

# COVER SHEET

C S 2 0 0 8 0 3 9 3 9  
S. E. C. Registration Number

T O P F R O N T I E R

I N V E S T M E N T

H O L D I N G S , I N C .  
(Company's Full Name)

5 th F l o o r , E N Z O B l d g .

S e n . G i l J . P u y a t

A v e n u e , M a k a t i C i t y

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

Virgilio S. Jacinto  
Contact Person

632-3143  
Company Telephone Number

1 2 3 1  
Month Day

Annual Corporate Governance Report  
FORM TYPE

Annual Meeting  
0 7 0 9  
Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
  
Domestic Foreign

-----  
To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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## STAMPS


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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2015
2. Exact Name of Registrant as Specified in its Charter TOP FRONTIER INVESTMENT HOLDINGS, INC.
3. 5th Floor, ENZO Building, Sen. Gil Puyat Ave., Makati City 1200  
Address of Principal Office Postal Code  

4. SEC Identification Number CS200803939 5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 006-990-128
7. Tel No. (632) 632-3481  
Issuer's Telephone number, including area code
8. N/A  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

|   |   |
|---|---|
| Number of Directors per Articles of Incorporation | 7 |
|---|---|

|   |   |
|---|---|
| Actual number of Directors for the year | 7 |
|---|---|

#### (a) Composition of the Board

Complete the table with information on the Board of Directors: *(as amended on 09 July 2015)*

| Director's Name                 | Type<br>[Executive<br>(ED), Non-<br>Executive<br>(NED) or<br>Independent<br>Director (ID)] | If<br>nominee,<br>identify<br>the<br>principal | Nominator in the<br>last election (if ID,<br>state the<br>relationship with<br>the nominator) | Date first<br>elected | Date last<br>elected (if<br>ID, state the<br>number of<br>years served<br>as ID) | Elected<br>when<br>(Annual<br>/Special<br>Meeting) | No. of<br>years<br>served as<br>director |
|---------------------------------|--|--|---|-----------------------|--|--|--|
| Iñigo U. Zobel                  | NED  | N/A  | Iñigo U. Zobel  | 09/01/2009            | <u>07/09/2015</u>  | Annual<br>Meeting                                  | 5  |
| Ramon S. Ang                    | ED   | N/A  | Iñigo U. Zobel  | 01/07/2010            | <u>07/09/2015</u>  | Annual<br>Meeting                                  | 5  |
| Aurora T. Calderon              | ED   | N/A  | Iñigo U. Zobel  | 10/09/2013            | <u>07/09/2015</u>  | Annual<br>Meeting                                  | 1  |
| Ferdinand K.<br>Constantino     | NED  | N/A  | Iñigo U. Zobel  | 01/07/2010            | <u>07/09/2015</u>  | Annual<br>Meeting                                  | 5  |
| Nelly A. Favis-<br>Villafuerte  | NED  | N/A  | Iñigo U. Zobel  | 09/19/2013            | <u>07/09/2015</u>  | Annual<br>Meeting                                  | 1  |
| Consuelo M. Ynares-<br>Santiago | ID   | N/A  | Iñigo U. Zobel (no<br>relationship to ID)   | 09/19/2013            | <u>07/09/2015</u><br>(ID since first<br>election)                                | Annual<br>Meeting                                  | 1  |
| Minita V. Chico-<br>Nazario     | ID   | N/A  | Iñigo U. Zobel (no<br>relationship to ID)   | 01/02/2014            | <u>07/09/2015</u><br>(ID since first<br>election)                                | Annual<br>Meeting                                  | 1  |

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation is committed to good corporate governance practices and in the implementation of the principles of fairness, transparency, accountability and responsibility. These practices, embodied in the Manual on Corporate Governance of the Corporation (the "Manual") provide the framework within which the Board of Directors and management pursue the strategic objectives of the Corporation and ensure its long-term viability for the benefit of shareholders. Pursuant to Section 2.2(b)(iv), the Corporate Governance Committee has been formed, primarily tasked to assist the Board in the performance of its oversight responsibilities in the development and implementation of the corporate governance principles, policies, structures and systems of the Corporation, and likewise tasked to review and assess the adequacy and effectiveness of said principles, policies, structures and systems. The Corporation's corporate governance practices continue to evolve to keep pace with the requirements of law, regulations and best practice recommendations. Key committees of the Board of Directors are organized with specific charters to ensure they provide strong oversight of strategic activities of the Corporation, resulting in sound business decisions that benefit shareholders. The overarching fiduciary responsibility of the Board of Directors to the shareholders and stakeholders is the unchanging and fundamental premise of the Corporation's commitment to corporate governance. Protecting shareholder interests and ensuring the integrity of the Corporation's financial information are central to every aspect of the Corporation's governance.

The Manual contains provisions on the treatment of all shareholders, respect for rights of minority shareholders and of other stakeholders, disclosure duties and board responsibilities.

Section 5 of the Manual relates to Shareholder' Benefits and Section 5.1 refers to Investors Rights and Protection. Section 5.1(a) states the Corporation's commitment to respect the rights of investors and minority shareholders. The said section describes rights relating to voting rights, pre-emptive rights, power of inspection, the right to information, the right to dividends, appraisal right and promotion of shareholder rights.

Section 4 describes the reportorial system of the Corporation's corporate governance policies which includes disclosures to the Philippine Stock Exchange and the Commission.

(c) How often does the Board review and approve the vision and mission?

The Board shall periodically review and approve the Mission, Vision and Core Values of the Corporation as the need arises as recommended by Management.

Directorship in Other Companies

(i) Directorship in the Company's Group<sup>1</sup>

(ii) Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group: (updated as of 14 April 2016)

| Director's Name             | Corporate Name of the Group Company  | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.  |
|-----------------------------|--|---|
| Iñigo U. Zobel              | San Miguel Corporation   | NED   |
| Ramon S. Ang                | San Miguel Corporation<br>San Miguel Brewery, Inc.<br>Petron Corporation<br>San Miguel Pure Foods Co., Inc.<br>Ginebra San Miguel Inc.<br>SMC Global Power Holdings Corp.<br>San Miguel Properties, Inc.<br>San Miguel Yamamura Packaging Corporation<br>Anchor Insurance Brokerage Corporation<br>Liberty Telecoms Holdings, Inc.<br>and other SMC Subsidiaries | ED, President and COO<br>NED, Chairman<br>ED, President and CEO<br>NED, Vice Chairman<br>ED, <u>Vice Chairman</u><br>ED, Chairman and CEO<br>ED, Chairman and President<br>NED, Chairman<br>NED, Chairman<br>NED, <del>Vice</del> -Chairman<br>NED/ED |
| Aurora T. Calderon          | San Miguel Corporation<br>Petron Corporation<br>Petron Marketing Corporation<br>Petron Freeport Corporation<br>SMC Global Power Holdings Corp.<br>Sea Refinery Corporation<br>Thai San Miguel Liquor Co., Ltd.,<br>Other SMC Subsidiaries  | ED<br>NED<br>NED<br>NED<br>NED<br>NED<br>NED<br>NED   |
| Ferdinand K. Constantino    | San Miguel Corporation<br>San Miguel Brewery Inc.<br><del>Ginebra San Miguel Inc.</del><br><del>San Miguel Properties, Inc.</del><br>Other SMC subsidiaries  | ED<br>NED<br><del>NED</del><br><del>NED</del><br>NED  |
| Nelly A. Favis- Villafuerte | Petron Corporation<br>Wi-Tribe Telecoms, Inc.  | NED<br>NED  |

<sup>1</sup> The Group is composed of the Corporation, its subsidiaries, associates and joint ventures.

|                             |  |     |
|-----------------------------|--|-----|
|                             | Skyphone Logistics, Inc.               | NED |
| Consuelo M. Ynares-Santiago | SMC Global Power Holdings Corp.        | ID  |
|                             | Anchor Insurance Brokerage Corporation | ID  |
|                             | <u>South Luzon Tollway Corporation</u> | ID  |
| Minita V. Chico-Nazario     | San Miguel Properties, Inc.            | ID  |
|                             | Ginebra San Miguel Inc.                | ID  |
|                             | San Miguel Pure Foods Company, Inc.    | ID  |

(iii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name             | Name of Listed Company       | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|-----------------------------|------------------------------|--|
| Consuelo M. Ynares-Santiago | Phoenix Petroleum Phil. Inc. | ID   |

(iv) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder            | Description of the relationship   |
|-----------------|--|---|
| Ramon S. Ang    | Master Year Limited<br>Privado Holdings, Corp. | sole director and shareholder<br><u>100% beneficial owner</u><br><u>controlling stockholder</u> |

(v) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No, the Corporation has not set a limit on the number of board seats in other companies that an individual director may hold simultaneously. However, a director of the Corporation disqualified as a director if he is engaged in any business which competes or is antagonistic to the business of the Corporation as provided in Corporation's By-laws.

According to the Manual, a director shall exercise due discretion in accepting and holding directorships in other corporations provided that on holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

The Nomination and Hearing Committee shall consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual:

|                           | Guidelines  | Maximum Number of Directorships in other companies   |
|---------------------------|---|--|
| <b>Executive Director</b> | <ul style="list-style-type: none"> <li>The nature of the business of the corporations which he is a director</li> <li>Age of the director</li> <li>Number of directorships/active membership and officerships in other corporations or organizations.</li> <li>Possible conflict of interests.</li> </ul> | 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. Also applicable to independent directors who serve as full time executives in other corporations.   |  |
| <b>Non-Executive Director</b> | <ul style="list-style-type: none"> <li>• The nature of the business of the corporations which he is a director</li> <li>• Age of the director</li> <li>• Number of directorships/active membership and officerships in other corporations or organizations.</li> <li>• Possible conflict of interests.</li> </ul> <p>The non-executive directors who also serve as full time executives in other corporations shall submit themselves to a low indicative limit on membership in other corporate boards.</p> | The optimum number shall be related to the capacity of a director to perform his duties diligently in general. |
| <b>CEO</b>                    | The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards.   | The optimum number shall be related to the capacity of a director to perform his duties diligently in general. |

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company as of April 14, 2016:

| <b>Name of Director</b>     | <b>Number of Direct shares</b> | <b>Number of Indirect shares / Through (name of record owner)</b>   | <b>% of Capital Stock</b> |
|-----------------------------|--------------------------------|---|---------------------------|
| Iñigo U. Zobel              | 199,601,417 (C)                |   | 59.62%                    |
| Ramon S. Ang                | 75,887 (C)                     | 36,814,051 (C)<br>Privado Holdings, Corp.<br><br>49,799,800 (C)<br>Master Year Limited<br><br>44,500 (C)<br>PCD Nominee Corporation<br>beneficially owned by<br>Privado Holdings, Corp. | 25.91%                    |
| Ferdinand K. Constantino    | 100 (C)                        | 14,750 (C)<br>PCD Nominee Corporation   | 0.01%                     |
| Aurora T. Calderon          | 2,360 (C)                      |   | 0.00%                     |
| Nelly A. Favis-Villafuerte  | 100 (C)                        |   | 0.00%                     |
| Consuelo M. Ynares-Santiago | 100 (C)                        |   | 0.00%                     |
| Minita V. Chico-Nazario     | 100 (C)                        |   | 0.00%                     |
| <b>TOTAL</b>                | <b>199,680,064</b>             | <b>86,673,101</b>   | <b>85.53%</b>             |

(C) – common shares  
(P) – preferred shares



## Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

|                       |                |
|-----------------------|----------------|
| Chairman of the Board | Iñigo U. Zobel |
| President and CEO     | Ramon S. Ang   |

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

|      | Chairman   | Chief Executive Officer/President   |
|------|--|---|
| Role | The Chairman heads the Board of Directors and is responsible for ensuring that the meetings of the Board are held in accordance with the by-laws of the Corporation or as he may deem necessary; supervising the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of Management and the directors; and maintaining qualitative and timely lines of communication and information between the Board and Management. | The President shall be the Chief Executive Officer of the Corporation and shall have general supervision, administration and management of the business of the Corporation. He shall likewise have the power and duty to establish general administrative and operating policies; and initiate and develop programs for management training and development, as well as executive compensation plans. |

|                  |  |  |
|------------------|--|--|
| Accountabilities | <p>(a) To preside at the meetings of the Board.</p> <p>(b) To present the Chairman's Report during annual stockholders meetings.</p> <p>(c) Unless otherwise determined by the Board of Directors, to attend and to act and vote in person or by proxy, for and on behalf of the Corporation, at any meeting of shareholders of any corporation in which the Corporation may hold stock, and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present.</p> <p>(d) To exercise such other powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.</p> | <p>(a) To preside at the meeting of the stockholders;</p> <p>(b) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;</p> <p>(c) To supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors;</p> <p>(d) To implement the administrative and operational policies of the Corporation under his supervision and control;</p> <p>(e) To appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;</p> <p>(f) To oversee the preparation of the budgets and the statements of accounts of the Corporation;</p> <p>(g) To represent the Corporation at all functions and proceedings;</p> <p>(h) To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board of Directors;</p> <p>(i) To make reports to the Board of Directors and stockholders;</p> <p>(j) To sign certificates of stock; and</p> <p>(k) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</p> |
| Deliverables     | <ul style="list-style-type: none"> <li>• Agenda for Meetings</li> <li>• Chairman's Annual Report</li> <li>• Statement of Management Responsibility for the Audited Financial Statements</li> <li>• Certificate of Attendance in Board Meetings</li> <li>• SEC Form 17-A (Annual Report)</li> <li>• Others</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of Management Responsibility for the Audited Financial Statements</li> <li>• Certificate of Compliance with Manual of Corporate Governance</li> <li>• SEC Form 17-A (Annual Report)</li> <li>• Others</li> </ul>  |

- 2) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors has oversight responsibilities in the selection and appointment of the Chief Executive Officer who possesses the ability, integrity and expertise necessary for the position. The duties and responsibilities of the Chief Executive Officer are defined by the Board through the Nomination and Hearing Committee.

The Board likewise evaluates the proposed senior management appointments of the Corporation and selects qualified and competent management officers, which functions are exercised through the Executive Compensation Committee.

The Corporation has a Management Development Program which identifies, evaluates and assesses individuals who, in the future, can potentially succeed in top key management positions.

#### Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Board of Directors is tasked to implement a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate policies. Directors are required to have a college degree or sufficient experience in managing the business

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Manual requires that the non-executive directors, including the independent directors, shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

|                  | Executive  | Non-Executive  | Independent Director  |
|------------------|--|--|---|
| Role             | <p>To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors.</p> <p>As an executive director, the exercise their specific role as an executive of the Corporation.</p> <p>The executive directors, acting in the capacity as directors, are accountable to the shareholders in view of their fiduciary duties to them.</p> | <p>To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors.</p> <p>The non-executive directors are accountable to the shareholders in view of their fiduciary duties to them.</p> | <p>To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors.</p> <p>To exercise independent judgment in participating in decision making functions of the Board of Directors.</p> <p>The independent directors are accountable to the shareholders in view of their fiduciary duties to them.</p> |
| Accountabilities | <ul style="list-style-type: none"> <li>To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other</li> </ul>  | <ul style="list-style-type: none"> <li>To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the</li> </ul>          | <ul style="list-style-type: none"> <li>To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.</li> </ul>   |

|              |  |  |  |
|--------------|--|--|--|
|              | <p>stakeholders.</p> <ul style="list-style-type: none"> <li>• To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management.</li> <li>• To conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities.</li> <li>• To act in a manner characterized by transparency and fairness, and in the best interest of the Corporation.</li> <li>• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</li> </ul> | <p>Corporation, its shareholders and other stakeholders.</p> <ul style="list-style-type: none"> <li>• To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management.</li> <li>• To conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities.</li> <li>• To act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation.</li> <li>• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</li> </ul> | <ul style="list-style-type: none"> <li>• To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management.</li> <li>• To conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities.</li> <li>• To act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation.</li> <li>• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</li> </ul>  |
| Deliverables | <ul style="list-style-type: none"> <li>• To exercise the powers of the Board of Directors as stated in Article III, Section 1 of the Corporation's By-laws.</li> <li>• To perform the General Responsibility of the Board of Directors as stated in Clause 2.2.a.i, Specific Duties and Functions as stated in Clause 2.2.a.ii, the Internal Control Responsibilities of the Board as stated in Clause 2.2.a.iii and the Duties and Responsibilities of a Director as stated in Clause 2.2.a.iv of the Manual.</li> </ul>  | <ul style="list-style-type: none"> <li>• To exercise the powers of the Board of Directors as stated in Article III, Section 1 of the Corporation's By-laws.</li> <li>• To perform the General Responsibility of the Board of Directors as stated in Clause 2.2.a.i, Specific Duties and Functions as stated in Clause 2.2.a.ii, the Internal Control Responsibilities of the Board as stated in Clause 2.2.a.iii and the Duties and Responsibilities of a Director as stated in Clause 2.2.a.iv of the Manual.</li> </ul>  | <ul style="list-style-type: none"> <li>• To exercise the powers of the board of directors as stated in Article III, Section 1 of the Corporation's By-laws.</li> <li>• To perform the General Responsibility of the Board of Directors as stated in Clause 2.2.a.i, Specific Duties and Functions as stated in Clause 2.2.a.ii, the Internal Control Responsibilities of the Board as stated in Clause 2.2.a.iii and the Duties and Responsibilities of a Director as stated in Clause 2.2.a.iv of the Manual.</li> <li>• To submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director.</li> <li>• To sign the Report of the Results of the Audit Committee Self-Rating Form submitted to the Commission.</li> <li>• To sign the Corporate Governance Disclosure Template.</li> </ul> |

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Under Clause 2.2(a)(vi) of the Manual, an independent director is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could or could reasonably be perceived to materially interfere with the exercise of his independent judgment in carrying out his responsibility as a director.

The Corporation shall have at least two (2) Independent Directors or such number of Independent Directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, the Corporation complies with the SEC Memorandum Circular No. 9, Series of 2011, which provides that an independent director may only serve for five (5) consecutive years, after which he will be ineligible for election until after two (2) years from his last election, after which he may again serve for another (5) years. After the second five (5) year term, he will be perpetually disqualified to be elected as an independent director of the Corporation.

### 3) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

#### (a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period ended 2014 and as at the 09 July 2015 stockholders meeting:

| Name                       | Position               | Date of Cessation | Reason                                   |
|----------------------------|------------------------|-------------------|--|
| <u>None</u>                |                        |                   |  |
| Roberto V. Ongpin          | Director               | 09-October-2013   | Resignation                              |
| Eric O. Recto              | Director and President | 09-October-2013   | Resignation                              |
| Patrick T. Lague           | Director               | 25-October-2013   | Resignation                              |
| Nelly A. Favis-Villafuerte | Independent Director   | 25-October-2013   | Elected as a regular member of the Board |

#### (b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure                       | Process Adopted  | Criteria  |
|---------------------------------|--|---|
| <b>a. Selection/Appointment</b> |  |   |
| (i) Executive Directors         | Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.<br><br>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during | In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:<br><br>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.<br>(b) He shall be at least a college graduate or have sufficient |

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|                              | <p>which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p>  | <p>experience in managing the business to substitute for such formal education.</p> <p>(c) He shall be at least twenty one (21) years old.</p> <p>(d) He shall have been proven to possess integrity and probity, and</p> <p>(e) He shall be assiduous.</p>   |
| (ii) Non-Executive Directors | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> | <p>In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:</p> <p>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.</p> <p>(b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.</p> <p>(c) He shall be at least twenty one (21) years old.</p> <p>(d) He shall have been proven to possess integrity and probity, and</p> <p>(e) He shall be assiduous.</p> |
| (iii) Independent Directors  | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> | <p>In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:</p> <p>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.</p> <p>(b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.</p> <p>(c) He shall be at least twenty one (21) years old.</p> <p>(d) He shall have been proven to possess integrity and probity, and</p> <p>(e) He shall be assiduous.</p> |

| <b>b. Re-appointment</b>     |   |  |
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| (i) Executive Directors      | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> | <p>In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:</p> <ul style="list-style-type: none"> <li>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.</li> <li>(b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.</li> <li>(c) He shall be at least twenty one (21) years old.</li> <li>(d) He shall have been proven to possess integrity and probity, and</li> <li>(e) He shall be assiduous.</li> </ul> |
| (ii) Non-Executive Directors | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> | <p>In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:</p> <ul style="list-style-type: none"> <li>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.</li> <li>(b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.</li> <li>(c) He shall be at least twenty one (21) years old.</li> <li>(d) He shall have been proven to possess integrity and probity, and</li> <li>(e) He shall be assiduous.</li> </ul> |
| (iii) Independent Directors  | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will</p>  | <p>In addition to the qualifications under the Corporation Code, the Manual prescribes the following qualifications:</p> <ul style="list-style-type: none"> <li>(a) He shall hold at least one hundred (100) shares of stock of the Corporation.</li> <li>(b) He shall be at least a college graduate or have sufficient experience in managing the business</li> </ul>  |

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|                                      | <p>be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p>   | <p>to substitute for such formal education.</p> <p>(c) He shall be at least twenty one (21) years old.</p> <p>(d) He shall have been proven to possess integrity and probity, and</p> <p>(e) He shall be assiduous.</p>   |
| <b>c. Permanent Disqualification</b> |   |   |
| (i) Executive Directors              | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> <p>If there appears to be a disqualification based on conflict of interest, the Nomination and Hearing Committee shall bring the same to the Board of Directors for resolution. The declaration of disqualification shall be determined by 3/4<sup>th</sup> vote of the Board of Directors.</p> | <p>The following are grounds for permanent disqualification of a director:</p> <p><u>Under the By-laws</u></p> <ul style="list-style-type: none"> <li>• Engaged in a business which competes with or is antagonistic to that of the Corporation <ul style="list-style-type: none"> <li>○ He/she is an officer or manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares or, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least 3/4<sup>th</sup> vote determines to be competitive or antagonistic to that of the Corporation.</li> <li>○ He/she 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 Corporation, when in the judgment of the Board, by at least 3/4<sup>th</sup> vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors.</li> <li>○ If the Board, in the exercise of its judgment in good faith, determines by at least 3/4<sup>th</sup> vote that he/she is a nominee of any person set forth in the two instances indicated above.</li> </ul> </li> </ul> <p><u>Under the Manual</u></p> <ul style="list-style-type: none"> <li>• Any person convicted by final judgment or order by a competent</li> </ul> |



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|  |  | <p>judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <ul style="list-style-type: none"> <li>• Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.</li> <li>• The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or</li> </ul> |
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|                              |  | <p>participant of the organization;</p> <ul style="list-style-type: none"> <li>Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;</li> <li>Any person who has been adjudged by final judgment or order of the SEC or a competent 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 SEC or BSP, or any rule, regulation or order of the SEC or BSP;</li> <li>Any person found guilty by final judgment or order of 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;</li> <li>Any person judicially declared to be insolvent; and</li> <li>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.</li> </ul> |
| (ii) Non-Executive Directors | <p>Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.</p> <p>Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before June 10 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe.</p> <p>The Nomination and Hearing Committee screens and determines</p> | <p>The following are grounds for permanent disqualification of a director:</p> <p><u>Under the By-laws</u></p> <ul style="list-style-type: none"> <li>Engaged in a business which competes with or is antagonistic to that of the Corporation <ul style="list-style-type: none"> <li>He/she is an officer or manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares or, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a</li> </ul> </li> </ul>   |

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|  | <p>the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.</p> <p>If there appears to be a disqualification based on conflict of interest, the Nomination and Hearing Committee shall bring the same to the Board of Directors for resolution. The declaration of disqualification shall be determined by 3/4<sup>th</sup> vote of the Board of Directors.</p> | <p>business which the Board, by at least 3/4<sup>th</sup> vote determines to be competitive or antagonistic to that of the Corporation.</p> <ul style="list-style-type: none"> <li>○ He/she 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 Corporation, when in the judgment of the Board, by at least 3/4<sup>th</sup> vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors.</li> <li>○ If the Board, in the exercise of its judgment in good faith, determine by at least 3/4<sup>th</sup> vote that he/she is a nominee of any person set forth in the two instances indicated above.</li> </ul> <p><u>Under the Manual</u></p> <ul style="list-style-type: none"> <li>• Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> <li>• Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust</li> </ul> |
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|  |  | <p>company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.</p> <ul style="list-style-type: none"> <li>• The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</li> <li>• Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;</li> <li>• Any person who has been adjudged by final judgment or order of the SEC or a competent 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 SEC or BSP, or any rule, regulation or order of the SEC or BSP;</li> <li>• Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts,</li> </ul> |
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|                             |                          | <p>violations or misconduct listed in the foregoing paragraphs;</p> <ul style="list-style-type: none"> <li>• Any person judicially declared to be insolvent; and</li> <li>• 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.</li> </ul>  |
| (iii) Independent Directors | Same procedure as above. | <p>The following are grounds for permanent disqualification of a director:</p> <p><u>Under the By-laws:</u></p> <p>In addition to the causes for permanent disqualification applicable to directors:</p> <ul style="list-style-type: none"> <li>• An employee, or officer of the Corporation, or its subsidiaries,</li> <li>• Has a relationship with the Corporation which will interfere with the exercise of independent judgment in carrying out the responsibilities as an independent director.</li> </ul> <p><u>Under the Manual</u></p> <ul style="list-style-type: none"> <li>• Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> <li>• Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor</li> </ul> |

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|  |  | <p>broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.</p> <ul style="list-style-type: none"> <li>• The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</li> <li>• Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;</li> <li>• Any person who has been adjudged by final judgment or order of the SEC or a competent 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 SEC or BSP, or any rule, regulation or order of the SEC or BSP;</li> <li>• Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory</li> </ul> |
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|                                      |                          | <p>authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <ul style="list-style-type: none"> <li>• Any person judicially declared to be insolvent; and</li> <li>• 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.</li> </ul> <p><u>Under SEC Memorandum Circular No. 9, 2011</u></p> <ul style="list-style-type: none"> <li>• Must not have previously served as an independent director of the Corporation for a total of ten (10) years (counted from January 2, 2012).</li> </ul>   |
| <b>d. Temporary Disqualification</b> |                          |   |
| (i) Executive Directors              | Same procedure as above. | <p>The following are grounds for temporary disqualification of a director under the Manual:</p> <ul style="list-style-type: none"> <li>• Refusal to fully disclose the extent of his business interest or comply with disclosure requirements 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;</li> <li>• Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>• If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of</li> </ul> |

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|                              |                          | <p>its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</p> <ul style="list-style-type: none"> <li>• If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final.</li> </ul>   |
| (ii) Non-Executive Directors | Same procedure as above. | <p>The following are grounds for temporary disqualification of a director under the Manual:</p> <ul style="list-style-type: none"> <li>• Refusal to fully disclose the extent of his business interest or comply with disclosure requirements 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;</li> <li>• Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>• If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</li> <li>• If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final.</li> </ul> |
| (iii) Independent Directors  | Same procedure as above. | <p>The following are grounds for temporary disqualification of a director under the Manual:</p> <ul style="list-style-type: none"> <li>• Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code</li> </ul>   |



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|                              |  | <p>and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <ul style="list-style-type: none"> <li>• Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>• If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</li> <li>• If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and</li> <li>• If any person earlier elected as Independent Director of the Corporation becomes an Officer, employee or consultant of the Corporation.</li> </ul> |
| <b>e. Removal</b>            |  |  |
| (i) Executive Directors      | The Corporation adheres to the process set out in the Corporation Code for the removal of directors. | An executive director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.   |
| (ii) Non-Executive Directors | The Corporation adheres to the process set out in the Corporation Code for the removal of directors. | A non-executive director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.  |
| (iii) Independent Directors  | The Corporation adheres to the process set out in the Corporation Code for the removal of directors. | An independent director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.   |

| <b>f. Re-instatement</b>     |  |  |
|------------------------------|--|--|
| (i) Executive Directors      | A temporarily disqualified director 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.  | Cessation of cause for temporary disqualification. |
| (ii) Non-Executive Directors | A temporarily disqualified director 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, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation.   | Cessation of cause for temporary disqualification. |
| (iii) Independent Directors  | A temporarily disqualified director 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, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Corporation. | Cessation of cause for temporary disqualification. |
| <b>g. Suspension</b>         |  |  |
| (i) Executive Directors      | The Corporation does not have a policy on suspension of directors other than the procedure in case there is a temporary disqualification.  | N/A  |
| (ii) Non-Executive Directors | The Corporation does not have a policy on suspension of directors  | N/A  |

|                             |   |     |
|-----------------------------|---|-----|
|                             | other than the procedure in case there is a temporary disqualification.   |     |
| (iii) Independent Directors | The Corporation does not have a policy on suspension of directors other than the procedure in case there is a temporary disqualification. | N/A |

Voting Result of the last Annual General Meeting held on July 09, 2015.

| Name of Director            | Votes Received     |
|-----------------------------|--------------------|
| Iñigo U. Zobel              | <u>294,098,393</u> |
| Ramon S. Ang                | <u>294,069,058</u> |
| Aurora T. Calderon          | <u>291,637,289</u> |
| Ferdinand K. Constantino    | <u>298,897,914</u> |
| Nelly A. Favis-Villafuerte  | <u>293,888,649</u> |
| Consuelo M. Ynares-Santiago | <u>294,782,328</u> |
| Minita V. Chico-Nazario     | <u>294,782,328</u> |

#### 4) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The Corporation conducts an orientation program for new directors which is conducted by the Office of the Chief Finance Officer together with the Office of the Corporate Secretary and Compliance Officer. The presentation includes an overview of the business of the Corporation, most recent financial statements results of operations, corporate social responsibility initiatives, the code of ethics, policy on dealings with securities, the Manual, functions and duties of the member or the board of directors, the board of directors as a collegial body and reportorial requirements as a member of the board of directors. The orientation sessions are conducted individually which allows the directors to ask questions. Copies of the constitutive documents of the Corporation, and the latest information package of the Corporation, if available, are also given the new director during orientation.

(b) State any in-house training and external courses attended by Directors and Senior Management<sup>2</sup> for the past three (3) years:

- (i) Seminar on Corporate Governance, December 9, 2010, conducted by the UP Institute for the Administration of Justice.<sup>3</sup>
- (ii) Seminar on Corporate Governance, November 9, 2011, conducted by the UP Institute for the Administration of Justice.<sup>4</sup>
- (iv) Corporate Governance Training, September 19, 2014 conducted by SGV & Co.<sup>5</sup>
- (v) Corporate Governance Training, September 26, 2014 conducted by SGV & Co.<sup>6</sup>
- (vi) Corporate Governance Training, November 6, 2014 conducted by Risks, Opportunities, Assessment and Management, Inc.<sup>7</sup>
- (vii) Corporate Governance Training, August 05, 2015 conducted by SGV & Co.<sup>8</sup>

<sup>2</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>3</sup> Attended by Iñigo U. Zobel, Ferdinand K. Constantino, Virgilio S. Jacinto, Aurora T. Calderon, and Bella O. Navarra.

<sup>4</sup> Attended by Aurora T. Calderon.

<sup>5</sup> Attended by Iñigo U. Zobel, Aurora T. Calderon, Ferdinand K. Constantino, and Virgilio S. Jacinto.

<sup>6</sup> Attended by Irene M. Cipriano.

<sup>7</sup> Attended by Ramon S. Ang.

<sup>8</sup> Attended by Nelly A. Favis-Villafuerte

- (viii) Corporate Governance Training, November 11, 2015 conducted by Risks, Opportunities, Assessment and Management, Inc.<sup>9</sup>
- (ix) Corporate Governance Training, October 20, 2015 conducted by Risks, Opportunities, Assessment and Management, Inc.<sup>10</sup>
- (x) Corporate Governance Training, December 04, 2015 conducted by Risks, Opportunities, Assessment and Management, Inc.<sup>11</sup>

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

| Name of Director/Officer | Date of Training     | Program   | Name of Training Institution         |
|--------------------------|----------------------|---|--------------------------------------|
| Ramon S. Ang             | July 11 and 12, 2012 | Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia) | Bursatra Sdn. Bhd.                   |
|                          | October 21, 2013     | Conflicts of Interest and Board Evaluation  | The Hong Kong Institute of Directors |
| Aurora T. Calderon       | July 11 and 12, 2012 | Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia) | Bursatra Sdn. Bhd.                   |
| Ferdinand K. Constantino | October 21, 2013     | Conflicts of Interest and Board Evaluation  | The Hong Kong Institute of Directors |

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & Ethics | Directors   | Senior Management   | Employees   |
|---------------------------|---|---|---|
| (a) Conflict of Interest  | Engaging in competitive business is a ground for disqualification to be a member of the Board of Directors. | Employees of the Corporation are expected to give due time and attention to the Corporation in carrying out their duties and responsibilities. The basic expectation is that the employees' actions are made in the best interest of the Corporation. The Corporation, however, acknowledges that employees may pursue outside financial, business or other activities as long as these activities are legal and do | Employees of the Corporation are expected to give due time and attention to the Corporation in carrying out their duties and responsibilities. The basic expectation is that the employees' actions are made in the best interest of the Corporation. The Corporation, however, acknowledges that employees may pursue outside financial, business or other activities as long as these activities are legal and do |

<sup>9</sup> Attended by Iñigo Zobel, Ramon S. Ang, Aurora T. Calderon, Ferdinand K. Constantino, Consuelo M. Ynares-Santiago, Virgilio S. Jacinto, Bella O. Navarra, Irene M. Cipriano

<sup>10</sup> Attended by Minita V. Chico-Nazario

<sup>11</sup> Attended by Maria Rosario B. Balanza

|  |  |   |  |
|--|--|---|--|
|  |  | <p>not conflict with the regular and conscientious performance of their Corporation obligations and do not result in damage to or misuse of Company reputation, property, products, confidential information, influence of other resources.</p> <p>The Corporation also acknowledges that it has the right to protect itself from possible conflicts of interest on the part of its employees, which might affect its financial and business viability.</p> <p>Conflict of interest arises if a Company officer, employee or close relative of an officer or employee has any financial or business interest in the enterprise of any supplier, competitor, customer or any organization which may benefit from decisions or actions made by the officer or the employee in the execution of Company responsibilities, and the officer or employees knowledge of the Corporation's confidential information, actions or future plans.</p> <p>A conflict of interest may also arise when the interest of an officer or an employee of the Corporation in an outside organization takes a significant amount of time and attention such that it adversely affects the performance of his or her duties and responsibilities in the Corporation.</p> | <p>not conflict with the regular and conscientious performance of their Company obligations and do not result in damage to or misuse of Company reputation, property, products, confidential information, influence of other resources.</p> <p>The Corporation also acknowledges that it has the right to protect itself from possible conflicts of interest on the part of its employees, which might affect its financial and business viability.</p> <p>Conflict of interest arises if a Company officer, employee or close relative of an officer or employee has any financial or business interest in the enterprise of any supplier, competitor, customer or any organization which may benefit from decisions or actions made by the officer or the employee in the execution of Company responsibilities, and the officer or employees knowledge of the Company's confidential information, actions or future plans.</p> <p>A conflict of interest may also arise when the interest of an officer or an employee of the Corporation in an outside organization takes a significant amount of time and attention such that it adversely affects the performance of his or her duties and responsibilities in the Corporation.</p> <p>Consistent with the</p> |
|--|--|---|--|

|   |  |   |   |
|---|--|---|---|
|   |  | Consistent with the Corporation's outlook and approach on employee discipline, the Corporation lays the accountability in the hands of the officers and employees to disclose possible conflicts of interest. Any possible conflicts of interest must be disclosed by the officer or employee involved to his or her immediate superior who will, in turn, review and resolve the conflict situation based on guidelines and in consultation with Management. | Corporation's outlook and approach on employee discipline, the Corporation lays the accountability in the hands of the officers and employees to disclose possible conflicts of interest. Any possible conflicts of interest must be disclosed by the officer or employee involved to his or her immediate superior who will, in turn, review and resolve the conflict situation based on guidelines and in consultation with Management. |
| (b) Conduct of Business and Fair Dealings | The Code of Ethics provides that an employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.  | The Code of Ethics provides that an employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.   | The Code of Ethics provides that an employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.   |
| (c) Receipt of gifts from third parties   | The Code of Ethics mandates that the directors, officers and employees should exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Corporation, and refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Corporation, create a sense of obligation on its part or potentially influence its business judgment. | The Code of Ethics mandates that the directors, officers and employees should exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Corporation, and refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Corporation, create a sense of obligation on its part or potentially influence its business judgment.                            | The Code of Ethics mandates that the directors, officers and employees should exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Corporation, and refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Corporation, create a sense of obligation on its part or potentially influence its business judgment.        |
| (d) Compliance with Laws & Regulations    | The Code of Ethics mandates that the directors, officers and employees of the  | The Code of Ethics mandates that the directors, officers and employees of the   | The Code of Ethics mandates that the directors, officers and employees of the   |

|   |  |  |  |
|---|--|--|--|
|   | Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted.   | Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted.   | Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted.   |
| (e) Respect for Trade Secrets/Use of Non-public Information | The Code of Ethics requires that the directors, officers and employees should safeguard and maintain confidentiality of knowledge or information on the products, business strategies, processes and systems of the Corporation.   | The Code of Ethics requires that the directors, officers and employees should safeguard and maintain confidentiality of knowledge or information on the products, business strategies, processes and systems of the Corporation.   | The Code of Ethics requires that the directors, officers and employees should safeguard and maintain confidentiality of knowledge or information on the products, business strategies, processes and systems of the Corporation.   |
| (f) Use of Company Funds, Assets and Information            | The Code of Ethics mandates that the directors, officers, and employees should respect and preserve Corporation assets and properties by ensuring that they are used efficiently and solely for legitimate business purposes, and accord the same to the assets and properties of others.                      | The Code of Ethics mandates that the directors, officers, and employees should respect and preserve Corporation assets and properties by ensuring that they are used efficiently and solely for legitimate business purposes, and accord the same to the assets and properties of others.                      | The Code of Ethics mandates that the directors, officers, and employees should respect and preserve Corporation assets and properties by ensuring that they are used efficiently and solely for legitimate business purposes, and accord the same to the assets and properties of others.                      |
| (g) Employment & Labor Laws & Policies                      | The Code of Ethics mandates that the directors, officers and employees of the Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted. | The Code of Ethics mandates that the directors, officers and employees of the Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted. | The Code of Ethics mandates that the directors, officers and employees of the Corporation shall, at all times, be accountable for their actions and comply with and respect all applicable laws, rules and regulations governing the business of the Corporation in all jurisdictions where such is conducted. |
| (h) Disciplinary action                                     | Grounds for removal of directors are dealt with by the Nomination and Hearing Committee and  | Discipline is guided by the following principles and policies: <ul style="list-style-type: none"> <li>• Rules must be clearly</li> </ul>   | Discipline is guided by the following principles and policies: <ul style="list-style-type: none"> <li>• Rules must be clearly</li> </ul>   |

|                         |   |   |   |
|-------------------------|---|---|---|
|                         | ultimately, the Board of Directors.   | <p>documented and communicated to all affected.</p> <ul style="list-style-type: none"> <li>• Rules should clearly state the standards of personal behavior and conduct as well as define the acts as forms of behavior prohibited and punishable.</li> <li>• Corresponding penalties for each violation shall also be spelled out and defined.</li> <li>• Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment.</li> <li>• Discipline must be imposed consistently.</li> </ul> | <p>documented and communicated to all affected.</p> <ul style="list-style-type: none"> <li>• Rules should clearly state the standards of personal behavior and conduct as well as define the acts as forms of behavior prohibited and punishable.</li> <li>• Corresponding penalties for each violation shall also be spelled out and defined.</li> <li>• Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment.</li> <li>• Discipline must be imposed consistently.</li> </ul> |
| (i) Whistle Blower      | The Corporation has an established whistle-blowing policy aimed at encouraging directors, officers, and employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct. | The Corporation has an established whistle-blowing policy aimed at encouraging directors, officers, and employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct.   | The Corporation has an established whistle-blowing policy aimed at encouraging directors, officers, and employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct.   |
| (j) Conflict Resolution | The Compliance Officer is tasked with the duty to monitor compliance with the provisions and requirements of the  | The President and Chief Operating Officer shall have supervision and direction of the day-to-day business affairs if the  | Conflict Resolution involving employees are referred to Corporate Human Resources for mediation and   |



|  |   |   |               |
|--|---|---|---------------|
|  | Manual. Any dispute involving the directors relating to the interpretation of the Manual may be referred to the Compliance Officer. | Corporation. The Senior Officers directly report to the President and Chief Operating Officer. Any potential conflict involving Senior Management should be a matter within the exercise of the power of the President and Chief Operating Officer. | consultation. |
|--|---|---|---------------|

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?  
Yes.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Code of Conduct and Ethics shall be reviewed annually or as may be deemed necessary by the Corporation. Employees who fail to comply with the standards and abide by the values set forth in the Code shall be subject to disciplinary action, including termination, as the Corporation may deem appropriate to the nature of the violation, without prejudice to the Corporation's right to avail of criminal and civil remedies available to it under the law. The Corporation will not tolerate any retaliation in any form against any employee, director or officer who, in good faith, raises a concern or reports a possible legal or ethical violation under the Code of Conduct and Ethics.

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the Corporation and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures  |
|----------------------------|--|
| (1) Parent Company         | N/A, the Corporation is not a subsidiary of another company.   |
| (2) Joint Ventures         | The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders. |
| (3) Subsidiaries           | Transactions between or among the Corporation, its subsidiaries and their shareholders should be made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms-length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.  |

|   |  |
|---|--|
| (4) Entities Under Common Control   | Transactions between or among the Corporation, its subsidiaries and their shareholders should be made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms-length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.  |
| (5) Substantial Stockholders  | Transactions between or among the Corporation, its subsidiaries and their shareholders should be made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms-length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.  |
| (6) Officers including spouse/children/siblings/parents<br><br>(7) Directors including spouse/children/siblings/parents | <p>For contracts between the Corporation and one or more of its directors, officers or their affiliates, such contracts should be approved by vote of at least a majority of the members of the Board of Directors of the Corporation present in a Board meeting duly called for the purpose, provided that the following rules shall apply:</p> <ul style="list-style-type: none"> <li>(a) if the counter-party to the contract is a director of the Corporation, the presence of such director in the Board meeting in which the said contract will be approved shall not be considered for determining quorum for such meeting;</li> <li>(b) if the counter-party to the contract is a director of the Corporation, such director shall not vote for the approval of the contract;</li> <li>(c) the contract is fair and reasonable under the circumstances; and</li> <li>(d) full disclosure of the interest of the director, officer and/or affiliate must be made at such meeting or if the interest is acquired subsequently, at the first Board meeting thereafter.</li> </ul> <p>The term “affiliate” refers to an entity linked directly or indirectly to said director or officer by means of ownership, control or power to vote 10% or more of the outstanding capital thereof.</p> <p><i>For Management Contracts</i></p> <p>The Company shall abide by and comply with the voting requirements of the Board and the stockholders in case of Company shall enter into management contracts pursuant to the pertinent provisions Corporation Code and other relevant laws, rules and regulations effective as of the time of the transaction.</p> |
| (8) Interlocking director relationship of Board of Directors  | As provided under Section 33 of the Corporation Code.  |

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

|                                  | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|--|
| Name of Director/s               |  |
| N/A                              |  |
| Name of Officer/s                |  |
| N/A                              |  |
| Name of Significant Shareholders |  |
| N/A                              |  |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

|         | Directors/Officers/Significant Shareholders   |
|---------|---|
| Company | Directors, Officers and significant shareholders are required to disclose the extent of their business interests in order to determine any possible conflicts of interest. Failure to disclose fully is a ground for temporary disqualification as a director. In accordance with the Policy on Conflict of Interest, a Full Business Interest Disclosure Form is required to be submitted within thirty (30) days after their appointment. |
| Group   | Directors, Officers and significant shareholders are required to disclose the extent of their business interests in order to determine any possible conflicts of interest. Failure to disclose fully is a ground for temporary disqualification as a director. In accordance with the Policy on Conflict of Interest, a Full Business Interest Disclosure Form is required to be submitted within thirty (30) days after their appointment. |

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>12</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship  |
|---|----------------------|--|
| Privado Holdings, Corp.                   | Business             | Mr. Ramon S. Ang, President and Chief Executive Officer of the Corporation is the <del>controlling stockholder of</del> 100% beneficial owner of Privado Holdings, Corp. |
| Master Year Limited                       | Business             | Mr. Ramon S. Ang, President  |

<sup>12</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

|  |  |   |
|--|--|---|
|  |  | and Chief Executive Officer of the Corporation is the sole director and shareholder of Master Year Limited. |
|--|--|---|

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|----------------------|-------------------|
| Same as Item 5(a) above.                  |                      |                   |
|   |                      |                   |
|   |                      |                   |
|   |                      |                   |

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|--------------------------------------|
| None                 |                                       |                                      |
|                      |                                       |                                      |

#### 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

|   | Alternative Dispute Resolution System  |
|---|--|
| <b>Corporation &amp; Stockholders</b>           | The Office of the Corporate Secretary addresses concerns of stockholders and potential disputes between the Corporation and stockholders.  |
| <b>Corporation &amp; Third Parties</b>          | The Corporation, through the Office of the Corporate Secretary, has adopted standard contracts some of which incorporate dispute resolution methods outside the courts, primarily through arbitration, either local or international. The Board of Directors designated corporate officers to amicably settle disputes with third parties, who may or may not be counterparties to a contract. |
| <b>Corporation &amp; Regulatory Authorities</b> | The Compliance Officer is tasked to appear before the Commission upon summons on relevant matters that need to be clarified. The Corporation as a matter of policy exhausts all possible means to amicably settle potential disputes with regulatory authorities by responding to official queries and complying with directives as may be necessary and appropriate.                          |

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

No, Article III, Section 4 of the By-Laws of the Corporation provides that the Board shall hold regular meetings quarterly, and may hold special meetings as often as necessary on such dates and at such times and places as may be determined by the Chairman, or the President, or upon written request of a majority of all members of the Board.

2) Attendance of Directors *(for the year ended 2015)*

| Board    | Name                        | Date of Election  | No. of Meetings Held during the year | No. of Meetings Attended | %           |
|----------|-----------------------------|-------------------|--------------------------------------|--------------------------|-------------|
| Chairman | Iñigo U. Zobel              | <u>07/09/2015</u> | <u>5</u>                             | <u>4</u>                 | <u>80%</u>  |
| Member   | Ramon S. Ang                | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |
| Member   | Aurora T. Calderon          | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |
| Member   | Ferdinand K. Constantino    | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |
| Member   | Nelly A. Favis-Villafuerte  | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |
| Member   | Consuelo M. Ynares-Santiago | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |
| Member   | Minita V. Chico-Nazario     | <u>07/09/2015</u> | <u>5</u>                             | <u>5</u>                 | <u>100%</u> |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No, the non-executive directors do not have a separate formal meeting during the year.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Article III, Section 6 of the By-laws of the Corporation states that, except where the relevant law requires a greater number, a majority of the directors present in a meeting shall constitute a quorum for the transaction of business.

5) Access to Information

(a) How many days in advance are board papers<sup>13</sup> for board of directors meetings provided to the board?

Article III, Section 5 of the Corporation's By-laws state that notice of meetings, which include the agenda and board papers, shall be sent to the directors at least five (5) calendar days prior to the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, members of the Board shall be given independent access to Management and Corporate Secretary as provided in the Manual.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Under the Manual, the role, duties and responsibilities of the Corporate Secretary include the following:

- i. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- ii. As to agenda, he shall inform the members of the Board thereof in accordance with the By-Laws of the Corporation and ensure that the Board has the necessary information to enable it to arrive at intelligent decisions on matters requiring approval;

<sup>13</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- iii. Assist the Board in making business judgment in good faith and in the performance of its responsibilities and obligations;
- iv. Attend all Board meetings (except when justifiable reasons prevent him from doing so), obtain a complete schedule of such meetings at least for the current year and put the Board on notice very meeting, and maintain, safe keep and preserve the integrity of the records of the Corporation, including the minutes of the Board and Board Committee meetings;
- v. Work fairly and objectively with the Board, Management, shareholders and other stakeholders;
- vi. Ensure that Board procedures, rules and regulations are strictly followed by the members; and
- vii. Submit such reports, advice or certifications as to the attendance of the directors in Board meetings as may be required by applicable laws, rules and regulations.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, the Corporate Secretary is admitted to the practice of law in the Philippines with years of experience as a corporate counsel.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒

No ☐

| Committee              | Details of the procedures  |
|------------------------|--|
| Executive              | The members of the committee have independent access to Management and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.   |
| Audit                  | The members of the committee have independent access to Management and the Corporation Secretary who can provide them with the information necessary to prepare in advance for the meetings. |
| Nomination and Hearing | The members of the committee have independent access to Management and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.   |
| Executive Compensation | The members of the committee have independent access to Management and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.   |
| Corporate Governance   | The members of the committee have independent access to Management and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.   |
| Others (specify)       | N/A  |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures                       | Details  |
|----------------------------------|--|
| Section 2.2.b.viii of the Manual | Upon reasonable request, directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable. |

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|-------------------|---------|--------|
| None              |         |        |
|                   |         |        |
|                   |         |        |

#### D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process   | CEO | Top 4 Highest Paid Management Officers |
|---|-----|--|
| (1) Fixed remuneration                            | N/A | N/A                                    |
| (2) Variable remuneration                         | N/A | N/A                                    |
| (3) Per diem allowance                            | N/A | N/A                                    |
| (4) Bonus   | N/A | N/A                                    |
| (5) Stock Options and other financial instruments | N/A | N/A                                    |
| (6) Others (specify)                              | N/A | N/A                                    |

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

|                     | Remuneration Policy   | Structure of Compensation Packages | How Compensation is Calculated |
|---------------------|---|------------------------------------|--------------------------------|
| Executive Directors | Article III, Section 9 of the By-Laws of the Corporation provide that, as compensation, the Board of Directors shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be | N/A                                | N/A                            |

|                         |   |     |     |
|-------------------------|---|-----|-----|
|                         | apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.   |     |     |
| Non-Executive Directors | Article III, Section 9 of the By-Laws of the Corporation provide that, as compensation, the Board of Directors shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. | N/A | N/A |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. (as amended on 09 July 2015)

Stockholders have the opportunity to ratify all acts of the board of directors and management of the Corporation in the annual meetings. The Executive Compensation Committee and the Board have approved the per diem allowance of the directors during the meetings held on August 11, 2014. The stockholders ratified the foregoing during the Annual Stockholders Meeting held on July 09, 2015.

| Remuneration Scheme | Date of Stockholders' Approval |
|---------------------|--------------------------------|
| N/A                 |                                |



3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:  
(for the year ended 2015)

| Remuneration Item                                    | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration                               | None                | None   | None                  |
| (b) Variable Remuneration                            | None                | None   | None                  |
| (c) Per diem Allowance                               | <u>₱80,000.00</u>   | <u>₱130,000.00</u>   | <u>₱ 370,000.00</u>   |
| (d) Bonuses  | None                | None   |                       |
| (e) Stock Options and/or other financial instruments | None                | None   | None                  |
| (f) Others (Specify)                                 | None                | None   | None                  |
| <b>Total</b>   |                     | ₱310,000.00  | ₱ 410,000.00          |

| Other Benefits                         | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|--|---------------------|---|-----------------------|
| 1) Advances                            | None                | None  | None                  |
| 2) Credit granted                      | None                | None  | None                  |
| 3) Pension Plan/s Contributions        | None                | None  | None                  |
| 4) Pension Plans, Obligations incurred | None                | None  | None                  |
| 5) Life Insurance Premium              | None                | None  | None                  |
| 6) Hospitalization Plan                | None                | None  | None                  |
| 7) Car Plan                            | None                | None  | None                  |
| 8) Others (Specify)                    | None                | None  | None                  |
| <b>Total</b>                           |                     |   |                       |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

None.

| Director's | Number of Direct | Number of Indirect | Number of | Total % from Capital |
|------------|------------------|--------------------|-----------|----------------------|
|------------|------------------|--------------------|-----------|----------------------|

| Name | Option/Rights/<br>Warrants | Option/Rights/<br>Warrants | Equivalent<br>Shares | Stock |
|------|----------------------------|----------------------------|----------------------|-------|
| N/A  |                            |                            |                      |       |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

None.

| Incentive Program | Amendments | Date of<br>Stockholders' Approval |
|-------------------|------------|-----------------------------------|
| N/A               |            |                                   |

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

None.

| Name of Officer/Position | Total Remuneration |
|--------------------------|--------------------|
| N/A                      |                    |
|                          |                    |
|                          |                    |
|                          |                    |

## E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members          |                              |                           | Committee Charter | Functions   | Key Responsibilities   | Power  |
|-----------|-------------------------|------------------------------|---------------------------|-------------------|---|--|--|
|           | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) |                   |   |  |  |
| Executive | 2                       | 1                            | 0                         | None              | The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers specifically limited by | The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers specifically limited by law or by the Board. | The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those |

|       |   |   |   |     |  |  |  |
|-------|---|---|---|-----|--|--|--|
|       |   |   |   |     | law or by the Board.   |  | powers specifically limited by law or by the Board.                          |
| Audit | 1 | 1 | 2 | Yes | <p>To assist the Board in fulfilling its oversight responsibility of the Corporation's corporate governance processes relating to the:</p> <ul style="list-style-type: none"> <li>• Quality and integrity of the Corporation's financial statements and financial reporting process;</li> <li>• Formulation of rules and procedures on financial reporting and internal controls in accordance with the guidelines set out in the Manual;</li> <li>• Effectiveness of the Corporation's internal control systems;</li> <li>• Independence and performance of its internal and external auditors;</li> <li>• Compliance by the Corporation with accounting standards, legal and regulatory requirements, including the Corporation's disclosure policies and procedures;</li> <li>• Evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and</li> <li>• Fulfillment of the other responsibilities set out in the Audit Committee Charter.</li> </ul> | <p><b>1.1 Financial Statements and Disclosure Matters</b></p> <p>1.1.1 Fair and balance review of all interim and annual financial statements as to completeness, clarity, consistency and accuracy of disclosures of material information, as well as its compliance with pertinent Philippine and internationally accepted accounting standards, internal financial management, as well as tax, legal and other regulatory requirements before submission to the Board, with particular focus on the following:</p> <ul style="list-style-type: none"> <li>(i) changes in accounting policies and practices;</li> <li>(ii) major judgmental areas;</li> <li>(iii) significant adjustments resulting from the audit;</li> <li>(iv) going concern assumptions;</li> <li>(v) disclosures of material information, subsequent events and related party transactions.</li> </ul> <p>1.1.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, any material errors and/or fraud identified, unusual or complex transactions and other issues warranting the attention of the Committee, and resolve any disagreements between management and the external auditors regarding financial reporting.</p> | Oversight responsibility on the Corporation's corporate governance processes |

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|  |  |  |  |  |  | <p>1.1.3 Review with management, internal auditors and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.</p> <p>1.1.4 Review and approval of the management representation letter before submission to the external auditor.</p> <p>1.1.5 Communicate and coordinate with legal counsel matters involving litigation, claims, contingencies or other significant legal issues that may impact the financial statements of the Corporation.</p> <p>1.1.6 Review and assess any relevant correspondence between the Corporation and the regulators regarding financial statement filings and disclosures.</p> <p>1.2 <u>Internal Controls and Risk Management</u></p> <p>1.2.1 Obtain, review and consider reports, communications and analysis submitted to the Committee by management, and the internal and external auditors the Corporation, on financial and internal controls and systems of the Corporation, and those required by the applicable auditing or accounting standards, including such reports, communications and analysis on:</p> <p>(i) significant or critical financial reporting and internal control issues and practices, including weaknesses and deficiencies noted in</p> |  |
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|  |  |  |  |  |  | <p>these systems, processes and practices;</p> <p>(ii) external auditor's responsibility under applicable auditing or accounting standards;</p> <p>(iii) detection of fraud and illegal acts affecting integrity of internal controls and financial reporting systems and process, and which cause a material misstatement in the financial statements;</p> <p>(iv) significant accounting policies and practices, and changes in such policies and practices;</p> <p>(v) management's judgments and accounting estimates;</p> <p>(vi) adjustments arising from audit;</p> <p>(vii) any material communications between management and the external auditor, including management letters;</p> <p>(viii) any significant disagreements with management;</p> <p>(ix) difficulties in the audit or restrictions in the audit scope, and access to information; or</p> <p>(x) any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response thereto.</p> <p>1.2.2 Conduct investigations, and consider and make recommendations relating to any communication or report referred to it under the Whistleblowing Policy procedures of the Corporation, or relating to any findings of major investigations on internal control or financial</p> |  |
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|  |  |  |  |  |  | <p>reporting matters as delegated by the Board or on the Committee's own initiative, and management's response thereto.</p> <p>1.2.3 Consider and make recommendations relating to any communication or report by regulatory agencies relating to the financial statements of the Corporation, and ensure that management undertakes corrective actions, where necessary, in a timely manner.</p> <p>1.2.4 Ensure the development of a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation, including a framework for fraud prevention and detection, through a step-by-step procedures and policies handbook that will be used by the entire organization.</p> <p>1.2.5 Monitor and evaluate the effectiveness of the Corporation's internal control system, including information technology security, and risk management processes and policies.</p> <p>1.2.6 Supervise management in its formulation of accounting policies, rules and procedures on financial reporting including the extent of management's responsibility in the preparation of financial statements of the Corporation and the delineation of the responsibilities pertaining</p> |  |
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|  |  |  |  |  |  | <p>to the external auditors.</p> <p>1.2.7 Understand the scope of the internal and external auditor's review of internal controls over financial reporting, ensuring the independence of one from the other, freedom from interference from outside parties, unrestricted access to such records, personnel and properties of the Corporation necessary to enable them to perform their respective functions.</p> <p>1.2.8 Ensure that the Corporation has established risk management policies and procedures, and discuss with management and the internal auditor such policies and procedures adopted, particularly those relating to risk identification, assessment and management.</p> <p>1.2.9 Regularly evaluate the adequacy and effectiveness of management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation, including receipt of regular reports from management on risk exposures and risk management activities.</p> <p><u>1.3 Internal Audit Function</u></p> <p>1.3.1 Review with management and the head of Corporation's Internal Audit Group the qualifications of an internal auditor and the charter, activities, and organizational structure of the internal audit function.</p> |  |
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|  |  |  |  |  |  | <p>1.3.2 Confirm the appointment or replacement by management of the head of the Internal Audit Group. The head of the Internal Audit Group shall functionally report directly to the Committee.</p> <p>1.3.3 Review and confirm the annual audit and strategic plans prepared by Corporation's Internal Audit Group in consultation with management, and major changes to the plans, if any. Such plan shall include the audit scope, resources and budget necessary to implement it. The scope of the internal audit examination should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations.</p> <p>1.3.4 Review significant findings and recommendations of the Internal Audit Group and management's response thereto including timetable for implementation to correct weaknesses; and any difficulties encountered by the auditors in the course of their audit (such as restrictions on the scope or access to information).</p> <p>1.3.5 Require the Internal Audit Group to submit an annual report to the Committee and management of its activities and performance relative to the audit plans,</p> |  |
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|  |  |  |  |  | <p>completed audit engagements and strategies approved by the Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Committee</p> <p>1.3.6 Support the internal audit function and provide high-level follow-up of audit recommendations when such action is needed.</p> <p>1.3.7 Review the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing.</p> <p>1.4 <u>External Auditors</u></p> <p>1.4.1 Shall be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor.</p> <p>1.4.2 Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Corporation, discussing any relationship or services which may derogate its</p> |  |
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|  |  |  |  |  |  | <p>independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.</p> <p>1.4.3 Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Corporation's securities are listed.</p> <p>1.4.4 Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.</p> <p>1.4.5 Review the reports or communications of the external auditors and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.</p> <p>1.4.6 Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.</p> <p>1.4.7 Ensure that the external auditor or the</p> |  |
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|            |   |   |   |     |   |   |  |
|------------|---|---|---|-----|---|---|--|
|            |   |   |   |     |   | <p>signing partner of the auditing firm engaged by the Corporation is changed every five (5) years or earlier.</p> <p><u>1.5 Compliance with Legal and Regulatory Requirements</u></p> <p>1.5.1 Ascertain whether the Corporation has an effective process for determining risks and exposure from litigation and claims from non-compliance with laws and regulations.</p> <p>1.5.2 Review the results of management's investigation and follow up on any instance of non-compliance (including disciplinary action).</p> <p>1.5.3 Review findings resulting from examination by regulatory agencies as well as internal and external audits, if any.</p>  |  |
| Nomination | 0 | 2 | 1 | Yes | <p>Pursuant to the Corporation's By-laws and the Manual, the Board of Directors of the Corporation constituted the Committee to aid the Board in the screening and shortlisting of all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications as provided in the Manual. The Committee is accountable to the Board for its performance.</p> | <p>(a) Screen and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications as provided in the By-laws of the Corporation, the Manual, applicable laws, rules and regulations;</p> <p>(b) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as and when they arise. The election of such additional or replacement directors shall be done in accordance with applicable laws and regulations;</p> <p>(c) Ensure that the Corporation shall have the required number of Independent Directors with the qualifications and none of the disqualifications as</p> | <p>Recommend nominees to the Board, recommend permanent, or temporary disqualification, recommend removal for cause.</p> |

|                        |   |   |   |     |   |  |   |
|------------------------|---|---|---|-----|---|--|---|
|                        |   |   |   |     |   | <p>provided in the Manual, applicable laws, rules and regulations;</p> <p>(d) review and evaluate 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 projects within the realm of good corporate governance at all times;</p> <p>(e) make recommendations to the Board, as it may deem appropriate, as to a change in the number of directors, taking into consideration the needs of the Corporation and the efficient exercise by the Board of its responsibilities;</p> <p>(f) establish the guidelines in the unnumber of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual, taking into consideration the following parameters:</p> <ul style="list-style-type: none"> <li>- nature of the business of the corporation which he is a director;</li> <li>- age of the director;</li> <li>- number of directorships/active memberships in other corporations or organizations; and</li> <li>- possible conflict of interest.</li> </ul> <p>(g) perform such other activities which it deems appropriate as necessary and desirable for the performance of its duties and responsibilities under its charter, and such other responsibilities which the Board may assign to it from time to time.</p> |   |
| Executive Compensation | 2 | 0 | 1 | Yes | Pursuant to the Corporation's By-laws and Manual, the Board of Directors of the | The duties and responsibilities of the Committee are to:   | Overall responsibility for the evaluation and review of the |

|  |  |  |  |   |  |   |
|--|--|--|--|---|--|---|
|  |  |  |  | <p>Corporation constituted the Committee to aid the Board in ensuring adherence by the Corporation to the best practices of good corporate governance. Specifically, the Committee has the overall responsibility for the evaluation and review of the Corporation's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Corporation's compensation and benefit programs, the oversight of plans for executive officers' development and succession, and the fulfillment of its responsibilities as set forth in this Charter. The Committee is accountable to the Board for its performance.</p> | <p><u>1.1 In respect of the remuneration of corporate officers and Directors:</u></p> <p>1.1.1 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the Directors, corporate officers and senior management, and make recommendations to the Board on the Company's policy and structure for such remuneration, with the end in view of attracting and retaining Directors, corporate officers and senior management who are needed to run the Corporation successfully;</p> <p>1.1.2 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;</p> <p>1.1.3 Ensure that the Corporation (i) has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and Directors who will create value for shareholders and support the Corporation; and (ii) fairly and responsibly rewards executives, taking into consideration the performance of the Corporation, the performance of such executives and the general pay environment;</p> <p>1.1.4 Provide in the Corporation's annual</p> | <p>Corporation's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Corporation's compensation and benefit programs, the oversight of plans for executive officers' development and succession, and the fulfillment of its responsibilities as set forth in this Charter. The Committee is accountable to the Board for its performance.</p> |
|--|--|--|--|---|--|---|

|  |  |  |  |  |  |   |  |
|--|--|--|--|--|--|---|--|
|  |  |  |  |  |  | <p>reports, information and proxy statements a clear, concise and understandable disclosure of compensation that may be paid, directly or indirectly, to its Directors and senior executive officers for the previous fiscal year and the ensuing year; and</p> <p>1.1.5 Ensure that no Director is involved in deciding his own remuneration.</p> <p><u>1.2In respect of the business interest disclosures and conflict of interest:</u></p> <p>1.2.1 Ensure that the Full Business Interest Disclosure is part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;</p> <p>1.2.2 Review the Corporation's policy on conflict of interest; and</p> <p>1.2.3 Review the existing, or cause the development of a Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</p> |  |
|--|--|--|--|--|--|---|--|

|                                |   |   |   |     |  |  |   |
|--------------------------------|---|---|---|-----|--|--|---|
|                                |   |   |   |     |  | <p><u>1.3In respect of career advancement:</u></p> <p>1.3.1 Review and recommend to the Board all promotions and appointments of officers of the Corporation; and</p> <p>1.3.2 Review Corporation policies on promotion and career advancement directives and compliance of personnel concerned.</p> <p>The Committee shall perform other duties and activities that the Committee or the Board considers appropriate in the context of its charter.</p>   |   |
| Corporate Governance Committee | 2 | 1 | 1 | Yes | <p>Pursuant to the Corporation's By-laws and Manual, the Board of Directors of the Corporation constituted the Corporate Governance Committee to aid the Board in the performance of its oversight responsibilities in the development and implementation of the corporate governance principles, policies, structures and systems of the Corporation. The Corporate Governance Committee is accountable to the Board for its performance.</p> | <p>(a) Review and reassess the adequacy and effectiveness of the establishes corporate governance principles, policies, structures and systems of the Corporation, as well as the provisions of the Manual;</p> <p>(b) Oversee the establishment and implementation of systems or mechanisms for the assessment and improvement of the performance of the Board of Directors, members of the Board and the Board Committees with the Manual;</p> <p>(c) Oversee the conduct of a training process for the purpose of holding orientation programs/ workshops to operationalize the provisions of the Manual;</p> <p>(d) Evaluate and measure the compliance of the Corporation with the Manual, report to the Board the assessment of the performance of the Board and the Board Committees, and recommend any</p> | <p>Create, review and assess the adequacy and effectiveness of the corporate governance principles, policies, structures and systems of the Corporation and shall assist the Board in the performance of its oversight responsibilities and development and implementation of the corporate governance principles, policies, structures and systems of the Corporation.</p> |

|                  |     |  |  |  |  |   |  |
|------------------|-----|--|--|--|--|---|--|
|                  |     |  |  |  |  | <p>proposed changes in corporate governance principles, policies, structures and systems of the Corporation; and</p> <p>(e) Perform such other activities which it deems appropriate as necessary and desirable for the performance of its duties and responsibilities under its charter, and such other responsibilities which the Board may assign to it from time to time.</p> |  |
| Others (specify) | N/A |  |  |  |  |   |  |

2) Committee Members

(a) Executive Committee *(for the year ended 2015)*

| Office      | Name               | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|--------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | Iñigo U. Zobel     | <u>07/09/2015</u>   | 0                    | 0                        | N/A | 1 year                             |
| Member (ED) | Ramon S. Ang       | <u>07/09/2015</u>   | 0                    | 0                        | N/A | 1 year                             |
| Member (ED) | Aurora T. Calderon | <u>07/09/2015</u>   | 0                    | 0                        | N/A | 1 year                             |
| Member (ID) | None               |                     |                      |                          |     |                                    |

(b) Audit Committee *(for the year ended 2015)*

| Office       | Name                        | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %    | Length of Service in the Committee |
|--------------|-----------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairperson  | Minita V. Chico-Nazario     | <u>07/09/2015</u>   | <u>5</u>             | <u>5</u>                 | 100% | 1 year                             |
| Member (ED)  | Aurora T. Calderon          | <u>07/09/2015</u>   | <u>5</u>             | <u>5</u>                 | 100% | 1 year                             |
| Member (NED) | Ferdinand K. Constantino    | <u>07/09/2015</u>   | <u>5</u>             | <u>5</u>                 | 100% | 1 year                             |
| Member (ID)  | Consuelo M. Ynares-Santiago | <u>07/09/2015</u>   | <u>5</u>             | <u>5</u>                 | 100% | 1 year                             |

Disclose the profile or qualifications of the Audit Committee members. *(updated as of 14 April 2016)*

**Justice Minita V. Chico-Nazario** is an Independent Director of Top Frontier (since 2014), the Chairperson of the Audit Committee and a member of the Nomination and Hearing Committee (since 2014). She is also an Independent Director of San Miguel Properties, Inc. (since 2012), Ginebra San Miguel Inc. (since 2013) and San Miguel Pure Foods Company, Inc. (since 2015). She is also currently the Dean of the College of Law of the University of Perpetual Help, Las Pinas City (since 2011), a director of Banco San Juan (since 2010), and a Legal Consultant of the Union Bank of the Philippines (since 2010), United Coconut Planters Bank and Philippine Investment One & Two, Inc. Justice Nazario is formerly an Associate Justice of the Supreme Court (2004-2009), the Presiding Justice of the Sandiganbayan (2003) and the Chairman of the Board (2010) and Director (2010-2011) of the Philippine National Oil Exploration Corporation.



**Mr. Ferdinand K. Constantino** is a Director of Top Frontier (since 2010) and the Chairman of the Nomination and Hearing Committee and a member of the Audit Committee and Corporate Governance Committee (since 2013). He also holds, among others, the following positions in other publicly-listed companies, as follows: Director (since 2010), Senior Vice President, Chief Finance Officer and Treasurer (since 2001) of San Miguel Corporation, Director of San Miguel Brewery Inc., ~~Ginebra San Miguel Inc.~~, and Petron Malaysia Refining & Marketing Bhd, a company publicly listed in Malaysia. He is also the Vice Chairman and Director of SMC Global Power Holdings Corp., President of Anchor Insurance Brokerage Corporation; Director of San Miguel Yamamura Packaging Corporation, San Miguel Foods Inc., Citra Metro Manila Tollways Corporation and Northern Cement; and Chairman of the San Miguel Foundation, Inc. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009). He has held directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

**Ms. Aurora T. Calderon** is a Director of Top Frontier (since 2013), the Treasurer (since 2010) and a member of the Executive Committee, Audit Committee and Executive Compensation Committee (since 2013). She holds the following positions in other publicly-listed companies, namely: Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer (since 2011) and Director (since 2014) of San Miguel Corporation; and Director of Petron Corporation. She is also a member of the board of directors of Petron Marketing Corporation (since 2010), Petron Freeport Corporation (since 2010), Sea Refinery Corporation (since 2010), New Ventures Realty Corporation (since 2010), Las Lucas Construction and Development Corp. (since 2010), Thai San Miguel Liquor Co. (since 2008), SMC Global Power Holdings Corp. (since 2010), San Miguel Equity Investments Inc. (since 2011), and Clariden Holdings, Inc. (since 2012). She was previously a consultant of San Miguel Corporation reporting directly to the President and Chief Operating Officer (1998-2010) and formerly a Director of Manila Electric Company (2009), PAL Holdings, Inc. (2012-2014), Philippine Airlines, Inc. (since 2012-2014) and Air Philippines Corporation (2012-2014). Ms. Calderon holds directorships in various subsidiaries of San Miguel Corporation.

**Justice Consuelo M. Ynares-Santiago** is an Independent Director of Top Frontier (since 2013), the Chairperson of the Corporate Governance Committee and a member of the Audit Committee and the Executive Compensation Committee (since 2013). She is also an Independent Director of SMC Global Power Holdings Corp. (since 2011), South Luzon Tollway Corporation (2014), Anchor Insurance Brokerage Corporation (since 2012) and Phoenix Petroleum Phil. Inc. (Since 2013). She was formerly an Associate Justice of the Supreme Court (1999 – 2009), an Associate Justice of the Court of Appeals (1990 – 1999), and a Regional Trial Court Judge of Makati City (1986 – 1990).

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee performs oversight functions with respect to the Internal and External Auditors of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation necessary to enable them to perform their respective audit functions; and review the reports submitted by them. The Audit Committee evaluates and determines any non-audit work performed by External Auditors, including the fees therefor, and ensure that such work will not conflict with External Auditors' duties as such or threaten its independence. An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit of the Corporation and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.

(c) Nomination and Hearing Committee (for the year ended 2015)

| Office | Name | Date of | No. of | No. of | % | Length of |
|--------|------|---------|--------|--------|---|-----------|
|--------|------|---------|--------|--------|---|-----------|

|              |                            | Appointment       | Meetings Held | Meetings Attended |      | Service in the Committee |
|--------------|----------------------------|-------------------|---------------|-------------------|------|--------------------------|
| Chairman     | Ferdinand K. Constantino   | <u>07/09/2015</u> | <u>1</u>      | <u>1</u>          | 100% | 1 year                   |
| Member (NED) | Nelly A. Favis-Villafuerte | <u>07/09/2015</u> | <u>1</u>      | <u>1</u>          | 100% | 1 year                   |
| Member (ID)  | Minita V. Chico-Nazario    | <u>07/09/2015</u> | <u>1</u>      | <u>1</u>          | 100% | 1 year                   |

(d) Executive Compensation Committee *(for the year ended 2015)*

| Office      | Name                        | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|-----------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | Ramon S. Ang                | <u>07/09/2015</u>   | <u>0</u>             | <u>0</u>                 | N/A | 1 year                             |
| Member (ED) | Aurora T. Calderon          | <u>07/09/2015</u>   | <u>0</u>             | <u>0</u>                 | N/A | 1 year                             |
| Member (ID) | Consuelo M. Ynares-Santiago | <u>07/09/2015</u>   | <u>0</u>             | <u>0</u>                 | N/A | 1 year                             |

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Corporate Governance Committee *(for the year ended 2015)*

| Office           | Name                        | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %    | Length of Service in the Committee |
|------------------|-----------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairperson (ID) | Consuelo M. Ynares-Santiago | <u>07/09/2015</u>   | <u>2</u>             | <u>2</u>                 | 100% | 1 year                             |
| Member (ED)      | Ramon S. Ang                | <u>07/09/2015</u>   | <u>2</u>             | <u>2</u>                 | 100% | 1 year                             |
| Member (ED)      | Virgilio S. Jacinto         | <u>07/09/2015</u>   | <u>2</u>             | <u>2</u>                 | 100% | 1 year                             |
| Member (NED)     | Ferdinand K. Constantino    | <u>07/09/2015</u>   | <u>2</u>             | <u>2</u>                 | 100% | 1 year                             |

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:  
(as amended on 14 April 2016)

| Name of Committee                           | Name                                       | Reason  |
|---|--|---|
| <u>None</u>                                 |  |   |
| <del>Audit Committee</del>                  | <del>Justice Minita V. Chico-Nazario</del> | <del>Filled in the vacancy as Chairperson of the Audit Committee after being elected as an Independent Director of the Corporation.</del>             |
| <del>Nomination and Hearing Committee</del> | <del>Justice Minita V. Chico-Nazario</del> | <del>Filled in the vacancy as member of the Nomination and Hearing Committee after being elected as an Independent Director of the Corporation.</del> |

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee              | Work Done  | Issues Addressed  |
|--------------------------------|--|---|
| Executive                      | None   |   |
| Audit                          | Audited financial statements<br>Quarterly reports<br>Budget<br>Audit Plan<br>Internal Audit Reports<br>Submission of reportorial requirements such as 17-A and 17-Q<br>Approved the Audit Committee Charter  | Financial results of the Corporation<br>Adjustments and changes to the budget<br>Key points and focus of audit plan<br>Findings of the internal audit<br>Recommendation of management |
| Nomination and Hearing         | Evaluation of nominees as members of the Board of Directors  | Qualifications and disqualifications of the directors and officers  |
| Executive compensation         | Fixed the per diem allowance of the directors, who are not officers of San Miguel Corporation, for every Board meeting and Board Committee meeting attended  | Amount of per diem allowance for the directors  |
| Corporate Governance Committee | Mission, Vision and Core Values<br>Policy on Code of Conduct and Ethics<br>Policy on Dealings in Securities<br>Policy on Health, Safety & Welfare, and Training<br>Policy on Related Party Transactions<br>Policy on Whistle Blowing<br>Manual on Corporate Governance | Creation of new policies<br>Improvement the Corporate Governance of the Corporation   |

#### 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee      | Planned Programs   | Issues to be Addressed  |
|------------------------|--|---|
| Executive              | None   |   |
| Audit                  | Assessment of the Corporation's Compliance with the ASEAN Corporate Governance Scorecard<br><br>Audit Committee Self-Rating Form | Areas for improvement<br><br>Results of assessment                                      |
| Nomination             | Screening and evaluation of nominees as directors and officers<br>Assessment of Directors and officers                           | Qualifications and disqualifications of directors and officers<br>Results of assessment |
| Executive Compensation | Review of the per diem allowance of the directors  | Reasonableness of the amount of the per diem allowance of directors                     |

|                                |   |   |
|--------------------------------|---|---|
| Committee                      |   |   |
| Corporate Governance Committee | Review existing policies and the Manual | Improvement of the Company Policies and corporate governance of the Corporation |
| Others (specify)               |   |   |

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

##### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments, namely, Interest Rate Risk, Foreign Currency Risk, Commodity Price Risk, Liquidity Risk, and Credit Risk.

The Group's principal non-trade related financial instruments include cash and cash equivalents, option deposit, AFS financial assets, financial assets at FVPL, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations. The Group's outstanding derivative instruments such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the Group's operating and financing activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

As stated in the results of the Self-Assessment Forms accomplished by the members of the Audit Committee which was reported to the Board on May 14, 2015 and filed with the SEC and disclosed to the PSE on the same date, the Board found adequate the effectiveness and sufficiency of the internal control system, specifically, reviewed and discussed the findings and assessment of the Corporation's internal controls, risk management systems, control and governance process, and financial reporting systems.

#### (c) Period covered by the review;

The period covered is from January 13, 2014 (the listing date of the Corporation) to December 31, 2014.

#### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Risk management system is reviewed annually. The directors' criteria for assessing its effectiveness of the risk management system are whether such risk management policies reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (e) Where no review was conducted during the year, an explanation why not.

N/A

## 2) Risk Policy

### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Corporation has the same risk management policy with the Group.

| Risk Exposure         | Risk Management Policy | Objective |
|-----------------------|------------------------|-----------|
| Interest Rate Risk    | See below.             |           |
| Foreign Currency Risk | See below.             |           |
| Commodity Price Risk  | See below.             |           |
| Liquidity Risk        | See below.             |           |
| Credit Risk           | See below.             |           |

### (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure         | Risk Management Policy  | Objective   |
|-----------------------|---|---|
| Interest Rate Risk    | <p>The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.</p> <p>On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk. In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.</p> | <p>Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.</p> |
| Foreign Currency Risk | <p>Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign</p>  | <p>The Group's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-</p>  |

|                      |   |  |
|----------------------|---|--|
|                      | <p>currency-denominated borrowings.</p> <p>The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:</p> <ul style="list-style-type: none"> <li>• retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;</li> <li>• translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and</li> <li>• hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.</li> </ul> | <p>denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.</p>   |
| Commodity Price Risk | <p>Commodity derivative transactions are entered into by the Group to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.</p>  | <p>Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.</p> |
| Liquidity Risk       | <p>The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.</p>  | <p>Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.</p> <p>The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet</p>   |

|             |  |   |
|-------------|--|---|
|             |  | commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.  |
| Credit Risk | The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures. | Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| <b>Risk to Minority Shareholders</b>   |
|--|
| Article 7 of the Amended Articles of Incorporation of the Corporation as of November 08, 2013 provides for the denial of pre-emptive rights of shareholders to any issuance of common shares and preferred shares. |

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| <b>Risk Exposure</b>   | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>   | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>  |
|--|---|---|
| Interest Rate Risk<br>Foreign Currency Risk<br>Commodity Price Risk<br>Liquidity Risk<br>Credit Risk | The Corporation's risk management system has been established to have a sustainable risk management system that effectively manages the key issues (potential and existing) of the Corporation. The system also embeds risk management into the awareness and day-to-day activities of the Company's officers and employees, integrates the risk management process into the strategic planning process and provides a structured framework | The Corporation has a risk management oversight structure composed of management committees and key personnel in order to have an integrated and independent view of the risks across different categories (e.g., strategic, operations, compliance and financial). This also allows the Corporation to address gaps in risk coverage, risk management functional inefficiencies and overlaps as well as confusion among concerned personnel.<br><br>The risk management process is also continuously improved by assessing its effectiveness through regular feedback and assessment of stakeholders and implementation of appropriate improvements. |

|  |   |  |
|--|---|--|
|  | for enhancing corporate governance.   | The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation. |
|  | <p>In particular, the Corporation ensures that its risk management system is aligned with the Corporation's strategic goals and objectives. This is done by establishing risk management goals and objectives that are geared towards the attainment of the strategic goals and objectives of the Corporation.</p> <p>The risk management framework involves processes such as –</p> <p>a. Assessment of business risks. The Corporation's risks are evaluated and measured based on likelihood of impact and opportunity for risk management improvement. Risks are reviewed on a regular basis based on the framework.</p> <p>b. Development of risk management strategies and action plans.</p> <p>c. Monitoring and reporting. Monitoring of risks is conducted on a quarterly and annual basis by the Audit Committee.</p> | The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation. |

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| <b>Risk Exposure</b>   | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>  | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>   |
|--|--|--|
| Interest Rate Risk<br>Foreign Currency Risk<br>Commodity Price Risk<br>Liquidity Risk<br>Credit Risk | The Corporation's risk management system has been established to have a sustainable risk management system that effectively manages the key issues (potential and existing) of the Corporation. The system also embeds risk management into the awareness and day-to-day activities of the Company's officers and employees, integrates the risk management process into the | <p>The Corporation has a risk management oversight structure composed of management committees and key personnel in order to have an integrated and independent view of the risks across different categories (e.g., strategic, operations, compliance and financial). This also allows the Corporation to address gaps in risk coverage, risk management functional inefficiencies and overlaps as well as confusion among concerned personnel.</p> <p>The risk management process is also continuously improved by assessing its effectiveness through</p> |



|  |   |   |
|--|---|---|
|  | strategic planning process and provides a structured framework for enhancing corporate governance.  | regular feedback and assessment of stakeholders and implementation of appropriate improvements.<br><br>The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation. |
|  | <p>In particular, the Corporation ensures that its risk management system is aligned with the Corporation's strategic goals and objectives. This is done by establishing risk management goals and objectives that are geared towards the attainment of the strategic goals and objectives of the Corporation.</p> <p>The risk management framework involves processes such as –</p> <p>a. Assessment of business risks. The Corporation's risks are evaluated and measured based on likelihood of impact and opportunity for risk management improvement. Risks are reviewed on a regular basis based on the framework.</p> <p>b. Development of risk management strategies and action plans.</p> <p>c. Monitoring and reporting. Monitoring of risks is conducted on a quarterly and annual basis by the Audit Committee.</p> | The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation.  |

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit            | Control Mechanism   | Details of its Functions   |
|---------------------------|---|--|
| Audit Committee           | Oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. | The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. |
| Risk Management Committee | Reports to the Board of Directors.  | Responsible for developing and monitoring the risk management policies   |

|                                 |  |  |
|---------------------------------|--|--|
|                                 |  | of the Corporation.  |
| Risk Insurance Management Group | Implementation of the Corporation's policies on risks. | Contracts have to be cleared with RIMG is they deviate from the prescribed policies on risk and insurance. |

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

#### (a) Explain how the internal control system is defined for the company;

Under the Manual, the Board shall have the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms:

- i. Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Corporation and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;
- ii. Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts;
- iii. Select and appoint a Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organizational and operational controls;
- iv. Evaluate proposed senior Management appointments;
- v. Select and appoint qualified and competent Management officers; and
- vi. Review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and Management succession plan.

#### (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

As stated in the results of the Self-Assessment Forms accomplished by the members of the Audit Committee which was reported to the Board on May 14, 2015 and filed with the SEC and disclosed to the PSE on the same date, the Board found adequate the effectiveness and sufficiency of the internal control system, specifically, reviewed and discussed the findings and assessment of the Corporation's internal controls, risk management systems, control and governance process, and financial reporting systems.

#### (c) Period covered by the review;

The period covered is from January 13, 2014 (the listing date of the Corporation) to December 31, 2014.

#### (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed annually and the directors' criteria for assessing the effectiveness of the internal control system is whether the internal control fulfilled its function to ensure the reliability and integrity of financial and operational information, the effectiveness and efficiency of operation, the safeguarding of assets,

the compliance with policies, plans, procedures, laws, regulations and contracts, and the accomplishment of established objectives and goals for operations or programs.

(e) Where no review was conducted during the year, an explanation why not.

N/A

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role   | Scope   | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process  |
|--|---|--|--|--|
| San Miguel Group Audit (SMGA) provides independent, objective assurance and consulting services designed to add value and improve the operations of, and help the Group accomplish, its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. | <p>The scope of work of SMGA is to assist the Board and Management in determining whether the risk management, control, and governance processes within the Group, as designed and represented by Management, are adequate and effective in a manner to ensure that:</p> <ul style="list-style-type: none"> <li>• Significant exposures to risks are appropriately identified and adequately managed.</li> <li>• Significant financial, managerial, and operating information is accurate, reliable, and timely.</li> <li>• Employees' and Corporation's actions are in compliance with policies, standards,</li> </ul> | In-house with Outsourcing                                      | Audit Head:<br>Ramon R. Bantigue             | Functionally to the Audit Committee; administratively to the President and Chief Executive Officer |

|  |  |  |  |  |
|--|--|--|--|--|
|  | procedures, and applicable laws and regulations.<br><ul style="list-style-type: none"> <li>• Resources are acquired economically, used efficiently, and adequately protected.</li> <li>• Objectives and goals for operations or programs are achieved.</li> <li>• Effectiveness, efficiency and continuous improvement are promoted in the Corporation's operating systems and processes.</li> </ul> |  |  |  |
|--|--|--|--|--|

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal auditor has direct and unfettered access to the Board, as well as to the records, properties and personnel of the Corporation in the conduct of internal audit function. In pursuit of the duties and responsibilities of the Audit Committee as provided in its Audit Committee charter in respect of the internal auditor, the Audit Committee has the following functions:

- Review with management and the head of the Internal Audit Group the qualifications of an internal auditor and the charter, activities, and organizational structure of the internal audit function;
- Confirm the appointment by management of the head of the Internal Head Group. The head of the Internal Audit Group shall functionally report directly to the Audit Committee;
- Review and confirm the annual audit strategic plans prepared by the Internal Audit Group in consultation with management, and major changes to the plans, if any. Such plans shall include the audit scope, resources and budget necessary to implement it. The scope of the internal audit examination should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations;
- Review significant findings and recommendations of the Internal Audit Group and management's response thereto including timetable for implementation to correct weaknesses, and any difficulties encountered by the auditors in the course of their audit, such as restrictions on the scope or access to information;
- Require the internal audit to submit an annual report to the Audit Committee and Management of its activities and performance relative to the audit plans, completed audit engagements and strategies approved

by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

| Name of Audit Staff | Reason |
|---------------------|--------|
| N/A                 |        |
|                     |        |
|                     |        |

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

|                               |     |
|-------------------------------|-----|
| <b>Progress Against Plans</b> | N/A |
| <b>Issues<sup>14</sup></b>    |     |
| <b>Findings<sup>15</sup></b>  |     |
| <b>Examination Trends</b>     |     |

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

| Policies & Procedures                                     | Implementation |
|---|----------------|
| Policies and Guidelines on Revenue Cycle                  | N/A            |
| Policies and Guidelines on Procurement Cycle              |                |
| Policies and Guidelines on Supply Chain – Logistics Cycle |                |
| Policies and Guidelines on Finance – Treasury Cycle       |                |

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| Auditors<br>(Internal and External)   | Financial Analysts                                | Investment Banks                                  | Rating Agencies                                   |
|---|---|---|---|
| The duties and responsibilities of the Audit Committee as set forth in its Audit Committee Charter are: | By the nature of their functions, the Corporation | By the nature of their functions, the Corporation | By the nature of their functions, the Corporation |

<sup>14</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>15</sup> "Findings" are those with concrete basis under the company's policies and rules.

|  |   |   |   |
|--|---|---|---|
| <p>In respect of the external auditor:</p> <ul style="list-style-type: none"> <li>○ To be primarily responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor.</li> <li>○ Assess and monitor the: (a) external auditor's independence and objectivity and require the external auditor to make the statements required by applicable auditing standards as its relationships and services with the Corporation in this regard, discussing any relationship or services which may derogate its independence or objectivity; and (b) the effectiveness of the audit process in accordance with applicable standards;</li> <li>○ Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Corporation's securities are listed;</li> <li>○ Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences;</li> <li>○ Review the reports or communications of the external auditors and ensure that management or the board will provide a timely response to the issues raised in such reports or communications;</li> <li>○ Develop and implement policies on the engagement of an external auditor to supply non-audit work, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions;</li> <li>○ Ensure that the external auditor or the signing partner of the auditing firm engaged by the Corporation is changed every five (5) years or earlier.</li> </ul> <p>In respect of the internal auditor:</p> <ul style="list-style-type: none"> <li>○ Establish and identify the reporting line of the head of internal auditor in order that</li> </ul> | <p>engages independent Investment Banks.<br/>The Corporation is not engaged in the financial services business.</p> | <p>engages independent Investment Banks.<br/>The Corporation is not engaged in the financial services business.</p> | <p>engages independent ratings agencies.<br/>The Corporation is not engaged in the ratings agency business.</p> |
|--|---|---|---|

|   |  |  |  |
|---|--|--|--|
| <p>the internal audit function may fulfill its responsibilities free from the interference of outside parties. The head of the internal audit function shall functionally report directly to the Audit Committee;</p> <ul style="list-style-type: none"> <li>○ Review and approve the internal audit work plans, including scope and audit resources/expenses; and ensure that: (a) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protections of assets and compliance with contracts and applicable, laws, rules and regulations, and (b) the internal auditor has the sufficient resources to carry out its functions;</li> <li>○ Review the reports and communications of independent auditors, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements;</li> <li>○ Require the internal audit to submit a regular report to the Audit Committee and Management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Audit Committee.</li> </ul> |  |  |  |
|---|--|--|--|

- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Compliance Officer attests that the Corporation has substantially adopted all the provisions of the Manual and full compliance with the SEC Code of Corporate Governance.

## H. ROLE OF STAKEHOLDERS

- 1) Disclose the company's policy and activities relative to the following:

|                    | Policy  | Activities  |
|--------------------|---|---|
| Customers' welfare | The Corporation has a corporate quality policy. The Corporation is committed to sustain business excellence and consistently improve shareholder value by providing products and services that delight and secure the loyalty of customers, and a working environment that reflects quality as a way of life. | The Corporation has established a dedicated customer care hotline to ensure feedback from its customers and to immediately address any concern that they have on the quality of the products. |

|   |  |   |
|---|--|---|
| Supplier/contractor selection practice    | The Corporation has an established procurement cycle policy which ensures that purchasing synergies are optimized, business opportunity losses are avoided and materials and services are timely delivered.  | The selection of suppliers and contractors are subject to bidding with a minimum of three (3) accredited suppliers to be considered per transaction. In some instances, such as in case of strategic or recurring purchases, negotiated contracts are allowed. Adjustments in quotations after bidding must be countersigned but upward price adjustments are subject to stricter requirements.   |
| Environmentally friendly value-chain      | The Corporation is committed to the protection, preservation and enhancement of the environment. The Corporation actively contributes toward a clean and health environment for the well being of its employees, consumers and communities where it operates. The Corporation's Environmental Management System focuses on continual improvement, a key philosophy which reflects how the Corporation utilizes its resources and manufactures, packages, distributes and markets its wide range of products.   | Consistent with its mission of responsible stewardship of the environment, the Corporation adopts a holistic approach by exercising leadership in providing environmentally acceptable manufacturing processes, products and packaging, actively developing and implementing processes which involve the sustainable use of resources, pollution prevention and waste management, consistently meeting environmental standards, and influencing key stakeholders through the sharing of the Corporation's environmental policy. |
| Community interaction                     | The Corporation recognizes that it has a responsibility not just to employees but also to the communities where its businesses operate. As a socially responsible corporate citizen, the Corporation believes that it must provide the employees' family and surrounding communities opportunities to develop values of self-reliance.   | Please see portion on corporate social responsibility initiatives.  |
| Anti-corruption programmes and procedures | The Corporation believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business in accordance with the highest standards of business ethics. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed. | The Code of Ethics mandates that the directors, officers and employees should exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Corporation, and refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Corporation, create a sense of obligation on its part or potentially influence its business judgment.  |
| Safeguarding creditors' rights            | The Corporation exercises transparency when dealing with creditors, and ensures  | Contracts with creditors are strictly adhered to and obligations are  |



|  |   |  |
|--|---|--|
|  | that transactions with creditors adhere to fair business practices in order to establish long term and mutually beneficial relationships. | complied with. Know your client requests are promptly handled and addressed. |
|--|---|--|

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

The Corporation's Corporate Social responsibility Report is contained in the Annual Report distributed to stockholders and available for download at the Corporation's website.

Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

Pursuant to the Health and Welfare Program of the Company, it has its own clinic and accredited third party medical personnel. The plan provides for hospitalization and medical benefits under the plan for qualified employees. The employee may enjoy the benefits under the plan as long as he has accrued sick leave credits. The following are provided: free hospitalization, medical consultation, medicines and medical services.

There is a Health and Welfare Program for the dependents of the employees of the Company, provided that the dependents are registered with the Company. The plan covers hospitalization, dental, diagnostic procedures, and out-patient services. The employee and the Company share on a 50-50 basis the insurance premiums. The plan will answer for the room and board, doctors' fees, surgical fees and miscellaneous expenses of eligible dependents, outpatient benefits, subject to certain limits.

The Company recognizes its responsibility to shape and develop the knowledge, skills and attitudes of its human resources in order to contribute to the professional development of its employees and maintain its competitive position.

(b) Show data relating to health, safety and welfare of its employees.

The following are the Corporation's health care programs to protect employees and their dependents against financial burdens that come with illness or injury:

1. Health and Welfare Program – This program is being maintained and administered by the Corporation which has its own clinic and accredited third party medical personnel. The plan provides for hospitalization and medical benefits under the plan for qualified employees. The employee may enjoy the benefits under the plan as long as he has accrued sick leave credits. The following are provided: free hospitalization, medical consultation, medicines and medical services.
2. Health and Welfare programs for dependents, provided that the dependents are registered with the Corporation. The plan covers hospitalization, dental, diagnostic procedures, and out patient services. The employee and the Corporation share on a 50-50 basis the insurance premiums. The plan will answer for the room and board, doctors' fees, surgical fees and miscellaneous expenses of eligible dependents, outpatient benefits, subject to certain limits.

(c) State the company's training and development programmes for its employees. Show the data.

The Corporation recognizes its responsibility to shape and develop the knowledge, skills and attitudes of its human resources in order to contribute to the professional development of its employees and maintain its competitive position.

The Company's training and education philosophy is defined in the following principles:

**Business Contribution** - Training is anchored on the needs of the business and the impact on the Company's bottom line. Education and training help optimize the productivity and performance of the employees of the Company and enable them to contribute to the profitability of the Company.

**Alignment of Needs** - The Company's framework creates an environment where the employees have the opportunity to chart their own progress and development so long as these are supportive of the Company's strategic directions.

**Holistic Development** - Education and training is holistic and comprehensive in content and approach. The Company develops its employees not just on technical or functional expertise but on work support skills and leadership/management. In terms of approach, the Company utilized traditional classroom, experiential and mentoring approaches to deliver training.

**Collaborative Partnership and Involvement** - Planning, design and delivery of education solutions are done in partnership with clients and with accredited service providers.

In support of the foregoing policies, the Company has an education benefit which provides assistance to employees who wishes to pursue further studies. The program covers free tuition and miscellaneous expenses as well as cost of major books. The Company also extends educational loans, interest free, to meet the educational requirements of the employees and their dependents.

The Company also has Management and Development Program (MDP) aimed at ensuring timely availability of the required number of employees at middle manager level and up with the necessary or required education, experience, ambition and personal characteristics to fulfill the short and long term needs of the organization. The MDP involves in depth assessment and the implementation of planned development activities to meet the skill gaps of the employees.

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- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Corporation is guided by the following principles in the design of the salaries and wages of its employees:

**Internal Equity** - The principle creates a hierarchy where positions are valued or equated based on comparable work, responsibility and output. Jobs with more complex content and greater accountability receive commensurably higher pay. The Corporation utilizes a job evaluation system to ensure the foregoing.

**External Competitiveness** - The Corporation's pay scale is competitive with those of comparable companies in the business community. The objective of this principle is to attract external candidates and promote employee retention.

**Business Affordability** - Salary structures while affected by the need to be externally competitive are still anchored on the Corporation's financial capability to pay in order to achieve business performance and continued operations. This principle reinforced the thinking that the Corporation's ability to improve salaries and wages I

largely dependent on its bottom-line to which every employee has a personal contribution to make. The principle promotes a personal stake from each employee to improve the Corporation's business performance.

**Performance-based** - The Corporation believes that good performance must be appropriately rewarded. There is a tight link between the Corporation's Performance Management System and its rewards systems. This principle supports the value of teamwork since employees are measured not only in their individual performance but also in the performance of their team, encouraging them to have an active concern for those in the team.

**Non-financial Rewards** - The Corporation uses alternative forms of recognition to reward performance. The different business units are encouraged to develop programs such as citations, awards, performance feedback and mentoring to guide good performers.

- 3) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Corporation has an established whistle-blowing policy aimed at encouraging directors, officers, and employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct.

#### I. DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure as of 14 April 2016

(a) Holding 5% shareholding or more

| Shareholder                           | Number of Shares             | Percent | Beneficial Owner   |
|---------------------------------------|------------------------------|---------|--|
| Iñigo U. Zobel                        | 199,601,417<br>common shares | 59.62%  |  |
| Master Year Limited                   | 49,799,800                   | 14.88%  | Ramon S. Ang, Filipino, as the<br>sole director of Master Year<br>Limited. |
| PCD Nominee Corporation<br>(Filipino) | 38,397,012                   | 11.47%  | Various individuals/<br>entities   |

|                         |                             |        |  |
|-------------------------|-----------------------------|--------|--|
| Privado Holdings, Corp. | 36,814,051<br>common shares | 11.00% | Ramon S. Ang, Filipino,<br>as beneficial owner of 100% of<br>the outstanding capital stock of<br>Privado Holdings, Corp. |
|-------------------------|-----------------------------|--------|--|

**(b) Senior management**

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner)   | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| Ramon S. Ang              | 75,887 common shares    | 36,814,051 common shares<br>Privado Holdings, Corp.<br><br>49,799,800 common shares<br>Master Year Limited<br><br>44,500 commons shares<br>PCD Nominee Corporation<br>beneficially owned by<br>Privado Holdings, Corp. | 29.91%             |
| Aurora T. Calderon        | 2,360 common shares     | 0  | 0%                 |
| Virgilio S. Jacinto       | 2,562 common shares     | 0  | 0%                 |
| Bella O. Navarra          | 10,260 common shares    | 0  | 0%                 |
| Ma. Rosario B. Balanza    | 1,307 common shares     | 0  |                    |
| <b>TOTAL</b>              | <b>92,376</b>           | <b>86,658,351</b>  | <b>25.91%</b>      |

2) Does the Annual Report disclose the following:

|   |     |
|---|-----|
| Key risks   | Yes |
| Corporate objectives  | Yes |
| Financial performance indicators  | Yes |
| Non-financial performance indicators  | Yes |
| Dividend policy   | Yes |
| Details of whistle-blowing policy   | Yes |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner   | No  |
| Number of board of directors/commissioners meetings held during the year  | Yes |
| Attendance details of each director/commissioner in respect of meetings held  | Yes |
| Details of remuneration of the CEO and each member of the board of directors/commissioners  | Yes |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The Annual Report submitted by the Corporation conforms to the information required to be contained in SEC Form 17-A (Annual Report) or required by the Commission on the foregoing information.

3) External Auditor's fee

| Name of auditor                    | Audit Fee                     | Non-audit Fee |
|------------------------------------|-------------------------------|---------------|
| <b>R.G. Manabat &amp; Co, CPAs</b> | <b><u>PhP 1.5 million</u></b> | <b>None</b>   |
|                                    |                               |               |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Company disclosures
- One-on-one meetings
- Email
- Telephone calls
- Written correspondence

5) Date of release of audited financial report:

April 14, 2016

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

|  |            |
|--|------------|
| Business operations  | <b>Yes</b> |
| Financial statements/reports (current and prior years)                             | <b>Yes</b> |
| Materials provided in briefings to analysts and media                              | <b>Yes</b> |
| Shareholding structure   | <b>Yes</b> |
| Group corporate structure  | <b>Yes</b> |
| Downloadable annual report   | <b>Yes</b> |
| Notice of AGM and/or EGM   | <b>Yes</b> |
| Company's constitution (company's By-laws, memorandum and articles of association) | <b>Yes</b> |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

Please refer to Note 34 of the Corporation's Notes to the Audited Financial Statements on the disclosure on related part transactions.

| RPT          | Relationship | Nature | Value |
|--------------|--------------|--------|-------|
| See Note 34. |              |        |       |
|              |              |        |       |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

|                        |  |
|------------------------|--|
| <b>Quorum Required</b> | Majority of the outstanding capital stock entitled to vote, as prescribed in the Corporation's By-laws |
|------------------------|--|

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

|                    |   |
|--------------------|---|
| <b>System Used</b> | In accordance with the Corporation Code.  |
| <b>Description</b> | Corporate acts are approved by motion of stockholders and passed if there are no objections. Same procedure is adopted for the election of directors considering that the number of nominees is equal to the number of board seats. |

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| <b>Stockholders' Rights under The Corporation Code</b> | <b>Stockholders' Rights <u>not</u> in The Corporation Code</b>   |
|--|--|
| Voting right   | Promotion of Shareholder rights <ul style="list-style-type: none"> <li>• It shall be the duty of the directors to promote shareholder rights, removes impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of rights.</li> <li>• They shall encourage the exercise of shareholder voting rights and the solution of collective action problems through appropriate mechanisms.</li> <li>• They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating on meetings</li> </ul> |

|   |  |
|---|--|
|   | <p>or voting in person.</p> <ul style="list-style-type: none"> <li>The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.</li> </ul>  |
| All shareholders shall be allowed to inspect the corporate books and records including minutes of the Board of Directors and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions. | The shareholders of the Corporation shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and aggregate compensation of directors and officers. |
| Pre-emptive rights  |  |
| Right to dividends  |  |
| Appraisal right   |  |

#### Dividends

| Common Shares    |             |              |                 |
|------------------|-------------|--------------|-----------------|
| Declaration Date | Record Date | Payment Date | Amount          |
| None             |             |              |                 |
|                  |             |              |                 |
| Preferred Shares |             |              |                 |
| Declaration Date | Record Date | Payment Date | Amount          |
| 07/09/2014       | 07/09/2014  | 07/11/2014   | Php 265,683,330 |
| 11/10/2014       | 11/10/2014  | 11/12/2014   | Php 265,683,330 |

#### (d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| Measures Adopted                   | Communication Procedure   |
|------------------------------------|---|
| Submission of questions in writing | The Corporate Secretary, at the onset of the Stockholders Meeting, states the ground rules for the conduct of the meeting. Stockholders are requested to submit their questions in writing. Question forms are available from the members of the staff in the venue. The form requires the stockholders asking questions to identify themselves. Priority is given to written questions submitted in advance. |

|   |  |
|---|--|
| Only stockholders or their proxies shall be allowed to participate in the open forum.                         | Any stockholder who wishes to ask questions is requested to wait to be acknowledged by the Chairman before speaking. Once acknowledged, the stockholder shall identify himself, or if he is a proxy, he will also identify the party he is representing. |
| Questions not entertained due to time constraints shall be referred to the Office of the Corporate Secretary. | The Corporate Secretary responds in writing to questions after the meeting, or takes note of suggestions or comments if any.   |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

For the above-cited corporate decisions, the Corporation affords the shareholders the opportunity to participate in such corporate decisions through the distribution of the notice of meeting of shareholders in the form of a definitive information statement which contains in detail the explanation for the proposed shareholder action, including but not limited to amendments to the Corporation's articles and By-laws, the issuance of shares or the transfer of all or substantially all the assets of the Corporation. By practice, the definitive information statement is distributed at least twenty-one (21) business days prior to the date of the meeting to give the stockholders ample time to communicate with the Corporation on matters relating to such proposed actions.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

No, the Corporation complies with the pertinent provisions of the Securities Regulation. Code.

- a. Date of sending out notices: June 16, 2015
  - b. Date of the Annual/Special Stockholders' Meeting: July 09, 2015
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

*Excerpts from the Minutes of the Annual Stockholders' Meeting of the Corporation on July 09, 2014:*

"A stockholder, who is also a stockholder of San Miguel Corporation ("SMC"), requested clarification on the reason why SMC shareholders received Company shares, which they did not ask for, and as a result of such distribution, their SMC cash dividends were being deducted to pay-off the taxes accrued due to such distribution of the Company shares. The President and Chief Executive Officer, Mr. Ramon S. Ang, explained that the Company shares received by qualified SMC shareholders is a result of the property dividend declaration by SMC, whereby qualified SMC shareholders received one (1) Company share for every ten (10) SMC shares held. The Company shares distributed by reason of said property dividend declaration was priced at Php168.00 per share. The amount of the withholding tax due from the qualified SMC stockholders arising from the receipt of said property dividend is a matter of compliance with existing taxation laws. Mr. Ang likewise explained to the stockholders that if they do not wish to retain their Company shares, they can sell said shares at a profit, provided that the taxes due thereon should be paid and settled accordingly.

A stockholder addressed an inquiry to the Chief Finance Officer, Ms. Navarra, and asked why Schedule B (Amounts Receivable From (Payable to) Directors, Officers, Employees, Related Parties and Principal Stockholders) of the Consolidated Financial Statements of the Company states "not applicable." Ms. Navarra explained that "not applicable" relates to amounts receivable (payable to) directors, officers and employees. For those amounts receivable from (payable to) related parties which are eliminated during the consolidation of financial statements, the same are disclosed in Schedule C. On the other hand, for those accounts which are not



eliminated by reason of consolidation, the same are disclosed under Note 32 of the Notes to the Financial Statements (Related Party Disclosure).

As a follow-up question, the same stockholder noted that the Company has several loans, and inquired whether the Company is engaged in the illegal activity of “kiting.” The treasurer, Ms. Aurora T. Calderon, responded that neither the Company nor SMC is engaged in, and will not engage in, “kiting” activities.

A stockholder asked for the amount of the carrying cost of SMC shares in the books of the Company and whether the Company will conduct a follow up offering. Mr. Ang reported that the carrying cost of SMC shares in the books of the Company is approximately Php96.67. With respect to the conduct of a follow up offering, Mr. Ang responded that, at present, the Company does not intend to issue new shares.

Another stockholder inquired what potential businesses the Company will invest on aside from SMC and Clariden Holdings, Inc. Mr. Ang responded that, presently, there are none but if an opportunity arises in the future, Management shall duly inform the public through adequate disclosures.”

5. Result of Annual/Special Stockholders’ Meeting’s Resolutions *(as amended on 09 July 2015)*

| Resolution  | Approving   | Dissenting | Abstaining                    |
|---|---|------------|-------------------------------|
| <u>(a) Approval of minutes of the July 09, 2014 annual stockholders meeting</u>   | <u>295,844,835 shares</u><br>88.873%  | <u>0</u>   | <u>0</u>                      |
| <u>(b) Approval of the 2014 Annual Report</u>   | <u>295,793,790 shares</u><br>88.857%  | <u>0</u>   | <u>51,045 shares</u><br>.016% |
| <u>(c) Ratification of all acts and proceedings</u>   | <u>295,793,790 shares</u><br>88.857%  | <u>0</u>   | <u>51,045 shares</u><br>.016% |
| <u>(d) Appointment of external auditors</u>   | <u>295,844,835 shares</u><br>88.873%  | <u>0</u>   | <u>0</u>                      |
| <u>(e) Election of Directors</u><br><u>Iñigo U. Zobel</u><br><u>Ramon S. Ang</u><br><u>Ferdinand K. Constantino</u><br><u>Aurora T. Calderon</u><br><u>Nelly A. Favis-Villafuerte</u><br><u>Consuelo M. Ynares-Santiago</u><br><u>Minita V. Chico-Nazario</u> | <u>295,501,844 shares</u><br><u>294,732,454 shares</u><br><u>294,550,323 shares</u><br><u>293,097,461 shares</u><br><u>295,254,547 shares</u><br><u>295,838,785 shares</u><br><u>295,838,785 shares</u> |            |                               |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Not published.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders’ Meeting regulations during the most recent year and the reason for such modification:

| Modifications | Reason for Modification |
|---------------|-------------------------|
| None          |                         |
|               |                         |
|               |                         |

(f) Stockholders’ Attendance

(i) Details of Attendance in the Annual/Special Stockholders’ Meeting Held:

| Type of Meeting | Names of Board members / Officers present  | Date of Meeting      | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|----------------------|---|-----------------------------|------------------|--------------------------|
| Annual          | <u>Ramon S. Ang</u><br><u>Ferdinand K. Constantino</u><br><u>Aurora T. Calderon</u><br><u>Nelly A. Favis-Villafuerte</u><br><u>Consuelo M. Ynares-Santiago</u><br><u>Minita V. Chico-Nazario</u><br><u>Virgilio S. Jacinto</u><br><u>Bella O. Navarra</u><br><u>Ma. Rosario B. Balanza</u><br><u>Irene M. Cipriano</u> | <u>July 09, 2015</u> | <u>By motion and by show of hands</u>           | <u>00.137%</u>              | <u>88.367%</u>   | <u>88.504%</u>           |

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the Corporation's common shares carry one vote per share.

Preferred shares are not entitled to vote except in those cases expressly provided by law.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

|                                     | Company's Policies  |
|-------------------------------------|---|
| Execution and acceptance of proxies | Article II, Section 7 of the By-laws states that at all meetings of stockholders, a stockholder may vote in person or in proxy.   |
| Notary                              | Not required.   |
| Submission of Proxy                 | Article II, Section 7 of the By-laws states that all proxies must be in the hands of the Secretary of the Corporation not later than ten (10) working days before the time set for the meeting. |
| Several Proxies                     | In accordance with the Corporation Code and jurisprudence.  |
| Validity of Proxy                   | Such delegation or proxy shall be valid only for the meeting at which it has been presented to the Secretary.   |
| Proxies executed abroad             | Accepted.   |
| Invalidated Proxy                   | In accordance with the Corporation Code and jurisprudence.  |
| Validation of Proxy                 | Validation of proxies are held on the date and at the place specified in the notice to stockholders, which is open to the public.   |
| Violation of Proxy                  | In accordance with the Corporation Code and jurisprudence.  |

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies  | Procedure   |
|---|---|
| According to Article II, Section 4 of the Corporation's By-laws, notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. | According to Article II, Section 4 of the Corporation's By-laws, notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. |
| The Corporation complies with pertinent provisions of the Securities Regulation Code regarding distribution of the Preliminary Information Statement, Definitive Information Statement, etc.  | When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.                                |
| The Corporation complies with the rules set by the Commission on record dates and closing of the books.   | For purposes of determining the stockholders entitled to notice of, or vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.  |

(i) Definitive Information Statements and Management Report

|  |   |
|--|---|
| <b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>  | <u>271</u>  |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b> | <u>June 16, 2015</u>  |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>                                  | <u>June 16, 2015</u>  |
| <b>State whether CD format or hard copies were distributed</b>   | Definitive Information Statement in CD format were distributed. |

|   |   |
|---|---|
| <b>If yes, indicate whether requesting stockholders were provided hard copies</b> | Stockholders were provided with hard copies upon request. |
|---|---|

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

|   |     |
|---|-----|
| Each resolution to be taken up deals with only one item.  | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed.   | Yes |
| An explanation of the dividend policy, if any dividend is to be declared.   | Yes |
| The amount payable for final dividends.   | Yes |
| Documents required for proxy vote.  | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| <b>Policies</b>  | <b>Implementation</b>   |
|--|---|
| The Board is committed to respect the rights of the shareholders and minority interests. | Voting right, as provided under the Manual                    |
|  | Pre-emptive rights, as provided under the Manual              |
|  | Power of inspection, as provided under the Manual             |
|  | Right to information, as provided under the Manual            |
|  | Right to dividends, as provided under the Manual              |
|  | Appraisal right, as provided under the Manual                 |
|  | Promotion of shareholder rights, as provided under the Manual |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. All nominations for the election of directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before June 10, or such earlier date or later date that the Board of Directors may fix, as provided in the Corporation's By-laws. Nominees are screened by the Nomination and Hearing Committee who evaluates their qualifications and disqualifications. The Nomination and Hearing

Committee identifies and recommends qualified individuals for nomination and election of directors of the Corporation.

#### K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Corporation has an Investor Relations Office which handles internal publications, corporate intranet, and internal digital signage. It likewise handles regular communications with institutional investors.

All information/disclosures for release are cleared and approved by the Corporate Secretary, Chief Finance Officer and the President.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

|                                 | Details  |
|---------------------------------|--|
| (1) Objectives                  | To effectively communicate the Corporation's performance, plans and strategies to the capital market, as well as, develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing and manage the content and flow of company information/disclosures to the financial markets. |
| (2) Principles                  | Provide a consistent and reliable information that would assist investors in their investment decision   |
| (3) Modes of Communications     | Company disclosures, One-on-one meetings, Email, Telephone calls   |
| (4) Investors Relations Officer | Maria Rosario B. Balanza<br>Contact no. +63 2 6323431<br>Email – mrbalanza@smg.sanmiguel.com.ph  |

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Any major plans or extraordinary transactions of the Corporation passes through a team that evaluates the viability of the transaction and ensures that it will have a strategic fit with the Corporation. This is eventually presented to the Board for approval.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Corporation procures the services of Investment Banks who provides advice on the fairness of transaction price.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

The Corporation's Corporate Social Responsibility Projects are undertaken through its subsidiaries, San Miguel Corporation, through San Miguel Foundation, Inc., and Clariden Holdings, Inc.

| Initiative                            | Beneficiary |
|---------------------------------------|-------------|
| Provided in the Corporation's website |             |
|                                       |             |

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

|                             | Process  | Criteria   |
|-----------------------------|--|--|
| <b>Board of Directors</b>   | Annual submission of self-rating form  | a) Fulfillment of the Board's key responsibilities;<br>b) Board-Management relationship;<br>c) effectiveness of board processes and meetings, and<br>d) individual performance of board members.   |
| <b>Board Committees</b>     | Annual submission of self-rating form for audit committee                                    | a) Quality and integrity of the Corporation's financial statements and financial reporting process<br>b) Effectiveness of the Corporation's internal control systems<br>c) Independence and performance of its internal and external auditors<br>d) Compliance by the Corporation with accounting standards, legal and regulatory requirements, including the Corporation's disclosure policies and procedures<br>e) Evaluation of management's process to assess and manage the Corporation's enterprise risk issues                |
| <b>Individual Directors</b> | Annual submission of self-rating form, on portion on individual performance of board members | a) Understanding of the mission, values and strategies of the Corporation and awareness of expectations from the individual as a Board member.<br>b) Awareness of the Corporation's By-laws and governing principles and policies.<br>c) Consciousness of conflict of interest positions and the duty to disclose any such conflict<br>d) Attendance at Board and Committee meetings<br>e) Attendance at meetings on time, prepared and knowledgeable about the issues to be discussed.<br>f) Participation in the Board discussions |

|                      |   |  |
|----------------------|---|--|
|                      |   | <p>with independence and objectivity.</p> <p>g) Expression of opinions on matters presented to the Board and support all Board decisions once they are made even in case of disagreement with the decision.</p> <p>h) Promotion of work and the mission of the Corporation in the community.</p> |
| <b>CEO/President</b> | <p>The Board of Directors of the Corporation, in exercise of its internal control functions, selects and appoints the Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organization and operational controls.</p> <p>The CEO and President is appraised in accordance with the Corporation's Performance Management System.</p> | <p>The basis for the assessment are the duties and responsibilities of the CEO and President as well as key performance indicators in accordance with the Corporation's By-laws and Manual.</p>  |

#### **N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

| <b>Violations</b>                        | <b>Sanctions</b>   |
|--|--|
| Violation of any provision of the Manual | First violation: reprimand   |
|  | Second violation: suspension from office, the duration of which shall be dependent on the gravity of the violations. This penalty is not applicable to directors |
|  | Third violation: removal from office. For directors, Section 28 of the Corporation Code and the By-laws of the Corporation shall be observed.                    |

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila this \_\_\_\_\_ 2015.

# SIGNATURES

\_\_\_\_\_  
**IÑIGO U. ZOBEL**  
Chairman

\_\_\_\_\_  
**RAMON S. ANG**  
President and Chief Executive Officer

\_\_\_\_\_  
**CONSUELO M. YNARES-SANTIAGO**  
Independent Director

\_\_\_\_\_  
**MINITA V. CHICO-NAZARIO**  
Independent Director

\_\_\_\_\_  
**VIRILIO S. JACINTO**  
Corporate Secretary and  
Compliance Officer

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ 2015, affiant(s) exhibiting to me their Passport Nos., as follows:

| <u>NAME</u>                 | <u>PASSPORT NO.</u> | <u>DATE/ PLACE OF ISSUE</u>    |
|-----------------------------|---------------------|--------------------------------|
| Iñigo U. Zobel              | EC0686788           | March 27, 2014; DFA NCR East   |
| Ramon S. Ang                | XX0492943           | February 22, 2013; DFA Manila  |
| Consuelo M. Ynares-Santiago | EC2448352           | October 17, 2014; DFA NCR East |
| Minita V. Chico-Nazario     | EC3431310           | February 11, 2015; DFA Manila  |
| Virgilio S. Jacinto         | EC3608156           | March 06, 2015; DFA Manila     |

Doc No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2015.