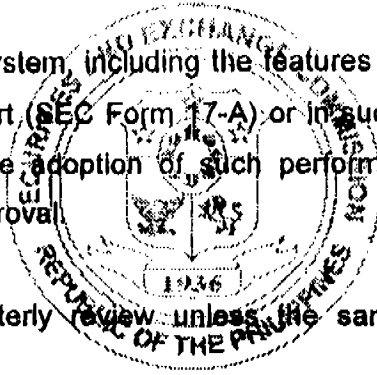
MONITORING AND ASSESSMENT

Each Committee shall report regularly to the Board of Directors.

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 VIII of this Manual.

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



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

VIII

PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

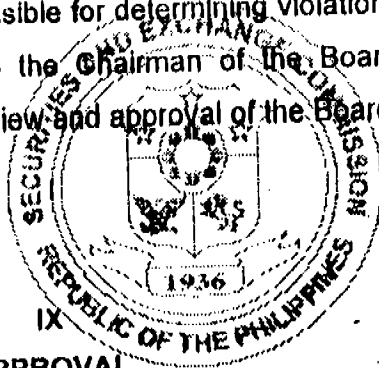
To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers and staff in case of violation of any of the provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- For **third violation**, the maximum penalty of removal from office shall be imposed:

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 directorship.

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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, for further review and approval of the Board.



APPROVAL

The foregoing Manual on Corporate Governance is hereby approved for implementation by the Board of Directors of the Company as attested and confirmed by the Chairman and the Corporate Secretary this 29 day of August, 2002, in Pasig City.


TONY TAN CAKTIONG
Chairman of the Board


WILLIAM TAN UNTIONG
Corporate Secretary

Date: 5-6-2007 Time: 10:13:50 AM

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21

User Name: BINDOY