

28 June 2013

**Philippine Stock Exchange**  
Disclosures Department  
4/F, Philippine Stock Exchange Inc., PSE Centre  
Exchange Road, Ortigas Center  
Pasig City, Metro Manila

Attention : **MS. JANET A. ENCARNACION**  
Head-Disclosure Department

Subject : Annual Corporate Governance Report 2013

Gentlemen:

Attached is the Annual Corporate Governance Report which we submitted to SEC.

Very truly yours,



**FLORENCIO M. MAMAUAG, JR.**  
VP-Legal & HR, Asst. Corp. Sec.,  
Compliance Officer & CIO

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(Company's Full Name)

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M A K A T I C I T Y

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

ATTY. FLORENCIO M. MAMAUAG, JR.

810-8901

September 30  
Month Day  
Fiscal Year

Annual Corporate Governance Report 2013

Form Type

Month Day  
Annual Meeting

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Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

2,194

Total No. of Stockholders

Domestic

Foreign

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2013
2. Exact Name of Registrant as Specified in its Charter - ROXAS HOLDINGS, INC.
3. 6F CACHO-GONZALEZ BLDG., 101 AGUIRRE ST., LEGASPI VILLAGE      1229  
MAKATI CITY      Postal Code  
Address of Principal Office
4. SEC Identification Number PW-15
5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 000-290-538-000
7. (02) 810-8901 to 06  
Issuer's Telephone number, including area code
8. ....  
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	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served
Pedro E. Roxas	ED	N/A	Vicente Atienza	*1982	19 Feb 2014	Annual Meeting	31
Manuel V. Pangilinan	NED	First Pacific Natural Resources Holdings BV	Vicente Atienza	3 Dec 2013	19 Feb 2014	Annual Meeting	N/A
Santiago R. Elizalde	NED	Roxas & Company, Inc.	Vicente Atienza	26 Jan 2000	19 Feb 2014	Annual Meeting	13
Renato C. Valencia	ED	N/A	Vicente Atienza	**24 Nov 2004	19 Feb 2014	Annual Meeting	7
Geronimo C. Estacio	ID	N/A	Vicente Atienza / No relation with ID	***25 Mar 2009	19 Feb 2014	Annual Meeting	4
David L. Balangue	ID	N/A	Vicente Atienza / No relation with ID	15 Feb 2012	19 Feb 2014	Annual Meeting	1
Ray C. Espinosa	NED	First Pacific Natural Resources Holdings BV	Vicente Atienza	3 Dec 2013	19 Feb 2014	Annual Meeting	N/A
Alex Erlito S. Fider	NED	First Pacific Natural Resources Holdings BV	Vicente Atienza	3 Dec 2013	19 Feb 2014	Annual Meeting	N/A
Carlos R. Elizalde	NED	Roxas & Company, Inc.	Vicente Atienza	19 Feb 2014	19 Feb 2014	Annual Meeting	N/A

\*Mr. Pedro E. Roxas was first elected to the Board in 1982. As it has been more than thirty (30) years since his election, the relevant documents which would show the exact date of his election to the Board can no longer be located.

\*\*Mr. Renato C. Valencia was first elected as a director of the company on 24 September 2004. He resigned as director on 25 March 2009 and was re-elected as a director of the company on 29 September 2010.

\*\*\*Pursuant to SEC Memorandum Circular No. 9 series of 2011, all terms served by existing independent directors prior to 2 January 2012 shall not be included in the application of the term limits subject of the Circular.

#### (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 Board of Directors has adopted a Revised Manual on Corporate Governance (the "MCG") in accordance with SEC Circular No. 6, Series of 2009. The MCG contains, among others, the following provisions:

1. The recognition of rights of stockholders to elect, remove and replace directors, through cumulative voting, and vote on certain corporate acts in accordance with the Corporation Code;
2. The recognition of the stockholders' pre-emptive rights, unless the same is denied in the Articles of Incorporation, as well as the power of inspection, right to information, right to dividends and appraisal rights;
3. The recognition of the right to meaningfully participate in stockholders' meetings in person or by proxy;
4. The recognition of the right of all stockholders to be treated equally, but at the same time giving the minority stockholders the right to propose the holding of meetings and items for discussion in the agenda that relate directly to the business of the corporation.

5. All material information about the corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed by the company's Compliance Officer through the SEC and the PSE. The minority shareholders are provided access to any and all information relating to matters for which management is accountable for and to those relating to matters which should have been included in the agenda of the annual meeting. If not included in the agenda, the minority shareholders will be allowed to propose such matters in the agenda of the stockholders' meeting for legitimate purposes.
6. The duties and responsibilities of the Board of Directors, in general, are to foster the long-term success of the corporation, to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders, to formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management's performance. In particular, the Board's duties include, but not limited to, the following:
  - (i) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
  - (ii) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
  - (iii) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
  - (iv) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.
  - (v) Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
  - (vi) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
  - (vii) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
  - (viii) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
  - (ix) Constitute an Audit & Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
  - (x) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
  - (xi) Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
  - (xii) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
  - (xiii) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer (pp. 7,8,9, Revised Manual on Corporate Governance)

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

As a long-term and enduring guide towards the company's sustainable growth and profitability, the company's vision and mission statements are intended to endure over a long period of time. Nevertheless, the Board of Directors reviews and approves the company's vision and mission statements as the need arises in response or in anticipation of changes in circumstances which affect the business of the company.

Thus, during the regular meeting of the Board of Directors held last 06 February 2013, the Board of Directors approved the amendment of the MCG principally to reflect and incorporate the company's new vision, mission and values.

**(d) Directorship in Other Companies**

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

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:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Pedro E. Roxas	Roxas & Company, Inc. Central Azucarera Don Pedro, Inc. Central Azucarera de la Carlota, Inc. Roxol Bioenergy Corp. Roxaco Land Corp. Hawaiian Philippine Company	Chairman & President (Executive) Chairman (Executive) Chairman (Executive) Chairman (Executive) Chairman & President (Executive) Chairman
Santiago R. Elizalde	Central Azucarera Don Pedro, Inc. Central Azucarera de la Carlota, Inc. Roxol Bioenergy Corp.	Director (Non-Executive) Director (Non-Executive) Director (Non-Executive)
Renato C. Valencia	Roxas & Company, Inc. Central Azucarera Don Pedro, Inc. Central Azucarera de la Carlota, Inc. Roxol Bioenergy Corp.	Director (Non-Executive) Director (Executive) Director (Executive) Director (Executive)
Carlos R. Elizalde	Roxas & Company, Inc.	Director (Non-Executive)

**(ii) 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.
Pedro E. Roxas	Philippine Long Distance Telephone Company Manila Electric Company BDO Private Bank	Independent Director Independent Director Independent Director
Manuel V. Pangilinan	Philippine Long Distance Telephone Company	Chairman

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



	Metro Pacific Investments Corp. Philex Mining Corporation Manila Electric Company	Chairman Chairman Non-Executive Director
Renato C. Valencia	Metropolitan Bank & Trust Company Anglo Philippine Holdings Corp. Vulcan Industrial & Mining Corporation House of Investments i People	Independent Director Independent Director Independent Director Independent Director Chairman/Non-Executive Director
David L. Balangue	Trans-Asia Oil and Energy Development Corp. Maybank ATR Kim Eng Financial Corporation Unistar Credit and Finance Corporation Manufacturer's Financial Plans Inc. Manufacturer's Life Insurance (Phils.)	Independent Director Independent Director Independent Director Non-Executive Director Non-Executive Director
Ray C. Espinosa	Lepanto Consolidated Mining Co. Philweb Corporation Metro Pacific Investments Corp. Philippine Long Distance Telephone Company Manila Electric Company	Independent Director Vice-Chairman Non-Executive Director Non-Executive Director Non-Executive Director

**(iii) 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
Pedro E. Roxas	Roxas and Company, Inc.	Shareholder of Roxas and Company, Inc. Santiago R. Elizalde and Carlos R. Elizalde are relatives of Pedro E. Roxas within the 4 <sup>th</sup> degree of consanguinity.
Santiago R. Elizalde	Roxas and Company, Inc.	Shareholder of Roxas and Company, Inc. Pedro E. Roxas and Carlos R. Elizalde are relatives of Santiago R. Elizalde within the 4 <sup>th</sup> degree of consanguinity.
Carlos R. Elizalde	Roxas and Company, Inc.	Shareholder of Roxas and Company, Inc. Pedro E. Roxas and Santiago R. Elizalde are relatives of Carlos R. Elizalde within the 4 <sup>th</sup> degree of consanguinity.


- (iv) 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:

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	Pursuant to the company's Revised Manual on Corporate Governance, the executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. In any case, the capacity of the director to serve diligently shall not be compromised (p. 14, Revised Manual on Corporate Governance).	<p>The company has not yet set a definite limit on the number of board seats which the members of the Board of Directors or its CEO may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (p. 14, Revised Manual on Corporate Governance).</p> <p>The limit of five (5) board seats in the other publicly-listed is not imposed but, as herein above indicated, the members of the Board of Directors who are also directors in other publicly-listed companies are holding board seats in such companies up to a maximum of five (5) only.</p>
<b>Non-Executive Director</b>	Pursuant to the company's Revised Manual on Corporate Governance, the non-executive directors who serve as full time executives in other corporations shall submit themselves to a low indicative limit on memberships in other corporations. In any case, the capacity of the director to serve diligently shall not be compromised (p. 14, Revised Manual on Corporate Governance).	The company has not yet set a definite limit on the number of board seats which the members of the Board of Directors or its CEO may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (p. 14, Revised Manual on Corporate Governance).

		The limit of five (5) board seats in the other publicly-listed is not imposed but, as herein above indicated, the members of the Board of Directors who are also directors in other publicly-listed companies are holding board seats in such companies up to a maximum of five (5) only.
CEO	Pursuant to the company's Revised Manual on Corporate Governance, the CEO shall submit himself to a low indicative limit on membership in other corporate boards. In any case, the capacity of the CEO to serve diligently shall not be compromised (p. 14, Revised Manual on Corporate Governance).	The company has not yet set a definite limit on the number of board seats which the members of the Board of Directors or its CEO may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (p. 14, Revised Manual on Corporate Governance).

(e) 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:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
 Pedro E. Roxas	2,679,000	49,724,887/Pesan Holdings, Inc.	5.77%
		33,000/&/or Regina T. Roxas ITF Xavier Roxas	
		5,673/&/or Regina T. Roxas ITF Pedro Alejandro Roxas	
		1,000/&/or Regina T. Roxas ITF Alessandra T. Roxas	
Manuel V. Pangilinan	50,000		.00
Renato C. Valencia	50,000		.00
Geronimo C. Estacio	50,000		.00

David L. Balangue	50,000		.00
Santiago R. Elizalde	100,000		.01
Ray C. Espinosa	350,000		.04
Alex Erlito S. Fider	50,000		.00
Carlos R. Elizalde	50,000		.00
<b>TOTAL</b>	<b>*3,429,000</b>	<b>*49,764,560</b>	<b>*5.85%</b>

\*as of 15 June 2014

2) 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	Mr. Pedro E. Roxas
CEO/President	Mr. Renato C. Valencia

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	The Chairman presides at the meetings of the Board of Directors and of the stockholders. He shall exercise such powers and perform such duties and functions as the Board of Directors may, from time to time, assign. (Art. 24, ABL)	The CEO is responsible for the general supervision, administration and management of the business of the corporation. (Art. 26, ABL)
Accountabilities	<p>Ensure that the meetings of the Board are held in accordance with the by-laws or as he may deem necessary;</p> <p>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer ("CEO"), Management and the directors; and</p> <p>Maintain qualitative and timely lines of communication and information between the Board and Management. (p. 3, Revised manual on Corporate Governance).</p> <p>Duties and functions as may be assigned or directed by the Board of Directors.</p>	<p>Establishment of general administrative and operating policies.</p> <p>Initiation and development of programs for management training and development as well as the development of executive compensation plans.</p> <p>Others as may be assigned or directed by the Board of Directors. (Art. 26, ABL)</p> <p>Recommend specific projects for the accomplishment of corporate objectives and policies for the approval of the Board of Directors.</p> <p>Implement the program for management training and development.</p>

	(Art. 24, ABL)	<p>Ensure that the administrative and operating policies are carried out.</p> <p>Appoint, remove or suspend any and all employees and other subordinate personnel of the Corporation, prescribe their duties, determine their salaries and when necessary, require bonds in such amounts as he may determine, to secure the faithful discharge by said employees of their official trust.</p> <p>Prepare such statements and reports as may be required from time to time by law.</p> <p>Preside at meetings of the Directors and stockholders in the absence of the Chairman and the Vice-Chairman.</p> <p>Exercise such powers and perform such duties and functions as may assigned to him by the Board of Directors. (Art. 26, ABL)</p>
Deliverables	<p>Efficient conduct of the Board of Directors' meetings;</p> <p>Agenda of the Board of Directors' meetings.</p> <p>Others as assigned or directed by the Board of Directors. (Art. 24, ABL)</p>	<p>General administrative and operating policies.</p> <p>Development programs for management training and executive compensation plans.</p> <p>Projects for the accomplishment of corporate objectives and policies for the approval of the Board of Directors.</p> <p>Program for management training and development.</p> <p>Implementation of administrative and operating policies.</p> <p>Appointment, removal or suspension of any and all employees and other subordinate personnel of the Corporation; duties, salaries of employees.</p> <p>Statements and reports as may be required from time to time by law.</p> <p>Preside at meetings of the Directors and</p>

		<p>stockholders in the absence of the Chairman and the Vice-Chairman.</p> <p>Others as may be assigned or directed by the Board of Directors. (Art. 26, ABL)</p>
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3) **Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?** - The Board of Directors will adopt an effective succession planning program for the top key management positions of the company. The Board of Directors through the Nomination Committee reviews and evaluates the qualifications of officers whose appointments require the approval of the Board of Directors (p.13, Revised Manual on Corporate Governance). The Board of Directors also defines the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls and selects the person who possesses the ability, integrity and expertise essential for the position of CEO. Further, the Board of Directors also evaluates proposed senior management appointments, the selection and appointment of qualified and competent management officers and the company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan (P. 9. Revised Manual On Corporate Governance).

4) **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.** - Yes. In addition to the qualifications for membership in the Board as provided in the By-laws of the corporation (Arts. 14 & 15, ABL), the Corporation Code, Securities Regulation Code and other relevant laws, the company considers the college education or equivalent academic degree of the person, his practical understanding of the business of the company, membership in good standing in the industry, business or professional organizations and previous business experience (p. 4, Revised Manual on Corporate Governance).

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.** - Yes. The Revised Manual on Corporate Governance of the company requires that the non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board (p. 3, Revised Manual on Corporate Governance).

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

	Executive	Non-Executive	Independent Director
Role	The Board of Directors handles and manages all the business and properties of the company (Art. 12, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner consistent with the corporate objectives and the best interests of the stockholders (p. 7, Revised Manual on Corporate Governance).	The Board of Directors handles and manages all the business and properties of the company (Art. 12, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner consistent with the corporate objectives and the best interests of the stockholders (p. 7, Revised Manual on Corporate Governance).	The Board of Directors handles and manages all the business and properties of the company (Art. 12, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner consistent with the corporate objectives and the best interests of the stockholders (p. 7, Revised Manual on Corporate Governance).

	<p>The Executive Directors occupy management positions and are responsible for management decisions that are implemented in the due course of business of the corporation.</p>	<p>The Non- Executive Directors do not occupy management positions. As such, they do not exercise management powers in the corporation.</p>	<p>The Independent Directors provide independent judgment in carrying out their responsibilities as directors of the company. The Independent Directors protect the interests of the minority shareholders of the company. The Independent Directors serve as independent check on management. (Revised Code of Corporate Governance, SEC Memorandum Circular No. 6, Series of 2009)</p>
Accountabilities	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>

	<p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related</p>	<p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related</p>	<p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related</p>
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	<p>party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control</i> <i>Responsibilities. The Board</i></p>	<p>party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control</i> <i>Responsibilities. The Board</i></p>	<p>party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control</i> <i>Responsibilities. The Board</i></p>
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	<p>shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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</p>	<p>shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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</p>	<p>shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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</p>
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	<p>regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p> <p>The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</p> <p>Observe confidentiality.</p>	<p>regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p> <p>The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</p> <p>Observe confidentiality.</p>	<p>regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p> <p>The Board shall appoint an internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</p> <p>Observe confidentiality.</p>
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Deliverables	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p>	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p>	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p>
	<p>A process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p>	<p>A process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p>	<p>A process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p>
	<p>Competent professional, honest and highly-motivated management officers.</p>	<p>Competent professional, honest and highly-motivated management officers.</p>	<p>Competent professional, honest and highly-motivated management officers.</p>
	<p>Effective succession planning program for Management.</p>	<p>Effective succession planning program for Management.</p>	<p>Effective succession planning program for Management.</p>
	<p>Sound strategic policies and guidelines to the corporation on major capital expenditures.</p>	<p>Sound strategic policies and guidelines to the corporation on major capital expenditures.</p>	<p>Sound strategic policies and guidelines to the corporation on major capital expenditures.</p>
	<p>Programs that can sustain the company's long-term viability and strength and evaluation and monitoring of the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>	<p>Programs that can sustain the company's long-term viability and strength and evaluation and monitoring of the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>	<p>Programs that can sustain the company's long-term viability and strength and evaluation and monitoring of the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p>
	<p>Faithful compliance with all applicable laws, regulations and best business practices.</p>	<p>Faithful compliance with all applicable laws, regulations and best business practices.</p>	<p>Faithful compliance with all applicable laws, regulations and best business practices.</p>
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	<p>Identification of the sectors in the community in which the corporation operates or are directly affected by its operations, and formulation of a clear policy of accurate, timely and effective</p>	<p>Identification of the sectors in the community in which the corporation operates or are directly affected by its operations, and formulation of a clear policy of accurate, timely and effective</p>	<p>Identification of the sectors in the community in which the corporation operates or are directly affected by its operations, and formulation of a clear policy of accurate, timely and effective</p>

	<p>communication with them.</p> <p>A system of check and balance within the Board. A regular review of the effectiveness of the system to ensure the integrity of the decision-making and reporting processes at all times.</p> <p>Continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>An alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties,</p>	<p>communication with them.</p> <p>A system of check and balance within the Board. A regular review of the effectiveness of the system to ensure the integrity of the decision-making and reporting processes at all times.</p> <p>Continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>An alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties,</p>	<p>communication with them.</p> <p>A system of check and balance within the Board. A regular review of the effectiveness of the system to ensure the integrity of the decision-making and reporting processes at all times.</p> <p>Continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>An alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties,</p>
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	<p>including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for</p>	<p>including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for</p>	<p>including the regulatory authorities.</p> <p>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for</p>
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	<p>employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate (pp. 7,8,9,10,11,12, Revised Manual on Corporate Governance).</p>	<p>employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate (pp. 7,8,9,10,11,12, Revised Manual on Corporate Governance).</p>	<p>employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate (pp. 7,8,9,10,11,12, Revised Manual on Corporate Governance).</p>
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**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

The company defines an independent director as one who, apart from his fees and shareholdings in the company, is independent of management and free from any business or other relationships which could or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. It includes one who:

- a. Is not a director or officer of the company or its subsidiaries and affiliates except when the same shall be an independent director of any of the said companies;
- b. Does not own more than five percent (5%) of the outstanding capital stock of the company and/or its subsidiaries and affiliates;
- c. Is not related to any director, officer or a shareholder owning at least twenty percent (20%) of the outstanding

capital stock of the company or any of its subsidiaries and affiliates. For this purpose, relatives include the spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

- d. Is not acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its subsidiaries and affiliates pursuant to a Deed of Trust or under any contract or arrangement;
- e. Has not been employed in any executive capacity in the company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
- f. Has not been retained, either personally or through his firm or any similar entity, as a professional adviser of the company or any of its subsidiaries and affiliates within the last two (2) years;
- g. Has not engaged and does not engage in any transaction with the company and/or with any of its subsidiaries and affiliates, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are on arms length basis. (Securities Regulation Code).

The company has complied with the foregoing definition of "independence" in the selection of its independent directors when it elected Messrs. Geronimo C. Estacio and David L. Balangue as independent directors of the company.

**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.**

The company adopts SEC Memorandum Circular No. 9, Series of 2011. Its independent directors have a term limit of five (5) consecutive years provided that service for a period of at least six (6) months shall be considered one (1) year regardless of the manner by which the independent director position was relinquished or terminated. Upon reaching the term limit, the independent director shall be ineligible for election as such in the company and shall undergo a cooling-off period of two (2) years after which, he shall again be eligible to be elected as an independent director unless, in the meantime, he has engaged in any activity which will disqualify him as an independent director of the company. The re-elected independent director of the company can serve for another five (5) consecutive years. After serving for ten (10) years as an independent director, he shall be perpetually barred from being elected as such in the company.

#### 5) 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:

Name	Position	Date of Cessation	Reason
Beatriz O. Roxas	Non-Executive Director	3 December 2013	Resignation; Replaced by Manuel V. Pangilinan
Raul M. Leopando	Non-Executive Director	3 December 2013	Resignation; Replaced by Ray C. Espinosa
Senen C. Bacani	Non-Executive Director	3 December 2013	Resignation; Replaced by Alex Erlito S. Fider

In a special meeting held on 3 December 2013, the Board of Directors approved the resignations of Beatriz O. Roxas, Raul M. Leopando and Senen C. Bacani from the Board. In the same meeting, the Board of Directors elected Manuel V. Pangilinan, Ray C. Espinosa and Alex Erlito S. Fider to replace and to serve the unexpired terms of Beatriz O. Roxas, Raul M. Leopando and Senen C. Bacani in the Board.

Manuel V. Pangilinan, Ray C. Espinosa and Alex Erlito S. Fider were elected during the company's Annual



(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	<p>The Board of Directors may make nominations for the election of directors. Nominations for election of directors may be made by any shareholder entitled to vote for the election of a director.</p> <p>Nominations to the Board shall be received by the Chairman of the Board of Directors through the Corporate Secretary at least fifteen (15) working days prior to any meeting of the shareholders for the election of directors.</p> <p>Each nomination shall set forth the name, age, occupation or employment of each nominee, the number of shares of stock of the company which are beneficially owned by each nominee and such other information which may be required by the company.</p> <p>The Board, by a majority vote, unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded. (Art. 14, ABL)</p>	<p>Art. 13 of the company's By-laws provides that a shareholder having at least fifty thousand shares registered in his name may be elected director of the company provided that he does not possess any of the disqualifications enumerated in the Revised Manual on Corporate Governance of the company.</p> <p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged.</p> <p>1.0. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of any shares of 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 three-fourths vote determines to be competitive or antagonistic to that of the Corporation; or</p> <p>2.0. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of</p>

	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board. The committee also considers the nature of the business of the corporation of which the shareholder is a director, if any; the age of the shareholder; the number of directorships/active memberships and offices in other corporations or organizations, if any; and possible conflict of interest.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case. (pp. 13 &amp; 14, Revised Manual on Corporate Governance)</p> <p>The election of directors are conducted every year during the annual meeting of shareholders set on the third Wednesday of February of every year. (Art. 8, ABL)</p>	<p>any outstanding class of shares of any other corporation or any other or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or.</p> <p>3.0. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths vote that he is the nominee of any person set forth in paragraph 1.0 or 2.0.</p> <p>In determining whether or not a person is controlling a person, beneficial owner or the nominee of another, the Board may take into account such factors as business and family relationships. (Art. 13, ABL)</p> <p>The membership of the Board may be a combination of executive and non-executive directors, which include independent directors, in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. (p. 3, Revised manual on Corporate Governance).</p>
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>b. Re-appointment</b>		
(i) Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.

(ii) Non-Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(iii) Independent Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case. (pp. 13 &amp; 14, Revised Manual on Corporate Governance).</p>	<p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged.</p> <p>1.0. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of any shares of 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 three-fourths vote determines to be competitive or antagonistic to that of the Corporation; or</p> <p>2.0. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or any other or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or.</p> <p>3.0. If the Board, in the exercise of its judgment in good faith, determines by at</p>

	<p>least three-fourths vote that he is the nominee of any person set forth in paragraph 1.0 or 2.0.</p> <p>In determining whether or not a person is controlling a person, beneficial owner or the nominee of another, the Board may take into account such factors as business and family relationships. (Art. 13, ABL)</p> <p>In addition to the relevant provisions of the Corporation Code, the Revised Manual on Corporate Governance of the company provides for the following grounds for the permanent disqualification of a shareholder from being elected/appointed as director:</p> <p>a. Conviction 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 identified 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> <p>b. When by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission") or any court or administrative body of competent jurisdiction</p>
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	<p>from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (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 sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission 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 Commission or <i>Bangko Sentral ng Pilipinas</i> ("BSP"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage 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;</p> <p>c. Conviction by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting,</p>
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		<p>misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. When adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, included or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission of BSP, or any of its rule, regulation or order;</p> <p>e. A shareholder who was earlier elected as independent director who becomes an officer, employee or consultant of the company;</p> <p>f. A shareholder judicially declared as insolvent;</p> <p>g. A shareholder 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 enumerated above;</p> <p>h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to date of his election or appointment. (pp. 4, 5, 6, Revised Manual on Corporate Governance).</p>
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>d. Temporary Disqualification</b>		

<p>(i) Executive Directors</p>	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case. (pp. 13 &amp; 14, Revised Manual on Corporate Governance).</p>	<p>The following are the grounds for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> <li>a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;</li> <li>b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</li> <li>c. Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;</li> <li>d. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</li> <li>e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</li> </ul> <p>A temporarily disqualified director shall, within sixty (60)</p>
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		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. (pp. 6 & 7, Revised Manual on Corporate Governance).
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>e. Removal</b>		
(i) Executive Directors	<p>A director of the company may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock of the company provided that the removal shall take place either at a regular meeting of the company or at a special meeting of the company called for the purpose, and in either case, after previous notice to the stockholders of the intention to propose such removal of the director.</p> <p>A special meeting of the stockholders for the purpose of removal of a director or directors must be called by the Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock of the company. Should the Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no Secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder signing the demand. Notice of the time and place of such meeting, as</p>	<p>The removal may be with or without cause provided that removal without cause may not be used to deprive the minority stockholders of the right to representation to which they may be entitled. (Sec. 28, Corporation Code of the Philippines).</p> <p>A director may removed from his Office for a third violation of the provisions of the Revised Manual on Corporate Governance. (p. 23, Revised Manual on Corporate Governance)</p>



	well as the intention to propose such removal, must be given by publication or by written notice. (Sec. 28, Corporation Code of the Philippines).	
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>f. Re-instatement</b>		
(i) Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(ii) Non-Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(iii) Independent Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
<b>g. Suspension</b>		
(i) Executive Directors	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the offense committed by the Board of Director. A notice and hearing will be conducted to afford the director concerned due process of law. (p. 23, Revised Manual on Corporate Governance)</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case. (pp. 13 &amp; 14, Revised Manual on Corporate Governance).</p>	A director may be suspended for a second violation of the provisions of the Revised Manual on Corporate Governance. (p. 23, Revised Manual on Corporate Governance)
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
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Pedro E. Roxas	652,558,395 (100% of the total number of shares represented at the meeting)
Manuel V. Pangilinan	652,558,395 (100% of the total number of shares represented at the meeting)
Santiago R. Elizalde	652,558,395 (100% of the total number of shares represented at the meeting)
Renato C. Valencia	652,558,395 (100% of the total number of shares represented at the meeting)
Geronimo C. Estacio	652,558,395 (100% of the total number of shares represented at the meeting)
David L. Balangue	652,558,395 (100% of the total number of shares represented at the meeting)
Ray C. Espinosa	652,558,395 (100% of the total number of shares represented at the meeting)
Alex Erlito S. Fider	652,558,395 (100% of the total number of shares represented at the meeting)
Carlos R. Elizalde	652,558,395 (100% of the total number of shares represented at the meeting)

6) **Orientation and Education Program**

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

The company, as a matter of practice, conducts an orientation or a briefing for its newly elected members of the Board of Directors. The orientation or briefing is usually conducted by the Senior Management composed of the PCEO and the Vice-Presidents who orient the new members of the Board generally on the a) corporate structure of the group; b) complete background of the businesses of the group; c) Sales and Marketing Operations; d) Plant or Factory Operations; e) Financial condition of the company and f) such other related matters.

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

The company has not been able to conduct an in-house training or provide external courses for its directors and senior management for the past three (3) years.

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

Name of Director/Officer	Date of Training/Seminar/forum	Program	Name of Training Institution
Pedro E. Roxas	November 22, 2012	Navigating the New World Business	Meralco in coordination with Dr. Thomas Donaldson, Professor of Business Ethics, Wharton School, University of Pennsylvania, USA.
Renato C. Valencia	January 30, 2013	Philippine Investment Summit 2013	Dr. Nouriel Roubini
	February 5, 2013	Finex Economic /Briefing	Mr. Jonathan L. Ravelas, BDO Universal Bank

<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.

	February 21, 2013	MAP Economic Briefing 2013 & General Membership Meeting	Sec. Arsenio M. Balisacan, NEDA and ADB
	March 15, 2013	FMIC 2013 Risk Management Brief Seminar and Cybercrime Prevention & Data Privacy Act	Mr. Third Librea, Punongbayan & Araullo
	April 23, 2013	Managing Risks in Changing times	Financial Executives of the Philippines (Finex)
	May 23, 2013	Anti-Money Laundering Act	AMLA Council
David L. Balangue	February 2013	Anti Money Laundering Act	AMLA Council

## 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	<p>The company and its stockholders require and expect that business affairs must be conducted in a manner that does not cloud judgment when decisions are made on behalf of the company.</p> <p>Business transactions must be undertaken solely in the best interest of the company. (pp. 5 &amp; 6, Business Conduct Policy)</p> <p>The basic principle to be observed is that a director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid</p>	<p>The company and its stockholders require and expect that business affairs must be conducted in a manner that does not cloud judgment when decisions are made on behalf of the company.</p> <p>Business transactions must be undertaken solely in the best interest of the company. (pp. 5 &amp; 6 Business Conduct Policy)</p>	<p>Employees must not engage in business or professional activities exclusively for their benefit on company time or when such business or professional activity goes against the interest of the company regardless of whether it occurs during company time or not. (p. 6 Business Conduct Policy)</p>

	<p>situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation. (p.10, Revised Manual on Corporate Governance)</p>		
(b) Conduct of Business and Fair Dealings	<p>Business must be conducted on the basis of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship. (p. 6 Business Conduct Policy)</p>	<p>Business must be conducted on the basis of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship. (p. 6 Business Conduct Policy)</p>	<p>Employees must make a disclosure of all their business, professional involvement and/or their other employment outside of the company within a reasonable period from the time that the business, professional involvement or other employment has arisen. (p. 8 Business Conduct Policy)</p>
(c) Receipt of gifts from third parties	<p>Acceptance of gifts, favors, loans or other material benefits from third parties doing business or desiring to do business with the</p>	<p>Acceptance of gifts, favors, loans or other material benefits from third parties doing business or desiring to do business with the</p>	<p>Acceptance of gifts, favors, loans or other material benefits from third parties doing business or desiring to do business with the</p>

	company is prohibited. (p. 7 Business Conduct Policy)	company is prohibited. (p. 7 Business Conduct Policy)	company is prohibited. (p. 7 Business Conduct Policy)
(d) Compliance with Laws & Regulations	The Board shall ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices. (p.7, Revised Manual on Corporate Governance)	Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances.  The company expects its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, company or institution if that business is connected with activities which are illegal or which could be regarded as unethical. (p.2 Business Conduct Policy)	Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances.  The company expects its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, company or institution if that business is connected with activities which are illegal or which could be regarded as unethical. (p.2 Business Conduct Policy)
(e) Respect for Trade Secrets/Use of Non-public Information	Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly prohibited. (p. 9, Business conduct Policy)	Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly prohibited. (p. 9, Business conduct Policy)	Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly prohibited. (p. 9, Business conduct Policy)
(f) Use of Company Funds, Assets and Information	Provide sound strategic policies and guidelines to the corporation on major capital	Employees who have access to or control over company transactions and assets, including	Employees who have access to or control over company transactions and assets, including

	<p>expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance. (p. 7, Revised manual on Corporate Governance)</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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. (p. 9, Revised manual on Corporate Governance)</p>	<p>trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions. Each employee entrusted with such responsibilities must ensure that the use, acquisition or disposition of an asset by an employee on behalf of the company is undertaken in accordance with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the company's book of accounts. (p. 8, Business Conduct Policy)</p>	<p>trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions. Each employee entrusted with such responsibilities must ensure that the use, acquisition or disposition of an asset by an employee on behalf of the company is undertaken in accordance with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the company's book of accounts. (p. 8, Business Conduct Policy)</p>
(g) Employment & Labor Laws & Policies	<p>The Board shall adopt and improve its internal control mechanisms for the performance of the Board's oversight responsibility in the review of the company's human resources policies, conflict of interest, compensation program for employees and management</p>	<p>Relationships with employees are based on respect for the individual. The Company aims to provide all its employees with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities</p>	<p>Relationships with employees are based on respect for the individual. The Company aims to provide all its employees with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities</p>

	<p>succession plan. (p. 9, Revised Manual on Corporate Governance)</p> <p>The Board shall ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices. (p.7, Revised Manual on Corporate Governance)</p>	<p>and the avoidance of discrimination. Sexual or any other form of harassment is unacceptable.</p> <p>Personal career development will be encouraged through progressive HR/Personnel Training and Development Programs. (p. 4, Business conduct Policy)</p> <p>Holding appointive or elective positions in the Government or holding other employment elsewhere where the duties and obligations of the employee to the Government or to his other employer may adversely affect the efficient performance of his duties and responsibilities to the company is prohibited. In such event, the employee should decide whether to make a career with the Government or with the company and should he decides to pursue his government position, the employee will be requested to resign from the company.</p>	<p>and the avoidance of discrimination. Sexual or any other form of harassment is unacceptable.</p> <p>Personal career development will be encouraged through progressive HR/Personnel Training and Development Programs. (p. 4, Business conduct Policy)</p> <p>Holding appointive or elective positions in the Government or holding other employment elsewhere where the duties and obligations of the employee to the Government or to his other employer may adversely affect the efficient performance of his duties and responsibilities to the company is prohibited. In such event, the employee should decide whether to make a career with the Government or with the company and should he decides to pursue his government position, the employee will be requested to resign from the company.</p>
(h) Disciplinary action	<p>To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors,</p>	<p>Employees are expected to comply with the company's business conduct policy and all rules and regulations of the company. Any employee who knowingly violates the policy and the rules and regulations of the company or knowingly allows a subordinate to do so shall be subject to</p>	<p>Employees are expected to comply with the company's business conduct policy and all rules and regulations of the company. Any employee who knowingly violates the policy and the rules and regulations of the company or knowingly allows a subordinate to</p>

	<p>officers and staff in case of violation of any of the provision of this Manual:</p> <p>In case of first violation, the subject person shall be reprimanded.</p> <p>Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>For a third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship, subject to the provisions of the Corporation Code. (Art. 10, p. 23, Revised Manual on corporate Governance).</p>	<p>a disciplinary action including demotion or termination. (p. 2, Business Conduct Policy)</p>	<p>do so shall be subject to a disciplinary action including demotion or termination. (p. 2, Business Conduct Policy)</p>
(i) Whistle Blower	<p>All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be developed in which the employees who act in good faith and in compliance with law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent</p>	<p>All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be developed in which the employees who act in good faith and in compliance with law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent</p>	<p>All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be developed in which the employees who act in good faith and in compliance with law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent</p>



	investigations or proceedings.  Public interest disclosure (whistle blowing) is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal. (p. 9, Business Conduct Policy)	investigations or proceedings.  Public interest disclosure (whistle blowing) is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal. (p. 9, Business Conduct Policy)	investigations or proceedings.  Public interest disclosure (whistle blowing) is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal. (p. 9, Business Conduct Policy)
(j) Conflict Resolution	A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position. Corollarily, he shall support plans and ideas that he thinks are beneficial to the corporation. (p. 11, Revised Manual on Corporate Governance)	The responsibility of maintaining discipline and implementing the provisions of the business conduct policy of the company as well as the responsibility to take corrective measures rests with line management. Issues or concerns on matters covering the meaning, application and implementation of the principles in the policy should be coured through the Human Resources/Personnel Department. (p. 11, Business Conduct Policy)	The responsibility of maintaining discipline and implementing the provisions of the business conduct policy of the company as well as the responsibility to take corrective measures rests with line management. Issues or concerns on matters covering the meaning, application and implementation of the principles in the policy should be coured through the Human Resources/Personnel Department. (p. 11, Business Conduct Policy)

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

The Business Conduct Policy of the company was approved by the Board of Directors on 2 April 2003 and has been disseminated to all employees.

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

The company implements and monitors compliance with its Business Conduct Policy through its line management in whom the responsibility has been delegated. The power to take corrective actions for breach of the policy also rests with line management (p. 11, Business Conduct Policy).

Moreover, issues and concerns on matters covering the meaning, application and implementation of the principles of the policy are coursed through the Human Resources/Personnel Department of the company.

#### 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 company 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	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(2) Joint Ventures	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(3) Subsidiaries	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(4) Entities Under Common Control	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(5) Substantial Stockholders	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(6) Officers including spouse/children/siblings/parents	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(7) Directors including spouse/children/siblings/parents	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.
(8) Interlocking director relationship of Board of Directors	Major investments and substantial operational transactions require approval from Executive Committee subject to concurrence by the Board. Disclosures are always provided in the audited financial statements for transparency.

##### (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	There are no actual or probable conflict of interest to which the directors of the company may be involved.
Name of Officer/s	There are no actual or probable conflict of interest to which the officers of the company may be involved.
Name of Significant Shareholders	There are no actual or probable conflict of interest to which the holders of 5% or more of its outstanding capital stock may be involved

(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	<p>Possible conflicts of interest of the directors of the company are determined and resolved by the Nomination, Election &amp; Governance Committee at the time that they are considered for election to the Board of Directors. Conflicts of Interest that may arise after their election to the Board are disclosed as they occur and these are addressed by the Board of Directors.</p> <p>The company requires all officers and employees to execute an annual Disclosure of Relatives and Disclosure of Conflict of Interest. The results of the disclosures are being processed by the Human Resources/Personnel Department. Those who are determined to have conflicts of interest are transferred to jobs or positions within the company that do not place them in conflict of interest.</p> <p>The only significant shareholder of the company is its parent company, Roxas and Company, Inc. (RCI). All transactions, if any, which the company enters with RCI are subject to the approval of the Board of Directors of both companies.</p>
Group	<p>Possible conflicts of interest of the directors of the company are determined and resolved by the Nomination, Election &amp; Governance Committee at the time that they are considered for election to the Board of Directors. Conflicts of Interest that may arise after their election to the Board are disclosed as they occur and these are addressed by the Board of Directors.</p>

	<p>The company requires all its officers and employees to execute an annual Disclosure of Relatives and Conflict of Interest. The results of the disclosures are being processed by the Human Resources/Personnel Department. Those who are determined to have conflicts of interest are transferred to jobs or positions that do not place them in conflict of interest.</p> <p>The only significant shareholder of the group is the parent company, Roxas and Company, Inc. (RCI). All transactions, if any, which the group enters with RCI are subject to the approval of the Board of Directors of both companies.</p>
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**5) Family, Commercial and Contractual Relations**

- (a) Indicate, if applicable, any relation of a family,<sup>3</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:

The company does not have any knowledge or information of any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity.

- (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:

The company does not have any knowledge or information of any relation of a commercial, contractual or business nature that exists between the holders of significant equity and the company.

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

The company does not have any knowledge or information of any shareholder agreement that may impact on the control, ownership and strategic direction of the company.

**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.

<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	<p>The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders. (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the</p>

<sup>3</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

	<p>resolution of disputes or controversies that may arise between the company and its stockholders. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of the Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.</p>
<p><b>Corporation &amp; Third Parties</b></p>	<p>The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and third parties (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the resolution of disputes or controversies that may arise between the company and third parties. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of the Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.</p>
<p><b>Corporation &amp; Regulatory Authorities</b></p>	<p>The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and the regulatory authorities (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the resolution of disputes or controversies that may arise between the company and the regulatory bodies. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of</p>

the Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.

### C. BOARD MEETINGS & ATTENDANCE

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

Art. 16 of the By-laws of the company provides that the regular meetings of the Board of Directors shall be held quarterly. The meetings of the Board of Directors every fiscal year are already determined and conveyed to the directors at the beginning of every crop-year.

#### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Pedro E. Roxas	1982	6	6	100%
Vice-Chairman	Manuel V. Pangilinan	3 December 2013	4	3	75%
Member	Renato C. Valencia	24 September 2004	6	6	100%
Member	Santiago R. Elizalde	26 January 2000	6	6	100%
Member	Carlos R. Elizalde	19 February 2014	1	1	100%
Member	Ray C. Espinosa	3 December 2013	4	4	100%
Member	Alex Erlito S. Fider	3 December 2013	4	4	100%
Independent	Geronimo C. Estacio	25 March 2009	6	6	100%
Independent	David L. Balangue	15 February 2012	6	6	100%

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

Non-executive directors did not have separate meetings without the presence of any executive of the company during the year.

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

No. Art. 17 of the By-laws of the company provides that the majority of the directors in the Articles of Incorporation shall constitute a quorum to finalize corporate decisions and any decision made and approved by the majority of the directors present in the meeting wherein a quorum exists shall be valid.

#### 5) Access to Information

##### (a) How many days in advance are board papers<sup>4</sup> for board of directors meetings provided to the board?

<sup>4</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.

The Board of Directors are provided the board papers or materials at least two (2) days before the meeting of the Board of Directors.

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

Yes, the members of the Board of Directors have independent access to management and the Corporate Secretary.

**(c) State 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?**

Art. 30 of the By-laws of the company provides:

The Secretary, who must be a citizen and a resident of the Philippines, shall have the following duties and functions:

1. Record the minutes of all meetings of the Board of Directors, the Executive Committee, the stockholders and the special and standing committees of the Board, and to maintain separate Minutes books in the form and manner required by law at the principal office of the Corporation.
2. Give or cause to be given, all notices required by the law or by the By-Laws of the Corporation, as well as notices required of meetings of the Directors and of the stockholders.
3. Keep records indicating the details required by law with respect to the certificates of stock of the Corporation, including ledgers and stock transfers and the date of each issuance and transfer.
4. Fill and countersign all certificates of stock issued and to make the corresponding annotations on the margins or stubs of such certificates upon their issuance.
5. Take note of all stock transfers and cancellations, and keep in alphabetical or numerical order all certificates of stock so transferred as well as the names of stockholders, their addresses and the number of shares owned by each, keeping up to date all the addresses of the stockholders.
6. Prepare the various reports, statements, certifications and other documents which may from time to time be required by government rules and regulations, except those required to be made by the Treasurer, and to submit the same to the proper government agencies.
7. Keep and affix the corporate seal to all paper and documents requiring seal and to attest by his signature all corporate documents requiring the same.
8. Pass upon the form and the manner of voting proxies, the acceptability and the validity of their issuance and use, and to decide all contests and returns relating to the election of the members of the Board of Directors.

The Secretary shall perform such duties and functions as may, from time to time, be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

On the other hand, the Revised Manual On Corporate Governance of the company provides:

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall have the following responsibilities:

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

2. Be loyal to the mission, vision and objectives of the corporation;
3. Work fairly and objectively with the Board, Management and stockholders;
4. Have appropriate administrative and interpersonal skills;
5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
6. Have a working knowledge of the operations of the corporation;
7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
9. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
10. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
11. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.
12. Submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

The Corporate Secretary or in his absence, the Assistant Corporate Secretary, assists the Chairman in the preparation of the board agenda, facilitates the training of the directors and updates the directors on any relevant statutory and regulatory changes. The Chairman supervises the preparation of the board agenda taking into consideration the suggestions of the Chief Executive Officer and the directors (p. 4, Revised Manual on Corporate Governance).

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

The company Corporate Secretary is trained in legal, accountancy and company secretarial practices.

**(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	As a policy and practice, the company Corporate Secretary sends notices of meetings and the agenda of all executive committee meetings of the directors at least one (1) month before the intended date/s of the board or committee meeting/s. The company Corporate Secretary also sends all relevant committee materials or information to all committee



	members at least two (2) days before the meeting/s in order to prepare the directors in advance.
Audit & Risk	As a policy and practice, the company Corporate Secretary sends notices of meetings and the agenda of all audit & risk committee meetings of the directors at least one (1) month before the intended date/s of the board or committee meeting/s. The company Corporate Secretary also sends all relevant committee materials or information to all directors at least two (2) days before the meeting/s in order to prepare the directors in advance.
Nomination, Election & Governance	As a policy and practice, the company Corporate Secretary sends notices of meetings and the agenda of all nomination, election & governance committee meetings of the directors at least one (1) month before the intended date/s of the board or committee meeting/s. The company Corporate Secretary also sends all relevant committee materials or information to all directors at least two (2) days before the meeting/s in order to prepare the directors in advance.
Remuneration	As a policy and practice, the company Corporate Secretary sends notices of meetings and the agenda of all remuneration committee meetings of the directors at least one (1) month before the intended date/s of the board or committee meeting/s. The company Corporate Secretary also sends all relevant committee materials or information to all directors at least two (2) days before the meeting/s in order to prepare the directors in advance.

#### 6) External Advice

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

The company does not have a fixed or definite procedure whereby its directors can receive external advice. However, should there be a need for external advice, the same is coursed through and facilitated by Senior Management.

#### 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:

Previous Policies	Changes	Reason/s
The Board of Directors handles and manages all the business and properties of the company.	The Board of Directors, during its regular meeting held on 28 June 2010, created an Executive Committee consisting of three (3) members of the Board of Directors to assist the Board of Directors in handling and managing all the business and	There is a need to make decisions more quickly while controls must be strengthened for the proper governance of the company. Additionally, the Executive Committee will: <ul style="list-style-type: none"> <li>a. Provide sound strategic policies and guidelines to</li> </ul>

	<p>properties of the company. The creation of the Executive Committee is allowed under Art. 20 of the company's Amended By-Laws (ABL).</p>	<p>the corporation on major capital expenditures. Establish programs that can sustain the company's long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and management's overall performance.</p> <ul style="list-style-type: none"> <li>b. Adopt a system of check and balance with the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times.</li> <li>c. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</li> <li>d. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transaction between and among the corporation and its parent company, joint venture, subsidiaries, associates, major stockholders, officers and directors, and of interlocking director relationships by members of the Board.</li> </ul>
<p>Fiscal year of the company ended on June 30 of every year.</p>	<p>On 2 February 2012, the Board of Directors amended the fiscal year end of the company from June 30 of every year to September 30 of every year.</p>	<p>The amendment was effected in order to coincide the start of the fiscal year of the company with the sugar milling season which basically starts in the month of October until the month of May of</p>

		every year. The months of June to September of every year is basically an off-milling and repair season for all sugar mills.
Annual meeting of shareholders was on the third Wednesday of November of every year	On 2 February 2011, the Board of Directors amended the date of the annual meeting of shareholders from third Wednesday of November of every year to third Wednesday February of every year	Since the fiscal year of the company now ends in the month of September, the annual meeting of shareholders was moved to the month of February every year in order to provide the company more time to prepare it's a consolidated audited financial statements and its annual report to shareholders prior to the holding of the annual meeting of shareholders.

#### 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	The Board of Directors determines the fixed remuneration of the CEO taking into account the company's salary structure as well as the prevailing compensation of the CEO in the industry.	The President & CEO, in consultation with the Chairman of the Board of Directors, determines the fixed remuneration of the top 4 highest paid management officers of the company taking into account the company's salary structure as well as the prevailing compensation for the same level of officers in the industry.
(2) Variable remuneration	The variable remuneration is the bonus or profit share of the CEO that is determined by the Compensation Committee every year.	The variable remuneration is the bonus or profit share of the four (4) highest paid management officers that is determined by the Compensation Committee every year.
(3) Per diem allowance	Per diem allowance of management officers is determined on the basis of existing company rules and	Per diem allowance of management officers is subject to existing company rules and regulations on per diems that they are entitled during official

	regulations on per diems that they are entitled during official business trips.	business trips.
(4) Bonus/Profit Share	The Compensation Committee determines the bonus or the profit sharing of the CEO on the basis of a formula that was approved by the Board of Directors.	The Compensation Committee determines the bonus or the profit of the four (4) highest management officers on the basis of a formula that was approved by the Board of Directors.
(5) Stock Options and other financial instruments	<p>The Board of Directors of the company, upon the recommendation of the Compensation Committee, approved on 12 December 2012 an employees stock option plan (ESOP) which authorizes the distribution and allocation of 35 million shares to all employees of the company. The CEO is eligible to participate in the employees stock option plan of the company. The stock option plan of the company was ratified by the shareholders in their meeting held on 20 February 2013. The stock option plan will be implemented as soon as the Securities and Exchange Commission approves the same.</p> <p>The Board of Directors of the company approved on 16 January 2014 a second Stock Option Plan (SOP) consisting of two percent (2%) of its Authorized Capital Stock of 1.5 billion shares, or a total of 30 million shares, from its unissued capital stock. The second SOP was ratified by the shareholders in their meeting held on 19 February 2014. The Securities and Exchange Commission approved the second SOP on 29 April 2014. The CEO is eligible to participate in the second SOP. The second SOP has been offered and allocated to all employees, executive officers,</p>	<p>The Board of Directors of the company, upon the recommendation of the Compensation Committee, approved on 12 December 2013 an employees stock option plan which authorizes the distribution and allocation of 35 million shares to all employees of the company. The four (4) highest paid management officers are eligible to participate in the employees stock option plan of the company. The stock option plan of the company was ratified by the shareholders in their meeting held on 20 February 2013. The stock option plan will be implemented as soon as the Securities and Exchange Commission approves the same.</p> <p>The Board of Directors of the company approved on 16 January 2014 a second Stock Option Plan (SOP) consisting of two percent (2%) of its Authorized Capital Stock of 1.5 billion shares, or a total of 30 million shares, from its unissued capital stock. The second SOP was ratified by the shareholders in their meeting held on 19 February 2014. The Securities and Exchange Commission approved the second SOP on 29 April 2014. The four (4) highest paid management officers are eligible to participate in the second SOP. The second SOP has been offered and allocated</p>

	Board of Directors, Board of Advisors and Line Consultants of the company.	to all employees, executive officers, Board of Directors, Board of Advisors and Line Consultants of the company.
(6) Others (specify)	None	None

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	<p>The monthly compensation/salaries of the Executive Directors is determined by the Compensation Committee and approved by the Board of Directors taking into account the company's salary structure and benefit package as well as the prevailing compensation benefit for the same position in the market.</p> <p>Article 19 of the By-Laws of the company provides that the Board of Directors shall be given 6% of the net income of the corporation before tax which shall be distributed among the directors in the following manner; 2% for the executive committee and 4% for the directors. Presently, the members of the Board of Directors receive a per diem of Php25,000.00 for each meeting of the Board that they attend. They are also paid a per diem of Php25,000.00 for each meeting of the committee where they are members.</p> <p>Despite the provision of Article 19 of the By-laws, the Compensation Committee of the company, in its meeting held on 24 October 2012, passed and approved a resolution authorizing the payment of 1% of the net profit before tax of the company for the fiscal year ending 30 September 2012. The resolution was thereafter approved by the Board of Directors of the company in its meeting held on 12 December 2012.</p>		
Non-Executive Directors	<p>Article 19 of the By-Laws of the company provides that the Board of Directors shall be given 6% of the net income of the corporation before tax which shall be distributed among the directors in the following manner; 2% for the executive committee and 4% for the directors. Presently, the members of the Board of Directors receive a per diem of Php25,000.00 for each meeting of the Board that they attend. They are also paid a per diem of Php25,000.00 for each meeting of the committee where they are members.</p> <p>Despite the provision of Article 19 of the By-laws, the Compensation Committee of the company, in its meeting held on 24 October 2012, passed and approved a resolution authorizing the payment of 1% of the net profit before tax of the company for the fiscal year ending 30 September 2012. The resolution was thereafter approved by the Board of Directors of the company in its meeting held on 12 December 2012.</p>		

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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.

Remuneration Scheme	Date of Stockholders' Approval
The same scheme as above mentioned.	Annual meeting of shareholders held on 24 November 2010
The same scheme as above mentioned.	Annual meeting of shareholders held on 15 February 2012
The same scheme as above mentioned.	Annual meeting of shareholders held on 20 February 2013

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item*	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php9,421,200.00	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	Php600,000.00	Php1,900,000.00	Php700,000.00
(d) Bonuses/Profit share	Php5,118,763.00	Php2,783,110.00	Php1,113,324.00
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	<b>Php14,539,963.00</b>	<b>Php4,683,110.00</b>	<b>Php1,813,324.00</b>

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
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	Php458,350.00	None	None
(f) Hospitalization Plan		None	None
(g) Car Plan	Php1,719,000.00	None	None

(h) Others (Specify)	None	None	None
<b>Total</b>	<b>Php2,177,350.00</b>		

\*The amounts cited above are for the fiscal year ending September 30, 2012. The company's fiscal year ends on September 30 of every year.

#### 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:

##### EMPLOYEES STOCK OPTION PLAN

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Pedro E. Roxas	4,490,842	None	4,490,842	.49%
Renato C. Valencia	4,121,221	None	4,121,221	.45%

The Board of Directors of the company approved on 16 January 2014 a second Stock Option Plan (SOP) consisting of two percent (2%) of its Authorized Capital Stock of 1.5 billion shares, or a total of 30 million shares, from its unissued capital stock. The second SOP was ratified by the shareholders in their meeting held on 19 February 2014. The Securities and Exchange Commission approved the second SOP on 29 April 2014. The second SOP allocated the following shares to the company's Board of Directors:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Pedro E. Roxas	500,000		500,000	.0005%
Manuel V. Pangilinan	500,000		500,000	.0005%
Renato C. Valencia	500,000		500,000	.0005%
Santiago R. Elizalde	500,000		500,000	.0005%
Geronimo C. Estacio	500,000		500,000	.0005%
David L. Balangue	500,000		500,000	.0005%
Ray C. Espinosa	500,000		500,000	.0005%
Alex Erlito S. Fider	500,000		500,000	.0005%
Carlos R. Elizalde	500,000		500,000	.0005%

##### (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:

Incentive Program	Amendments	Date of Stockholders' Approval
There was no amendment or discontinuance of any incentive programs introduced.		

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:

Name of Officer/Position	Total Remuneration
Nilo A. FlorCruz-EVP Operations & Management Services	Php9,593,867.00
Archimedes B. Amarra-EVP Sales & Marketing, Corporate Communications and Corporate Planning	
Jose P. E. Marcelo-EVP Chief Finance Officer	
Florencio M. Mamauag, Jr.-VP Legal & Assistant Corporate Secretary	
Francisco S. Rondilla-VP Information Technology	

\* For the fiscal year ending 30 September 2012.

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	1	1	1	Company By-Laws and Revised Manual on Corporate Governance	The Executive Committee has the following functions:  It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that their	The Executive Committee has the following key responsibilities:  It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior	Perform all corporate powers except those which under Sec. 35 of the Corporation Code cannot be delegated by the Board of Directors to the Executive Committee such as the following: a) the approval of any action for which shareholders' approval is



				<p>compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;</p> <p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide in the corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its</p>	<p>management and other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;</p> <p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide in the corporation's annual reports prescribed by the</p>	<p>also required;</p> <p>b) the filling of vacancies in the Board; c) amendment or repeal of the By-laws or the adoption of new By-laws; d) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; e) distribution of cash dividends to its stockholders. (Sec. 35, Corporation Code).</p>
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					<p>directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review of existing 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 met periodically in their respective posts. (pp. 14 &amp; 15, Revised Manual on Corporate Governance)</p> <p>Perform all other powers except those which under Section 35 of the Corporation Code cannot be delegated by the Board of Directors to the Executive Committee.</p>	<p>Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review of existing 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 met periodically in their respective posts. (pp. 14 &amp; 15, Revised Manual on Corporate Governance)</p>	
Audit & Risk		1	2	Audit Charter	<p>The Audit &amp; Risk Committee has the following functions:</p> <p>Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of</p>	<p>The Audit &amp; Risk Committee has the following key responsibilities:</p> <p>Assist the Board in the performance of its oversight responsibility for the financial</p>	<p>The Audit &amp; Risk Committee has the following powers:</p> <p>Review the internal control and</p>

				<p>internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;</p> <p>Perform oversight functions over the corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;</p> <p>Prior to the commencement of the audit, discuss with the external auditor</p>	<p>reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>Oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;</p> <p>Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation;</p> <p>Discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of</p>	<p>the audit process;</p> <p>Review and monitor compliance with laws, rules and regulations;</p> <p>Supervise the internal and external auditors;</p> <p>Review the annual audit plan;</p> <p>Organize an internal audit department;</p> <p>Determine the adequacy and effectiveness of the internal control system, financial reporting control and information technology security;</p> <p>Disallow any non-audit work of external auditors that may pose a threat to their independence;</p> <p>Supervise the formulation of rules and procedures on financial reporting. (pp.12, 13 &amp; 17, Revised Manual on</p>
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				<p>the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>Review the reports submitted by the internal and external auditors;</p> <p>Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <p>Any change/s in accounting policies and practices</p> <ol style="list-style-type: none"> <li>i. Major judgmental areas</li> <li>ii. Significant adjustments resulting from the audit</li> </ol>	<p>efforts;</p> <p>Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>Ensure the effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>Review the reports submitted by the internal and external auditors;</p> <p>Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <p>Any change/s in accounting policies and practices</p> <ol style="list-style-type: none"> <li>vi. Major judgmental areas</li> <li>vii. Significant adjustments resulting from the audit</li> <li>viii. Going concern assumptions</li> <li>ix. Compliance with accounting standards</li> <li>x. Compliance</li> </ol>	<p>Corporate Governance).</p>
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				<p>iii. Going concern assumptions</p> <p>iv. Compliance with accounting standards</p> <p>v. Compliance with tax, legal and regulatory requirements.</p> <p>Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report.</p> <p>Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit &amp; Risk Committee.</p>	<p>with tax, legal and regulatory requirements.</p> <p>Facilitate compliance with laws, rules and regulations;</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses;</p> <p>Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities.</p> <p>Ensure that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties. pp. 12 &amp; 13, Revised Manual on Corporate Governance)</p>	
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					The Audit & Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties. (pp. 12 & 13, Revised Manual on Corporate Governance)		
Nomination, Election & Governance	1	1	1		<p>The Nomination, Election &amp; Governance Committee has the following functions:</p> <p>It shall review and evaluate the qualifications of and shortlist all persons nominated to the Board and other appointments that require Board approval.</p> <p>It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>It shall consider the following guidelines in the determination of the capability of a director to serve as such:</p> <ol style="list-style-type: none"> <li>i. The nature of the business of the corporation of which he is a director;</li> <li>ii. Age of the director;</li> <li>iii. Number of directorships/acti</li> </ol>	<p>The Nomination, Election &amp; Governance Committee has the following key responsibilities:</p> <p>Review and evaluate the qualifications of and shortlist all persons nominated to the Board and other appointments that require Board approval.</p> <p>Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>Consider the following guidelines in the determination of the capability of a director to serve as such:</p> <ol style="list-style-type: none"> <li>i. The nature of the business of the corporation of which he is a director;</li> <li>ii. Age of the director;</li> </ol>	<p>The Nomination, Election &amp; Governance Committee has the following powers:</p> <p>Evaluate the qualifications of all persons nominated to the Board and other appointments which require Board approval;</p> <p>Assess the effectiveness of the Board processes and procedures in the election or replacement of the directors;</p> <p>Recommend election of Board members and other executive officers whose appointments require Board</p>

					<p>ve memberships and officers in other corporations or organizations; and</p> <p>iv. Possible conflict of interest. (pp. 13 &amp; 14, Revised Manual on Corporate Governance)</p>	<p>iii. Number of directorships/active memberships and officers in other corporations or organizations; and</p> <p>iv. Possible conflict of interest.</p>	<p>approval. (pp. 13 &amp; 14, Revised Manual on Corporate Governance).</p>
Remuneration		2	1		<p>The Executive Compensation Committee has the following functions:</p> <p>It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;</p>	<p>The Executive Compensation Committee has the following key responsibilities:</p> <p>Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors;</p> <p>Provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are</p>	<p>The Executive Compensation Committee has the following powers:</p> <p>Establish a formal procedure for developing a policy on executive compensation;</p> <p>Determine the compensation packages of corporate directors and officers;</p> <p>Compel the disclosure of business interests and conflict of interest. (pp. 14 &amp; 15, Revised Manual on Corporate Governance).</p>

				<p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide in the corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review of existing 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</p>	<p>needed to run the company successfully;</p> <p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest,</p>	
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					personnel concerned with all statutory requirements that must be met periodically in their respective posts. (pp. 14 & 15, Revised manual on Corporate Governance).	salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts. (pp. 14 & 15, Revised manual on Corporate Governance).	
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## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Pedro E. Roxas	28 June 2010	6	6	100	4 years
Member (ED)						
Member (NED)	Manuel V. Pangilinan	11 December 2013	3	3	100	N/A
Member (ID)	David L. Balangue	15 February 2012	6	6	100	2 years

### (b) Audit Committee


Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Geronimo C. Estacio	25 March 2009	5	5	100	5 years
Member (ED)						
Member (NED)	Alex Erlito S. Fider	11 December 2013	2	1	50	N/A
Member (ID)	David L. Balangue	15 February 2012	5	5	80	2 years

#### Disclose the profile or qualifications of the Audit Committee members.

Geronimo C. Estacio is 67 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is the Chairman of the Audit & Risk Committee. He was formerly the Dean of the College of Business Administration of the University of the East, a consultant to the Chairman & CEO and Vice-President for Finance of ABS-CBN Broadcasting Corporation, a director for Regional Controls for Asia of the Procter & Gamble Company, a member of the Board of Directors of P&G Australia, P&G New Zealand, Max Factor Australia, Max Factor New Zealand, Noxell, Shulton, Australia and Shulton, New Zealand, P&G Philippines, Norwich Philippines and a Trustee of P&G Philippines Pension Plan, among others. Mr. Geronimo C. Estacio was formerly CFO of Procter & Gamble

Philippines and Procter & Gamble Australia/New Zealand. He graduated Magna Cum Laude from the University of the East, College of Business Administration and is a Certified Public Accountant. Mr. Geronimo C. Estacio is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as an Independent Director of the company.

David L. Balangue is 61 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012. Mr. David L. Balangue was formerly the Chairman & Managing Partner of SyCip Gorres Velayo & Co., CPA's (SGV), a Philippine member firm of Ernst & Young. Mr. David L. Balangue is currently the Chairman of the Makati Commercial Estate Association (MACEA) and the Makatrespoi Parking Authority (MAPA). He is a director of Trans-Asia Oil and Energy Development Corporation, Manufacturer's Life Insurance (Philippines) Co., Inc., Manufacturers Financial Plans Inc. Maybank ATR Kim Eng Financial Corporation and Unistar Credit & Finance Corporation and a consultant at the Philippine Deposit Insurance Co., Inc. and Ayala Land, Inc., among others. Mr. David L. Balangue is a Certified Public Accountant (second placer), and was a past president of the Management Association of the Philippines, the Philippine Institute of Certified Public Accountants and the Financial Executives Institute of the Philippines. Mr. David L. Balangue obtained his degree in Bachelor of Science, major in Accounting, Magna Cum Laude, from the Manuel L. Quezon University and his Master of Management, major in Finance, With Distinction, from the Kellogg School of Management, Northwestern University in Evanston, Illinois, USA. Mr. David L. Balangue is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as an Independent Director of the company.



Atty. Alex Erlito S. Fider graduated from the University of the Philippines with degrees in Economics and Law. He was admitted to the Philippine Bar in 1985 and has been in the practice of law since 1985. He undertook specialized courses in Strategic Economics in the country and Corporate Governance in Australia. His legal experience spans almost twenty-eight (28) years of involvement in corporate transactions and projects that involved legal counseling on Philippine law, including legal advice on the appropriate transaction structure, crafting of documents, legal diligence audit and managing corporate legal work in corporate acquisitions and investments, joint ventures, privatizations, corporate finance, divestments and restructuring. His legal work extends to a wide array of corporate and financial matters to companies involved in public infrastructure, water, and power utilities, telecommunications, mass media, banking and finance, real estate development, and agriculture. He is a specialist in the various fields of commercial, civil, telecommunications and public utilities law. Atty. Alex Erlito S. Fider is a Director and Corporate Secretary of several Philippine corporations, including Metro Pacific Tollways Corporation, Metro Pacific Tollways Development Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Smart Communications, Inc. and Maynilad Water Services, Inc. He is actively involved in the Financial Executives Institute of the Philippines (FINEX) and Institute of Corporate Directors of which he is a Fellow. He has served as a resource person on corporate governance and privatization.

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

The Audit & Risk Committee perform oversight functions over the company's external auditors. It ensures that the external auditors act independently and are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Prior to the audit, the Audit & Risk Committee also discusses with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. The committee also reviews the reports submitted by the external auditors before their submission to the Board, with particular focus on the following matters:

- a. Any change/s in accounting policies and practices
- b. Major judgmental areas
- c. Significant adjustments resulting from the audit
- d. Going concern assumptions
- e. Compliance with accounting standards
- f. Compliance with tax, legal and regulatory requirements.

The Audit & Risk Committee also evaluates and determines the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee also has the power to disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report. (pp. 12 & 13, Revised Manual on Corporate Governance).

(c) **Nomination, Election & Governance Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Pedro E. Roxas	20 March 2002	1	1	100%	12 years
Member (ED)						
Member (NED)	Ray C. Espinosa	11 December 2013	0	0		N/A
Member (ID)	David L. Balangue	15 February 2012	1	1	100%	2 years
Member						

(d) **Remuneration/Compensation Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Manuel V. Pangilinan	11 December 2013	1	1	100	N/A
Member (ED)						
Member (NED)	Santiago R. Elizalde	09 December 2009	2	2	100	4 years
Member (ID)	Geronimo C. Estacio	09 December 2009	2	2	100	4 years

3) **Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Renato C. Valencia	Non-election as member; Replaced by Manuel V. Pangilinan
Audit	Raul M. Leopando	Resignation as member of the Board; Replaced by Alex Erlito S. Fider
	Eduardo R. Areilza	Resignation
Nomination	Santiago R. Elizalde	Non-election as member; Replaced by Ray C. Espinosa
Remuneration	Senen C. Bacani	Non-election as member; Replaced by Manuel V. Pangilinan
	Eduardo R. Areilza	Resignation
Others (specify)	None	

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	The Executive Committee held its	

	regular meetings every month to consider and approve all corporate actions that needed the approval of the Board of Directors pursuant to its delegated authority.	Since the Board of Directors hold their regular meetings only every quarter, the regular monthly meetings of the Executive Committee addresses the issue of timeliness of all corporate actions and decisions.
Audit	<p>The Audit &amp; Risk Committee reviewed and approved Consolidated Financial Statements of the company as of September 30, 2012 as well as the quarterly Consolidated Financial Reports of the company that are regularly submitted to the SEC and PSE.</p> <p>The Audit &amp; Risk Committee also reviewed and approved the Audit Plans and Programs of the External Auditors for the fiscal year 2012-2013.</p> <p>The Audit &amp; Risk Committee also assisted the Board in the performance its oversight responsibility for financial reporting process, system of internal control, audit process and monitoring compliance with applicable laws.</p>	<p>The regular review and approval of the company's Consolidated Financial Reports ensures the accuracy and the reliability of the financial reports as well as their compliance with the relevant accounting and auditing standards.</p> <p>The review and approval of the Audit Plans and Programs of the External auditors for the fiscal year 2012-2013 defined the nature, scope and expenses of the external audit.</p> <p>The financial reporting process is put into order, internal controls are reviewed and revisited for improvements and/or revisions and compliance with laws are enforced.</p>
Nomination	The Nomination, Election & Governance Committee reviewed the qualifications of the directors who were elected during the recent annual meeting of the stockholders' of the company held last 20 February 2013.	The review of the qualifications of the directors who were elected during the recent annual meeting of shareholders held on 20 February 2013 addressed the competence and qualifications of the newly elected members of the Board of Directors.
Remuneration/Compensation	The remuneration/compensation committee has institutionalized the computation of the bonus or the profit sharing scheme of the employees and approved the Employees Stock Option Plan (ESOP).	The institutionalization of the computation of the bonus or the profit sharing scheme has defined the ratio of the fixed and variable pay of the employees; the percentage of the profit share of the employees as well as the conditions for the grant of the profit share. The ESOP will provide additional benefits to the employees and will provide the required incentive to move the employees to work harder for the benefit of the enterprise.

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	<p>Annual appraisal and evaluation of Projects.</p> <p>Review of Supplemental Budgets.</p> <p>Implementation of New Projects.</p>	<p>The annual appraisal and evaluation of the projects of the company will ensure the efficient management of the corporate funds and the company's costs and expenses.</p> <p>The review of supplemental budgets will ensure the efficient management of the corporate funds and the company's costs and expenses</p> <p>The implementation of new projects especially on cane supply will address the company's cane supply issues.</p>
Audit	<p>On Trading - Continued close review of Sales and Operation planning to insure risks are appropriately managed.</p> <p>On the Implementation of Netsuite Project - Continued close involvement and collaboration between line management, IT Internal Auditing and External Audit.</p> <p>Training or seminars on Audit Committee trends and leading practices that the members can attend.</p>	<p>The continued close review of the Sales and Operation Planning will insure that risks are appropriately managed.</p> <p>To assure that appropriate safeguards are built into the system.</p> <p>The training and seminars will keep the Audit Committee members updated.</p>
Nomination	<p>The company is compliant with the required number of Independent Directors. The Committee plans to do a review of the qualifications of the nominees for election to the Board of Directors for the coming year.</p>	<p>The review of the qualifications of the nominees to the Board of Directors will ensure the quality and effectiveness of the members of the Board of Directors in the performance of their functions.</p>
Remuneration	<p>Approval and Implementation of the Employees Stock Option Plan.</p>	<p>The Employees Stock Option Plan is presently being reviewed by the SEC for its approval. Once it is approved, the same shall be implemented in order to complete the grant of an additional benefit for all officers and employees of the company.</p>

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## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

The Board and Management adopted a 'risk management policy' which aims to help RHI grow shareholder value by comprehensively reviewing and improving its risk management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of RHI.

An enterprise risk management shall provide a strategic business process and function that will ensure that all business risks are identified, measured and managed effectively and continuously within a structured, robust, integrated and proactive framework. This risk management framework is intended to enhance RHI's shareholder value by sustaining sources of its competitive advantage, optimizing risk management costs and enabling it to pursue strategic growth opportunities with efficiencies that surpass industry standards.

The Enterprise Risk Management (ERM) initiative aims to help the company grow shareholder value by comprehensively reviewing and improving its risk management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of the company.

This policy provides the framework for managing risks in the company. It contains the baseline policies to guide RHI personnel who are directly or indirectly involved in operations, at all levels, including senior management and the Board of Directors, in taking appropriate actions and decisions pertaining to the management of the company's portfolio of risks.

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

The Board of Directors thru its Audit and Risk Committee periodically reviews financial reports and the related internal control evaluations of internal and external auditors to evaluate not only the adequacy but also its impact in measuring results of operation and financial conditions.

#### (a) Period covered by the review.

Fiscal Year 2012.

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

The risk Management system is reviewed annually.

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

The risk Management system is reviewed annually.

### 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:

Risk Exposure	Risk Management Policy	Objective
Strategic: commodity price risk	Commodity price risk is a primary concern thus maintaining a balance between operational efficiency and trading exposure is maintained.	Established objectives and goals for operations or programs, aligned with and supporting the entity's mission.
Lowering of Tariff rate on Sugar to 5% in 2015	Improve production efficiency and lower production and operational costs.	To be competitive in the world sugar market.
Operational: sugar cane supply	Empower business units, with the guidance of management committee, to continuously evaluate the strategies to ensure sugar cane supply to maximize milling capacities.	Effective and efficient use of entity's resources
Reporting	Process and internal controls are adequate to ensure complete, accurate and transparent financial and operating information to all stakeholders.	Relevant, reliable and credible financial and operating information.
Compliance	Adherence to all applicable laws and internal rules and regulations instill integrity and support sustainable and profitable growth.	Compliant with laws, regulations, ethical and business norms and contracts.

(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
Strategic: commodity price risk	Commodity price risk is a primary concern thus maintaining a balance between operational efficiency and trading exposure is maintained.	Established objectives and goals for operations or programs, aligned with and supporting the entity's mission.
Lowering of Tariff rate on Sugar to 5% in 2015	Improve production efficiency and lower production and operational costs.	To be competitive in the world sugar market.
Operational: sugar cane supply	Empower business units, with the guidance of management committee, to continuously evaluate the strategies to ensure	Effective and efficient use of entity's resources

	sugar cane supply to maximize milling capacities.	
Reporting	Process and internal controls are adequate to ensure complete, accurate and transparent financial and operating information to all stakeholders.	Relevant, reliable and credible financial and operating information.
Compliance	Adherence to all applicable laws and internal rules and regulations instill integrity and support sustainable and profitable growth.	Compliant with laws, regulations, ethical and business norms and contracts.

(c) Minority Shareholders

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

Risk to Minority Shareholders
The principal risk of the exercise of controlling shareholders' voting power through the device of a proxy or voting trust agreements for the purpose of voting control or management or operational control might deprive the minority shareholders of a fair representation in the management and control of the affairs of the corporation. These control devices, while legal, may affect to a large extent the right of minority shareholders to participate in charting the future of a corporation.

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:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Strategic: commodity price risk	An imbalanced commodity positioning exposes the company to material losses.	Executive Committee continuously exercises its oversight function in ensuring that strategies are aligned to operational plans with calculated exposures. Inventory levels and buying and selling prices are monitored weekly.
Operational: sugar cane supply	Efficiency of operations and sustainability of revenues are hinged on continuous supply of sugar cane the lack of which means low return on assets.	Conducts review and evaluation of strategies every milling season to fortify current sources and determine steps on how to increase supply from other areas. Cost to accumulate sugar cane is always calculated to sustain strategies and grab opportunities.

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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Strategic: commodity price risk	An imbalanced commodity positioning exposes the company to material losses.	Executive Committee continuously exercises its oversight function in ensuring that strategies are aligned to operational plans with calculated exposures. Inventory levels and buying and selling prices are monitored weekly.
Operational: sugar cane supply	Efficiency of operations and sustainability of revenues are hinged on continuous supply of sugar cane the lack of which means low return on assets.	Conducts review and evaluation of strategies every milling season to fortify current sources and determine steps on how to increase supply from other areas. Cost to accumulate sugar cane is always calculated to sustain strategies and grab opportunities.

(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
Risk and Audit Committee	Oversight on financial reporting and internal controls.	Periodic review of financial reports and internal control review reports of auditors (both internal and external)
Executive Committee	Oversight on strategic and operational controls	Periodic review of results of operations and participate in managing commodity price risks and inventory monitoring.

**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.

Internal control is defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance on the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability and integrity of financial and operational reporting; c) Compliance with applicable laws, regulations, policies, contracts and code of ethics; d) safeguarding of assets; and e) effectiveness of risk management system.

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

The results of the Audit Reports on certain audit areas were discussed with the Auditees/ Management/ PCEO for their response and thereafter submitted to the Audit Committee.

(c) Period covered by the review.

Fiscal Year 2011-2012 (from October 2011 to September 2012)

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

The assessment of internal controls is preferably done after every two years or when there are significant changes that would entail revision or enhancement of existing controls. The criteria for internal control assessment are based on the COSO framework.

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

As above mentioned, a review was conducted during the year.

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
<p>To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.</p>	<p>Charter: The scope of work of the Internal Audit is to determine whether the organization's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:</p> <ul style="list-style-type: none"> <li>• Risks are appropriately identified and managed;</li> <li>• Significant financial, managerial, and operating information is accurate, reliable and timely;</li> <li>• Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;</li> <li>• Resources are acquired economically, used efficiently, and</li> </ul>	<p>In-house</p>	<p>THELMA C. RODRIGUEZ</p>	<p>The Internal Audit Group reports functionally to the Audit and Risk Committee and administratively to the PCEO, Its activities are guided and performed in accordance with the revised "Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be adopted by the Internal Audit.</p>

	<p>adequately protected;</p> <ul style="list-style-type: none"> <li>• Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and</li> <li>• Interaction with various governance groups occurs as needed;</li> </ul> <p>Opportunities for improving management control, profitability, and the organization's image which are identified during the audits shall be communicated to the management.</p>			
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**(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, the Appointment or removal of Internal Auditors is vested in the Audit and Risk Committee. For other outsourcing services relative to Internal Audit, the Audit Committee Charter provides that the Audit committee: Recommends to the Board the appointment and compensation for any registered public accounting firm employed by the organization (i.e. external auditors);

**(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 following are provided in the Audit Committee Charter:

- The Committee shall ensure the existence of a working internal audit group, which shall be headed by a competent Chief Audit Executive, to identify audit issues, propose resolutions to these issues and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective, appropriate and enforced;
- The Committee shall establish a direct reporting line of the internal audit to the former to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit and Risk Committee;
- The Committee shall periodically review the internal audit charter and amend any revisions thereto, as applicable;
- Review with management and the Chief Audit Executive the charter, plans, activities, staffing and organizational structure of the internal audit function;
- Ensure that there are no unjustified restrictions or limitations of access to company records;
- Review the effectiveness of internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing; and

The Committee reviews the audit reports submitted by Chief Audit Executive and provides comments thereafter, if any.

**(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
1. Bernadette Joy G. Cabila – Finance and IT Department Head	Resignation due to availment of the early retirement package offered by the Company
2. Rosela M. Robles – Operations Audit Supervisor (Negros-based)	Resignation due to availment of the early retirement package offered by the Company

**(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>	The progress of actual internal audit work against plan is being monitored on a regular basis and an Audit Report summarizing the significant results is reported to Audit and Risk Committee.
<b>Issues<sup>5</sup></b>	Issues are discussed with the Auditees during closing or exit meetings and their responses are incorporated in the Internal Audit Engagement Report
<b>Findings<sup>6</sup></b>	Findings are discussed and summarized in an Audit Report submitted to the PCEO/Management and thereafter, to Audit and Risk Committee.
<b>Examination Trends</b>	Test of controls were used in the past audit engagements. We conduct a walkthrough of the process flows to determine its relevance to current business situation and revisit policies and procedures for any deviation and improvement. We review month-end balances of certain priority accounts.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;

The Internal Audit Group starts with the preparation of the Annual Internal Audit Plan, as follows:

- 1.1. Understanding the business and control environment
- 1.2. Risk Assessment
- 1.3. Identification of Focus Areas subject to Audit for the year
- 1.4. Scheduling the Audit Areas for the fiscal year
- 1.5. Identification of auditor-in-charge/ manpower
- 1.6. Determining the budget amounts
- 1.7. Discuss with PCEO/ Management for the Audit timeline
- 1.8. Submission of Audit Plan to Audit and Risk Committee for approval

<sup>5</sup>“Issues” are compliance matters that arise from adopting different interpretations.

<sup>6</sup>“Findings” are those with concrete basis under the company’s policies and rules.

2) Conduct of examination based on the plan;

The following is the summary of audit steps:

- 2.1. Engagement planning
  - 2.1.1. Send Audit Notification to the Auditees
  - 2.1.2. Familiarization, preliminary survey/research and setting of initial objectives and scope
  - 2.1.3. Opening conference with auditees
  - 2.1.4. Preparation of audit engagement work program and allocation of audit resources
- 2.2. Performing the Engagement
  - 2.2.1. Identifying, gathering data
  - 2.2.2. Analyzing/Evaluating data/information
  - 2.2.3. Documenting/recording data/information
- 2.3. Communicating Results
  - 2.3.1. Draft audit report
  - 2.3.2. Review of draft audit report
  - 2.3.3. Exit conference with auditee
  - 2.3.4. Preparation of final audit report
  - 2.3.5. Disseminate approved audit report
- 2.4. Follow-up and monitoring
  - 2.4.1. Audit follow-up
  - 2.4.2. Disseminate approved report

3) Evaluation of the progress in the implementation of the plan;

The progress in the implementation of the plan is being monitored on a regular basis. The results are summarized in Audit Reports discussed with Auditees/ Management/ PCEO and thereafter submitted to the Audit and Risk Committee.

4) Documentation of issues and findings as a result of the examination;

Documentation of the audit engagements (including issues and findings) is done during the audit activities and presented as Exhibits in the Audit Report.

5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

Internal Audit Group conducts follow up audits to determine the status of previous Audit Reports' findings and issues. On this basis, a Follow-up Audit Report on these Findings and Issues is discussed and submitted to Auditees, Management, PCEO and the Audit and Risk Committee.

6) Conduct of the foregoing procedures on a regular basis.]

**(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
Contract Approval and Contract Signatories for	Implemented effective April 25, 2013

RHI group of companies	
Company Housing Policy for Employees and Contract with Third Party settlers	Revised policy is for approval by Management
Career Management & Succession Planning	Identification of Successors per functional unit was submitted to HRD on March 2013, after which, implementation was done.
Incident Reporting	Starting October 2012, all units were directed by PCEO to submit appropriate incident reports.
Issuance of Tools	Use of Tools Accountability Form was implemented last April 30, 2013

(g) Mechanisms 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 (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
1. Direct Reporting to the Audit Committee	There are no independence issues. Material information about the company are disclosed by the company directly to the regulatory bodies.	There are no independence issues. Material information about the company are disclosed by the company directly to the regulatory bodies.	There are no independence issues. Material information about the company are disclosed by the company directly to the regulatory bodies.
2. Annual declaration/undertaking of Non-Conflict of Interests by the Internal Auditors			
3. Duly approved Audit Committee Charter and Internal Audit Charter			
4. Duly approved Internal Audit Policies and Procedures			
5. Share Trading Restriction Policy			

The Board of Directors approved a Share Trading Restriction Policy during its regular meeting held on 14 May 2014. The Policy is in compliance with Section 13.2 of the Revised PSE Disclosure Rules (Blackout Period) and Section 27.1 of the Revised Securities Regulation Code on Insider Trading.

(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 company executed its annual Certification of Compliance with the Code of Corporate Governance for

year 2012 in accordance with SEC Memorandum Circular No. 6, Series of 2009. The certification was signed by the Compliance Officer and countersigned by the President & CEO.

#### H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>To be a world-class leader in sugar cane-based products and services in the Asia Pacific Region and to provide quality sugar cane product and services to our customers.*</p> <p>The company is committed to achieve total customer satisfaction by providing solutions, to include the best quality and safe sugar products and services.**</p>	<p>The company has improved and expanded the efficiencies of its sugar mills and ethanol plant to be able to produce and deliver to its customers quality and reasonably priced sugar and ethanol.</p> <p>The company continually improves its production process and adheres to all applicable health and safety regulations and globally accepted food safety and quality standards.</p>
Supplier/contractor selection practice	Suppliers and contractors are selected based on the lowest and most advantageous bid to the company.*	The bidding committee meets in a meeting at least once a week to review and evaluate all bids of suppliers and contractors.
Environmentally friendly value-chain	<p>Mindful of the challenges and changes affecting the environment.*</p> <p>Accredit suppliers and contractors on the basis of their compliance with environmental laws and regulations.</p> <p>Proactive protection of the environment.**</p>	<p>The company has an Environmental Management and Safety Department which monitors the company's compliance its anti-pollution programs such wastewater management, air pollution control, solid waste management, toxic and hazardous waste management.</p> <p>Conduct inspection and audit of supplier's compliance with applicable environmental regulations.</p> <p>Prevention of pollution by setting objectives and targets to attain waste minimization.</p>
Community interaction	Be a responsible corporate citizen.*	The company provides jobs to the members of the communities where its businesses are operating. The company performs/implements corporate social responsibility programs in the said communities through Roxas Foundation, Inc.

Anti-corruption programmes and procedures?	Set high standards and ethics in the company's operations.*	The company has organized a bidding committee which reviews and approves all purchases of materials, supplies and labor and all other contracts to which the company is party.  Prohibition on acceptance of gifts, favors, loans or other material benefits from third parties doing business with the company.
Safeguarding creditors' rights	Conduct business following the time tested principles of fairness, transparency, and honesty.*	The company settles its liabilities to its suppliers and its loan obligations to its bank creditors on time.

\*Vision, Mission and Values.

\*\* IMS Policy

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

Yes. The corporate responsibility report or section is found in the Annual Report on SEC Form 17-A of the company. The company performs its corporate social responsibility through the Roxas Foundation, Inc. (RFI). RFI is a foundation that was organized by the Roxas family to perform and deliver the social responsibilities of the corporations under which the Roxas family is conducting their businesses.

3) **Performance-enhancing mechanisms for employee participation.**

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

This is embodied in the IMS Policy of the company as stated below:

*In CADPI, we commit to achieve total customer satisfaction by providing solutions, to include the best quality and safe sugar products and services, while proactively protecting the environment and achieving a healthy and safe workplace.*

*We will accomplish this by:*

- *Providing for the total development of our people and empowering them to the organization's growth;*
- *Prevent pollution by setting objectives and targets to attain waste minimization and generate savings on energy, water and other resources;*
- *Continually improving our process;*
- *Establishing and maintaining harmonious partnership with our stakeholders; and*

*Adhering to all applicable health and safety regulations, statutory and regulatory environmental requirements and globally-accepted food safety and quality standards.*

**Show data relating to health, safety and welfare of its employees.**

- List of Safety Trainings conducted for CY 2011-2012:

TRAINING	DATE
1. First Aid for Industrial Employees with Basic Life	1 <sup>st</sup> Batch: July 9-11, 2012



Support-Adult Cardio Pulmonary Resuscitation Training (FAT BLS-CPR) for Lay Rescuers	2 <sup>nd</sup> Batch: July 12-14, 2012
2. Safety Inspection Training for Environmental Safety and Health Inspection Team (ESH Team) Leaders and Members	August 5, 2011
3. Conduct Emergency Drills covering fire and chemical spills	1 <sup>st</sup> Batch: September 16, 2011 2 <sup>nd</sup> Batch: March 7, 2012
4. Emergency and Disaster Management Training	October 18-19, 2011

- Continuous implementation of various safety programs to attain reduction in Lost Time Accident and Fire Prevention.
- Continuing issuance of CPIAR per accident case in order to identify the root cause and address hazards by implementation of corrective and preventive measures.
- Conducted Work Environment Measurement (WEM) last March 29-30, 2012 to check compliance with safety standards in the workplace on the following parameters:
  - Dust Emission (Bagacillo, etc.)
  - Heat Exposure
  - Noise level
  - Illumination
  - Vibration
  - Exposure to Hydrogen Sulfide (H<sub>2</sub>S) in confined spaces and other areas.
  - Asbestos
  - Hazardous Chemicals
  - Ventilation
- List of Basic Personal Protective Equipment issued to Regular Employees:
  - a. Safety Helmet
  - b. Safety Shoes
  - c. Dust Mask
  - d. Gas Mask
  - e. Goggles
  - f. Rubber Boots
  - g. Rain Coats
- Quarterly Meeting of CADPI Multi-Partite Monitoring Team (MMT) in compliance with ECC condition. The MMT which is composed of sectoral and executive committees convene is being chaired by PENRO. Membership of this multi-sectoral committee is represented by EMB PENRO and CENRO, MENRO, PGENRO, Philippine Coast Guard – Environmental Protection, Barangay, Municipal Health Office, NGOs and Barangay Chairman of Lumbangan. The Memorandum of Agreement was finalized and signed by DENR-EMB and Batangas Provincial Governor. Five meetings were conducted and the corresponding Compliance Monitoring and Verification Reports (CMVR) were already submitted to EMB Region 4A.
- Quarterly evaluation of compliance with ESH laws and regulations is being done using Matrix of Regulatory and Legal Requirements. This is part of compliance with ISO 14001. All necessary environmental and safety permits and licenses were already secured as of July 30, 2012.
- CADPI received a special recognition from Nestle Phils., Inc. for achieving the highest actual volume of water saved based on pledged target for the year 2011 as a result of the company exemplary water conservation efforts. This is part of their program on Greening the Supply Chain with CADPI as one of the business partners.

- Surveillance audit was conducted by SGS last January 24-25, 2012 to check sustained compliance with the requirements of ISO 14001 standards. Only one (1) minor non-conformity was raised and eight (8) observations.
- Ongoing monitoring of overall Risk Control Action Plan (RCAP) on a quarterly basis. All RCs are required to prepare their own monitoring of the status of program implementation as stated in their respective RCAPs. This is to address the significant hazards and risks identified in the documented Hazard Identification Risk Assessment and Determination of Controls (HIRADC).

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

**a) Related Integrated Management System Trainings for Fiscal Year 2012-2013:**

1. Food Safety Orientation for the different Departments in the factory of CADPI
2. Seminar on Understanding the Requirements of the Integrated Management System
3. Refresher Course on the Food Safety Management System (ISO 22000:2005)

**b) Job Fundamentals Training for Fiscal Year 2012-2013:**

For CADPI Refinery Department: a) Raw Sugar Quality and Handling, Affination and Centrifugal Operation; b) Carbonation, Filtration and IER Decolorization; c) Evaporation and Sugar Boiling; d) White Centrifugal Operation and Drying; e) Sugar Storing, Blending, Scalping Conditioning, Grading and Packaging; f) Sugar Dust Explosion, Guidelines in Entering Packaging Room and Preventive Maintenance.

**c) Training for Contractual Employees for Fiscal year 2012-2013:**

1. Orientation covering Food Safety, HACCP, GMP, 5S, EMS and Safety.

**d) Assisted Trainings for Fiscal year 2012-2013:**

1. Emergency and Disaster Management Training.
2. Fire Brigade Training.

**e) Functional/Technical Trainings for Fiscal Year 2012-2013:**

1. Analysts Skills Evaluation Program.

**f) Leadership/Behavioral training for Fiscal year 2012-2013:**

1. Leadership Development Program – Behavioral Leadership and Employee Relations Training Program

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

As part of the reward/compensation policy, the company grants its employees Service Incentive, Profit Sharing and Target Achievement Rewards (TAR).

**4) 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.**

1. Upon receipt of a written complaint or report of an alleged violation, the Supervisor or Department Head concerned investigates and reviews the facts of the case, giving the respondent the opportunity to be heard.

2. The respondent is served with a letter informing him/her of the alleged violation and directing him/her to explain in writing within five (5) working days upon receipt of the same. A duplicate of a written notice or letter is signed by the respondent to signify that he/she received the same.
3. If the respondent refuses to receive the same, the Supervisor shall leave a copy to the respondent in the presence of two witnesses who shall attest to the fact that the respondent refuses to acknowledge receipt of the same. Such fact must be annotated in the receiving copy by the witnesses.
4. Failure of the employee to answer in writing within the required period shall be construed as a waiver of his right to submit his answer/explanation.
5. Thereafter, the Supervisor and/or Department Head concerned shall evaluate the facts of the case.
6. The Supervisor or Department Head concerned shall then prepare a written report on the alleged infraction, his findings and the appropriate penalty to be imposed, if any. A copy of the said report together with the other copies of the documentary evidence and written testimonies, if applicable, shall be forwarded to the Human Resources Section for the proper disposition.
7. If the Supervisor or Department Head believes that the evidence available is insufficient to constitute a prima facie case, he/she may seek the assistance of the Office of the VP-Legal & Compliance Officer to conduct further investigation.
8. Supervisor or Department Head concerned makes a formal request to the Office of the VP-Legal & Compliance Officer.
9. Supervisor or Department Head concerned forwards all his findings together with available written testimony of all parties involved in the particular case, if applicable, to the Office of the VP-Legal & Compliance Officer for further investigation.
10. The Office of the VP-Legal & Compliance Officer informs those involved in the case by accomplishing the "Notice of Investigation" form four (4) copies. Copies of this shall be furnished to the following:  
  
Employee concerned  
Human Resources Section  
Office of the VP-Legal & Compliance Officer  
Section/Department concerned
11. The Office of the VP-Legal & Compliance Officer conducts the investigation.
12. The Office of the VP-Legal & Compliance Officer forwards the results of the investigation evaluation to the requesting Supervisor or Department Head.
13. The Supervisor or Department Head concerned shall again evaluate the report/findings and proceed as in Step 3.
14. The Human Resources Section prepares a "Notice of Disciplinary Action" to implement the decision.
15. The employee's Supervisor, Department Head or Group Manager as the case may be, and the SVP-CHR signs the appropriate space in all four (4) COPIES OF THE "Notice of Disciplinary Action" informing the employee of his offense/s with the corresponding penalty. Copies of this shall be furnished to the following:

Employee concerned  
HR Section  
Department concerned  
Office of the VP-Legal & Compliance Officer

**Explain how employees are protected from retaliation.**

The company has an existing public disclosure (whistleblowing) policy. Management ensures that employees who act in good faith and in compliance with the law are adequately protected from interference in or retaliation for reporting improper actions and cooperating with subsequent investigations or proceedings.

**I. DISCLOSURE AND TRANSPARENCY**

1) Ownership Structure

(a) Holding 5% shareholding or more\*

Shareholder	Number of Shares	Percent	Beneficial Owner
Roxas and Company, Inc.	318,341,705	35%	Roxas and Company, Inc.
First Pacific Natural Resources Holdings BV	309,197,760	34%	First Pacific Natural Resources Holdings BV
PCD Nominee Corporation	131,295,181	14.44%	Various

\*as of 30 June 2014.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Pedro E. Roxas	*2,510,000	49,549,887	5.72%
Renato C. Valencia	**50,000		0%
Nilo A. FlorCruz	**20,280		0%
Archimedes B. Amarra			
Jose P. E. Marcelo			
Ramon M. de Leon			
<b>TOTAL</b>	<b>2,580,280</b>	<b>49,549,887</b>	<b>5.72%</b>

\*as of 07 June 2013.

\*as of 31 May 2013.

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	No. The details of the whistle blowing were not included in the annual report. Henceforth, the details of the whistle-blowing policy shall be disclosed in the Annual Report on SEC Form 17-A.
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. The details of the training and continuing education programme attended by each

	director/commissioner were not included in the Annual Report. Henceforth, the details thereof shall be disclosed in the Annual Report on SEC Form 17-A.
Number of board of directors/commissioners meetings held during the year	No. The number of board directors'/commissioners meetings held during the year were not included in the Annual Report. However, the details of the meetings are disclosed in a report, on SEC Form 17-C, which is submitted to the Commission in January of every year. The number of the directors/commissioners meetings will henceforth be disclosed in the Annual Report on SEC Form 17-A.
Attendance details of each director/commissioner in respect of meetings held	No.. The details of the attendance of the directors in the board meetings of the company were not disclosed in the Annual Report on SEC Form 17-A but are contained in a report, on SEC Form 17-C, which is submitted to the Commission in January of each year. The details of the attendance of directors/commissioners in respect meetings held will henceforth be disclosed in the Annual Report on SEC Form 17-A.
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.

### 3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
*Sycip Gorres & Velayo	Php11,014,896.00	

\*The shareholders of the company elected the auditing firm of Reyes Tacandong as the new external auditors during their Annual Meeting held on 20 February 2013.

### 4) Medium of Communication

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

1. Disclosures on SEC Form 17-C;
2. Disclosures on SEC Form 20-IS;

3. Disclosures on SEC Form 23-A and 23-B;
4. Disclosures on SEC Form 17-A;
5. Company website;
6. Media interviews; and
7. Newspapers of general circulation.

5) **Date of release of audited financial report:** - January 25, 2013.

6) **Company Website**

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

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

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

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Central Azucarera de la Carlota, Inc./Central Azucarera Don Pedro, Inc./Roxol Bioenergy Corporation	Subsidiaries	Sales/Purchase of sugar and Molasses	Php696,309,563.00

**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?**

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, as appropriate, the company takes into account, among others, factors that it deems appropriate in order to determine whether the terms of the Related Party Transaction is less favorable to the Company than the terms generally available to an unaffiliated third-party under the same or similar circumstances. The company ensures that the transactions are "arms length". For the Intercompany Sales/Purchase of Sugar/Molasses, the transaction price being used is the result of the sugar or molasses bidding conducted on the day of the transaction.

#### **I. 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>	Article 10 of the By-Laws of the company provides that in all or regular or special stockholders' meetings, the presence of shareholders who represent a majority of the outstanding capital stock entitled to vote shall constitute a quorum and all decisions made by the majority shall be final, unless pertaining to resolutions for which the laws require a greater number.
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	For the ratification of the acts of the Board of Directors and Officers, the vote required is a majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
<b>Description</b>	The method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands, or, upon motion duly made and seconded, by secret ballot.

**(c) Stockholders' Rights**

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
The right to vote either in person or proxy on the following: Amendments to the company's constitution; Authorization of additional shares; Transfer of all or substantially all assets, which in effect results in the sale of the company; Extension or shortening of corporate life; Election or removal of directors; and Election of external auditors.	There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

**Dividends**

Declaration Date	Record Date	Payment Date
28 June 2006	14 July 2006	31 July 2006
27 September 2006	12 October 2006	31 October 2006
20 June 2007	13 July 2007	31 July 2007
19 September 2007	15 October 2007	08 November 2007
25 June 2008	17 July 2008	31 July 2008
3 October 2008	15 October 2008	30 October 2008
24 June 2009	15 July 2009	31 July 2009

<p>holding of the annual/special meeting to provide the shareholders and members of the media additional opportunity to share their views to the Chairman, the PCEO and the members of the Board committees on issues relating to the company.</p> <p>The company has put in place a Stakeholder Relations &amp; Corporate Communications Department to take care of all issues relating to investors or shareholders and to attend to their queries and concerns about the company.</p>	
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**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.

The company, pursuant to law, submits the approval of amendments to the company's constitution, authorization of additional shares and transfer of all or substantially all assets, which in effect results in the sale of the company, to the approval and ratification of its shareholders in a regular or special meeting held for the purpose. Details of the proposed amendments to the company's constitution or authorization of additional shares or transfer of all or substantially all assets, if any, will be contained and explained in the information Statement on SEC 201S that is sent to all shareholders of record in order to solicit their active participation in corporate discussions regarding such matters.

**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 company observes a minimum of 15 business days for giving out of notices to the AGM in accordance with the provisions of the Securities Regulation Code (SRC).

- a. **Date of sending out notices:** 25 January 2013
- b. **Date of the Annual/Special Stockholders' Meeting:** 20 February 2013

**4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

**Stockholder:** Is it better to convert your sugar to ethanol rather than exporting it to other countries?

**Mr. A. Amarra:** Right now, conversion of sugar to ethanol is not yet achievable considering the price. Even if the world market price would turn down, the recovery by converting it to alcohol is still lower as compared to the export price, but still the idea, the exported sugar, at a price of Php920/ton. The current price at the world market now would be less than Php800/ton. So basically it would be a good margin as far as export issue is concerned.

**Stockholder:** If we bring in a strategic investor, what price are we looking at?



17 September 2012	01 October 2012	12 October 2012
12 December 2012	28 December 2012	15 January 2013
07 August 2013	30 August 2013	16 September 2013
06 November 2013	20 November 2013	2 December 2013

**(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
<p>The company prepares its detailed Information Statement on SEC Form 20-IS. The Information Statement informs all shareholders and the public a) the date, place and time of the annual/special meeting of the shareholders and b) the Agenda of the meeting; c) the names of all the directors and senior management of the company including the details of their personal information; d) the names and personal information of the persons nominated for election as directors of the corporation; and e) the financial and other information about the company, among others;</p> <p>The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of record individually at least fifteen (15) trading days before the annual/special meeting of the shareholders;</p> <p>The company conducts an open forum during the shareholders' meetings as additional venue where shareholders could participate in the meeting and communicate directly to the Chairman, the individual directors, and the members of the board committees and make known their views and concerns about the company. In addition, the Chairman and the PCEO and the members of the Board committees entertain interviews and queries from the shareholders and media after the</p>	<p>The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of record individually at least fifteen (15) trading days before the annual/special meeting of the shareholders.</p> <p>The Investor Relations Department of the company facilitates and sets the conduct of shareholder and media interviews on the Chairman, PCEO and other directors after the annual/special meetings of the shareholders.</p>

**Mr. P. Roxas:** This is something that the financial advisor, First Metro, should look at. Obviously, from our point of view, the higher the price the better and that would be best for all shareholders. But we have not come into that stage yet.

**Stockholder:** How do you compare strategies of the plant in Thailand since they work in sugar industry where tariff rate is 5%?

**Mr. P. E. Roxas:** On the processing side, on the factory side, we are very competitive. Perhaps, we lag behind in the agricultural side and apparently, the cost of operation on farm side is lower in the Philippines than it is in Thailand.

The policies of the Government here make it a bit more expensive than in Thailand. As I mentioned in my report, Thailand has a program whereby 7% of the VAT that they collect from sugar goes to the actual fund that is used to improve RMD, improve investments in the sugar industry.

This is something that we, here as an industry, the whole Philippine sugar industry is working. There is now currently a bill in congress which is a sugar act which is spearheaded by Congressman Benitez of Negros which would be a similar type of plan. The plan is to earmark a certain percentage of the 12% VAT that we have on refined sugar to go directly to the industry for funding, for RMD and for long term projects. This is something that would be very helpful and which would allow us to be more competitive.

#### 5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Stockholders' Meeting held on 15 February 2012	652,728,054 representing 71.764% of the outstanding shares of stock	None	None
Approval of the Annual Report to the Stockholders for the fiscal year ending September 30, 2012	652,728,054 representing 71.764% of the outstanding shares of stock	None	None
Approval of the all acts and resolutions of the Board of Directors and management	652,728,054 representing 71.764% of the outstanding shares of stock	None	None
Approval of the Stock Option Plan	652,728,054 representing 71.764% of the outstanding shares of stock	None	None
Election of the Board of Directors	652,728,054 representing 71.764% of the outstanding shares of stock	None	None
Election of the external auditors	652,728,054 representing 71.764% of the outstanding shares of stock	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: 20 February 2013.

#### (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	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	Antonio J. Roxas Pedro E. Roxas Santiago R. Elizalde Beatriz O. Roxas Renato C. Valencia Raul M. Leopando and David L. Balangue	20 February 2013	By show of hands	0.172%	71.591%	71.764%
Special	None					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? - Yes. The company appoints its external auditors and its stock transfer agent to count and/or validate the votes at the ASM.

(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 company has only one class of share. Each share is entitled to one (1) vote.

(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	The company allows the execution of Proxies. (Art. 11, ABL).
Notary	The Proxy may be notarized by a notary public. A Proxy which is not notarized is nonetheless accepted and validated by the company.
Submission of Proxy	A Proxy must be submitted to the office of the Corporate Secretary at least ten (10) days before the date of the meeting of shareholders. (Art. 11, ABL).
Several Proxies	Stockholders may execute several Proxies provided that the number of shares represented by each Proxy shall be indicated in the Proxy form.
Validity of Proxy	A Proxy shall be valid only for the meeting at which it has been presented to the Corporate Secretary. (Art. 11, ABL).
Proxies executed abroad	A Proxy executed abroad is valid and is accepted if it complies with the formalities of law.
Invalidated Proxy	Invalidated proxy is not valid and shall not be considered by the company at the meeting of the shareholders.
Validation of Proxy	A Proxy is validated by the Corporate Secretary in coordination with the company's stock transfer agent.

Violation of Proxy	Violation of Proxy shall invalidate the Proxy and shall subject the offender to the administrative sanctions provided under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code.
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(h) Sending of Notices

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

Policies	Procedure
<p>Article 9 of the By-Laws of the company states that the regular meeting of stockholders may be held without prior notice. Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days prior to the date of the meeting to each stockholder of record at his last known post office or by publishing the notice in a newspaper of national circulation at least ten (10) days prior to the date of the meeting. The notice shall state the place, date and the hour of the meeting, and the purpose or the purposes for which the meeting is called. Only matters stated in the notice can be subject of motions or discussions at the meeting. Notice of special meeting may be waived in writing by any shareholder, in person or by proxy, before or after the meeting.</p> <p>When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give a 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.</p>	<p>The company prepares a detailed Information Statement on SEC Form 20-IS which contains the date, place, time and the Agenda of the meeting. The company submits the Information Statement on SEC form 20IS to the SEC and discloses the same to the PSE for the information of the public. The Information Statement on SEC Form 20-IS is sent individually to all shareholders of record at least fifteen (15) business days before the meeting of the shareholders.</p>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,262 shareholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	25 January 2013
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	25 January 2013
State whether CD format or hard copies were distributed	Yes. CD format were distributed.

If yes, indicate whether requesting stockholders were provided hard copies	Requesting stockholders were provided hard copies.
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(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.

Policies	Implementation
The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda provided the items are for legitimate business purposes and, in accordance with law, jurisprudence and best practice. (7.4.1.2 of the Revised Manual on Corporate Governance)	The company prepares its detailed Information Statement on SEC Form 20-IS. The Information Statement informs all shareholders and the public a) the date, place and time of the annual/special meeting of the shareholders and b) the Agenda of the meeting; c) the names of all the directors and senior management of the company including the details of their personal information; d) the names and personal information of the persons nominated for election as directors of the corporation; and e) the financial and other information about the company, among others;
The minority stockholders shall have access to any and all information relating to matters for which management is accountable for and to those relating to matters which should have been included in the agenda of the annual meeting and, if not included, then the minority stockholders shall be allowed to propose such matters in the agenda of the stockholders' meeting being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice. (7.4.1.3 of the Revised Manual on Corporate Governance)	The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of record individually, including the minority shareholders, at least fifteen (15) trading days before the annual/special meeting of the shareholders;
Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. (7.5 of the Revised Manual on	The company conducts an open forum during the shareholders' meetings as additional venue where shareholders, including minority shareholders, could participate in the meeting and communicate directly to the Chairman, the

Corporate Governance)	<p>individual directors, and the members of the board committees and make known their views and concerns about the company. In addition, the Chairman and the PCEO and the members of the Board committees entertain interviews and queries from the shareholders and media after the holding of the annual/special meeting to provide the shareholders and members of the media additional opportunity to share their views to the Chairman, the PCEO and the members of the Board committees on issues relating to the company.</p> <p>The company has put in place a Stakeholder Relations &amp; Corporate Communications Department to take charge of all issues relating to investors or shareholders and to attend to their queries and concerns about the company.</p>
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(b) **Do minority stockholders have a right to nominate candidates for board of directors?** – Yes. Article 14 of the By-Laws of the company provides that any shareholder entitled to vote for the election of directors may make nomination for the election of directors.

#### 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 company has put in place communication channels that effectively process and address the concerns of its shareholders and the investing public. The Company regularly reports developments and submits disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

The company also maintains its website ([www.rhi-cadp.com.ph](http://www.rhi-cadp.com.ph)), which provides timely information about the Company. The website serves also as an avenue for RHI's stockholders, stakeholders and the general public to send in their inquiries or comments, which the company responds to at the soonest possible time through the Stakeholder Relations and Corporate Communications Department.

The company also ensures that its stakeholders and the investing public are apprised of developments in the RHI Group through regular press conferences and press releases. Announcements in press releases are reviewed by the Executive Vice President for Marketing, Trading, Corporate Planning and Corporate Communications and the Executive Vice President for Finance/Chief Finance Officer; and approved by the Group Executive Chairman and the President/Chief Executive Officer.

As for its internal communications, the company conducts forum for its employees once or twice a year to share information on its projects and plans, aside from a monthly e-newsletter that reports on recent events in the Group.

The policies governing both the external and internal communication channels of RHI are anchored on the Company's values of reliability and relevance, high standards and integrity, and are reviewed as frequently as needed.

- 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 enable stockholders, investors and the general public to understand the developments in the company and equip them to make wise and informed decisions on their investment transactions in the company.
(2) Principles	To handle queries and requests of stockholders, investors and the general public with utmost priority.
(3) Modes of Communications	The Company website ( <a href="http://www.rhi-cadp.com.ph">www.rhi-cadp.com.ph</a> ); the SEC; ROX's page on the PSE website ( <a href="http://www.pse.com.ph">www.pse.com.ph</a> ); press releases; press conferences; forums; monthly e-newsletter.
(4) Investors Relations Officer	Roulee Jane F. Calayag Tel. No.: (63 2) 810 8901 Fax: (63 2) 894 0989 Email: <a href="mailto:rjcalayag.rhi@cadp.com.ph">rjcalayag.rhi@cadp.com.ph</a>

- 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?

The company has no separate rules or 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 other than the provisions stated under Sections 42, 40, 81 and 82 of the Corporation Code of the Philippines. Thus:

*Section 42. Power to invest corporate funds in another corporation or business or for any other purpose.* - Subject to the provisions of this Code, a private corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or by at least two thirds (2/3) of the members in the case of non-stock corporations, at a stockholder's or member's meeting duly called for the purpose. Written notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder shall have appraisal right as provided in this Code: Provided, however, That where the investment by the corporation is reasonably necessary to accomplish its primary purpose as stated in the articles of incorporation, the approval of the stockholders or members shall not be necessary.

*Section 40. Sale or other disposition of assets.* - Subject to the provisions of existing laws on illegal combinations and monopolies, a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or in case of non-stock corporation, by the vote of at least to two-thirds (2/3) of the members, in a stockholder's or member's meeting duly called for the purpose. Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder may exercise his appraisal right under the conditions provided in this Code.

A sale or other disposition shall be deemed to cover substantially all the corporate property and assets if thereby the corporation would be rendered incapable of continuing the business or accomplishing the purpose for which it was

incorporated.

After such authorization or approval by the stockholders or members, the board of directors or trustees may, nevertheless, in its discretion, abandon such sale, lease, exchange, mortgage, pledge or other disposition of property and assets, subject to the rights of third parties under any contract relating thereto, without further action or approval by the stockholders or members.

Nothing in this section is intended to restrict the power of any corporation, without the authorization by the stockholders or members, to sell, lease, exchange, mortgage, pledge or otherwise dispose of any of its property and assets if the same is necessary in the usual and regular course of business of said corporation or if the proceeds of the sale or other disposition of such property and assets be appropriated for the conduct of its remaining business.

**Sec. 81. Instances of appraisal right.** "Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and

In case of merger or consolidation.

**Sec. 82. How right is exercised.** - The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

The company has no pending transaction involving the acquisition of corporate control in the capital markets or mergers or sale of all or substantially all of the corporate assets. As such, the Board of Directors of the company has not appointed an independent party to evaluate the fairness of the transaction price.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

**Discuss any initiative undertaken or proposed to be undertaken by the company.** – The company undertakes its corporate social responsibility through the Roxas Foundation, Inc. The following are the initiatives that were undertaken by the foundation on behalf of the company:

Initiative	Beneficiary
Operasyon Balik-Paaralan (Educational Assistance Program). RFI, in partnership with Educational Research and Development Assistance Foundation, Inc.	For preschool and elementary students in Nasugbu, Batangas and La Carlota City, Negros Occidental.
Scholarship Program	For high school and college students in partnership with Sugar Industry Foundation, Inc. and employees' dependents in Central Azucarera de la Carlota, Inc.



Day Care Service	For 18 Day Care Centers in Nasugbu and Lian, Batangas.
Tulong Aral ng Sentral Scholarship Program	For selected RFI & CADPI/CACI dependents/beneficiaries in Nasugbu, Batangas and La Carlota City, Negros Occidental.
Busog Lusog Talino School Feeding Program. RFI, in partnership with Jollibee Group Foundation and Local Government Unit.	For grade I-II public school pupils Nasugbu, Batangas and La Carlota City, Negros Occidental.
Medical and Dental Missions. RFI, in partnership with Fundacion Santiago and Sociedad Asocacion de Beneficiencia.	Residents of Nasugbu and Lian, Batangas and residents La Carlota City, Negros Occidental. in partnership with Fundacion Santiago and Sociedad Asocacion de Beneficiencia.
Sports Advocacy	Provides sponsorship to five teams of soccer players composed of 8U, 10U, 12U, 14U and 16U in Nasugbu, Batangas and two (2) teams, 8U and 10U in La Carlota City, Negros Occidental. Sponsorship of trainings for two (2) football teams, 8U and 10U) for the dependents of CACI employees and pupils from La Carlota Sugar Central Elementary School.
Casa Republika	A social enterprise project which offers bed and breakfast to donors, training venue/laboratory for HRM, Food & Beverage and related courses OJTs and out of school youth.
Café Central	A social enterprise project which offers fine dining and refreshment to travelers and local residents. It is also a training ground for OJTs and out of school youth with HRM, Food and Beverage, and other related courses.
Casa Central	A shop to showcase the products of RFI assisted communities and various livelihood groups/individuals.
Training Center	Offers food and beverages course and small engine mechanic course.
Tree Planting	Rehabilitation of Watershed Areas along the riverbanks of Marayo River in La Carlota City, Negros Occidental.

#### 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>	The company does not yet have a formal evaluation for the assessment of the annual performance of the Board of Directors.	
<b>Board Committees</b>	The Audit Committee conducts an annual performance evaluation in compliance with SEC Memorandum Circular No. 4, Series of 2012.	The criteria set forth in SEC Memorandum Circular No. 4, Series of 2012.