

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2012
2. Exact Name of Registrant as Specified in its Charter PHINMA CORPORATION
3. 12F Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1200  
Address of Principal Office Postal Code
4. SEC Identification Number 12397 5. (SEC Use Or )  
Industry Classification Code
6. BIR Tax Identification Number 000-107-026-000
7. 632 8700100  
Issuer's Telephone number, including area code
8. NA  
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	Eleven (11)
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Actual number of Directors for the year	Eleven (11)
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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) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Oscar J. Hilado	NED		RRR	1969	Apr 17, 2013	ASM	44
Ramon R. del Rosario, Jr.	ED		OJH	1979	Apr 17, 2013	ASM	34
Roberto M. Laviña	ED		OJH	May 2004	Apr 17, 2013	ASM	9
Magdaleno B. Albarracin, Jr.	ED		OJH	1980	Apr 17, 2013	ASM	33
Victor J. del Rosario	ED		OJH	1987	Apr 17, 2013	ASM	26
Jose L. Cuisia, Jr.	NED		OJH	1994	Apr 17, 2013	ASM	19
Omar T. Cruz	NED		OJH	2011	Apr 17, 2013	ASM	2
Francisco L. Viray	NED		OJH	March 2013	Apr 17, 2013	ASM	<1
Filomeno G. Francisco	NED		RRR	April 2012	Apr 17, 2013	ASM	1
Guillermo D. Luchangco	ID		OJH – none	April 2005	Apr 17, 2013	ASM	8
Roberto F. de Ocampo	ID		RRR - none	April 2009	Apr 17, 2013	ASM	4

**(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.**

In the Revised Manual on Good Corporate Governance which the Board approved on March 3, 2011, the Board of Directors and Management of the company committed themselves to the principles and best practices of good corporate governance and acknowledge that the same may guide the attainment of our corporate goals. The manual shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

The Board of Directors recognize that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the Board of Directors believe that the following shareholder rights should be extended to all shareholders of the Company:

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- All shareholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.
- All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished
- annual reports, including financial statements, without cost or restrictions.
- All shareholders shall be provided, upon request, periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
- The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.
- Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- All shareholders shall have appraisal rights as provided under the Code.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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

The Board as recommended by senior management reviews the vision and mission of the Company as it deems appropriate. The Board ensures that the plans and actions of the Company are aligned with its vision and mission.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>2</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.
Oscar J. Hilado	Phinma , Inc.	Non-Executive (Chairman)

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	<p>Trans-Asia Oil and Energy Development Corporation  Phinma Property Holdings Corporation  Union Galvasteel Corporation  Trans-Asia Power Generation Corporation  Araullo University  Cagayan de Oro College  University of Pangasinan  University of Iloilo  Microtel Inns &amp; Suites (Pilipinas), Inc.  Trans-Asia Renewable Energy Corporation  Asian Plaza, Inc.  Trans-Asia Gold and Minerals</p>	<p>Non-Executive (Chairman)  Non-Executive (Chairman)  Non-Executive (Chairman)  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive</p>
Ramon R. del Rosario, Jr.	<p>Phinma , Inc.  Trans-Asia Oil and Energy Development Corporation  Phinma Property Holdings Corporation  Union Galvasteel Corporation  Trans-Asia Power Generation Corporation  Araullo University  Cagayan de Oro College  University of Pangasinan  University of Iloilo  Microtel Inns &amp; Suites (Pilipinas), Inc.  Trans-Asia Renewable Energy Corporation  Asian Plaza, Inc  Microtel Development Corp.  Fuld &amp; Company, Inc.  Fuld &amp; Company (Philippines), Inc.  South Luzon Thermal Energy Corp.  CIP II Power Corporation  Trans Asia Gold and Minerals</p>	<p>Executive   Non-Executive  Non-Executive  Non-Executive  Chairman  Chairman  Chairman  Chairman  Chairman  Chairman  Chairman  Non-Executive  Chairman  Chairman  Chairman  Non-Executive  Chairman</p>
Roberto M. Laviña	<p>Phinma , Inc.  Trans-Asia Oil and Energy Development Corporation  Phinma Property Holdings Corporation  Union Galvasteel Corporation  Trans-Asia Power Generation Corporation  Araullo University  Cagayan de Oro College  University of Pangasinan  University of Iloilo  Microtel Inns &amp; Suites (Pilipinas), Inc.  Trans-Asia Renewable Energy Corporation  Asian Plaza, Inc  Microtel Development Corp.  Fuld &amp; Company, Inc.  Fuld &amp; Company (Philippines), Inc.  T-O Insurance Brokers, Inc.  CIP II Power Corp</p>	<p>Executive   Executive  Executive  Non-Executive  Executive  Executive  Executive  Executive  Executive  Executive  Non-Executive  Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Executive  Non-Executive</p>
Magdaleno B. Albarracin, Jr.	<p>Phinma , Inc.  Trans-Asia Oil and Energy Development Corporation  Phinma Property Holdings Corporation  Union Galvasteel Corporation  Trans-Asia Power Generation Corporation  Araullo University  Cagayan de Oro College  University of Pangasinan  University of Iloilo  Asian Plaza, Inc  Fuld &amp; Company, Inc.  Fuld &amp; Company (Philippines), Inc</p>	<p>Non-Executive   Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive  Non-Executive</p>

Victor J. del Rosario	Phinma , Inc. Trans-Asia Oil and Energy Development Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Asian Plaza, Inc. Microtel Development Corporation Microtel Inns & Suites Fuld & Company, Inc. Fuld & Company (Philippines), Inc. CIP II Power Corporation T-O Insurance Brokers, Inc.	Executive  Non-Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Francisco L. Viray	Trans-Asia Oil and Energy Development Corporation Trans-Asia Power Generation Corporation Trans-Asia Renewable Energy Corporation CIP II Power Corporation Trans-Asia Gold and Minerals Development Corp. Trans-Asia Petroleum Corporation	Executive Executive Executive Executive Executive Executive Executive
Guillermo D. Luchangco	Phinma Property Holdings, Inc. Trans-Asia Oil & Energy Dev. Corp. Fuld & Company (Philippines), Inc.	Independent Independent Independent
Omar T. Cruz	Union Galvasteel Corporation	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.
Oscar J. Hilado	Holcim Philippines, Inc. First Philippine Holdings Corporation Philex Mining Corporation	Non-Executive – Chairman Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	Ayala Corporation Holcim Philippines, Inc.	Non-Executive Non-Executive
Magdaleno B. Albarracin, Jr.	Holcim Philippines, Inc.	Non-Executive
Jose L. Cuisia, Jr.	Holcim Philippines, Inc. SM Prime Holdings Manila Water Company, Inc.	Non-Executive Non-Executive Non-Executive
Guillermo D. Luchangco	Globe Telecoms, Inc. Ionics, Inc. Roxas & Company, Inc.	Non—Executive Non-Executive Non-Executive
Roberto F. de Ocampo	EEL Corporation Robinsons Land Corporation Rizal Commercial Banking Corporation House of Investments, Inc.	Non-Executive Non-Executive  Non-Executive Non-Executive

**(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
Oscar J. Hilado	Phinma, Inc.	Chairman of the Board and shareholder of Phinma, Inc.
Magdaleno B. Albarracin, Jr.	Phinma, Inc.	Director and shareholder of Phinma, Inc.
Ramon R. del Rosario, Jr.	Phiinma, Inc.	Director, President and shareholder of Phinma, Inc.
Victor J. del Rosario	Phinma, Inc.	Director, Executive Vice President, and shareholder of Phinma, Inc.
Robert M. Lavina	Phinma, Inc.	Director, Senior Executive Vice President and COO, and shareholder of Phinma, Inc.
Omar T. Cruz	Philamlife and General Insurance Co.	President and CEO of BPI-Philippine American Life Insurance Corp.

- (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: No.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations.	
Non-Executive Director	As above	
CEO	As above	

(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
Oscar J. Hilado	100,000	449,827/Mariposa Properties, Inc.	.212%
Magdaleno B. Albarracin, Jr.	8,446,158	-	3.253%
Ramon R. del Rosario, Jr.	531,171	2,557,570/Blue River Holdings, Inc.	1.190%
Victor J. del Rosario	746,275	-	.287%
Roberto M. Lavina	427,879	-	.165%
Jose L. Cuisia, Jr.	9,934	-	.004%
Francisco L. Viray	10,001	10,000/Mrs. Jocoba G. Viray	.008%
Guillermo D. Luchangco	1	-	-
Eric S. Lustre	1	-	-
Roberto F. de Ocampo	1	-	-
Filomeno D. Francisco	1	-	-
<b>TOTAL</b>	<b>9,554,275</b>	<b>4,647,845</b>	<b>5.486%</b>

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	Oscar J. Hilado
CEO/President	Ramon R. del Rosario, Jr.

**(b) Roles, Accountabilities and Deliverables**

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

	Chairman	Chief Executive Officer
Role	<p>Presides at all meetings of the Board of Directors and stockholders. Responsible for leadership in the Board.</p> <p>Chair of Nominations Committee.</p>	<p>General supervision of the company's business, properties and affairs and managing it within the authorities delegated by the Board.</p> <p>Presides over all meetings of the board in the absence of the Chairman.</p>
Accountabilities/ Deliverables	<p>Effective operation of the Board and its committees in conformity with the highest standards of corporate governance.</p> <p>Effective communication with shareholders and other stakeholders.</p> <p>Constructive debate and effective decision-making is promoted.</p> <p>Effective and complementary Board that initiates change and planning succession on Board and Group Executive appointments.</p> <p>All Board committees are properly established, composed and operated.</p> <p>Support and advise the CEO in strategy development.</p> <p>Effective relationships and communications between non-executive directors and Excom are promoted.</p> <p>Have a harmonious and open relationship with the Chief Executive.</p>	<p>Annual plans, consistent with agreed strategies, are developed for presentation to the Board for support.</p> <p>An organisational structure is in place including processes and systems to ensure the efficient organisation of resources.</p> <p>Responsible to the Board for the performance of the business and consistent with the mission and vision of the Company.</p> <p>Financial results, milestones, etc. are communicated to the investment community in a timely manner.</p> <p>Effective communication with shareholders and other stakeholders are promoted.</p> <p>Management succession and development plans are in place.</p> <p>Capital investment proposals are reviewed thoroughly and associated risks are identified and managed.</p> <p>An effective framework of internal controls over risk in relation to all business activities is in place.</p> <p>Has a close relationship of trust with the Chairman.</p>

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

In the election of officers, the board of directors takes into consideration the skill of officers and their future potential, with the end view of ensuring business continuity. Moreover, the CEO regularly monitors performance of each individual officer and plans for their future.

#### **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. The board members shall be a combination of executive and non-executive directors in order that no director or small group of directors shall dominate the decision-making process. The board shall have a good mix of directors with different backgrounds, whose business experience shall allow them to participate actively in the deliberations of the Board.

**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, a criteria for appointment of an executive/non-executive director is a practical understanding of the business of the company, should possess previous business experience and should have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

Duties and responsibilities of the Company's executive, non executive and independent directors include the following:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Company's purpose, its vision and mission and strategies to carry out its objectives.
- Provide sound strategic policies and guidelines to the Company on major capital expenditures.
- Establish programs that can sustain its long-term viability and strength and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Require that the Corporation comply with all relevant laws, regulations and codes of best business practices.
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communications program, which shall be under the supervision of the Chief Executive Officer.
- 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.
- Adopt a system of internal checks and balances including a continuing review of the corporation's internal control systems.
- Formulate policies and procedures that will ensure the integrity and transparency of related party transactions.
- Establish and maintain an alternative dispute resolution system for the amicable settlement of conflicts and differences among all stakeholders including the regulatory authorities.
- Appoint a Compliance Officer. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.
- Identify key risk areas and key performance indicators and monitor these factors with due diligence.
- Properly discharge Board functions by meeting regularly. Independent directors shall, as much as possible, attend all Board meetings. The Board may also require the presence of at least one independent director in its meetings to promote transparency.

- Independent views during Board meetings shall be given due consideration and all meetings shall be duly minuted.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
- Define the clear delineation of roles, duties, and responsibilities of the Chair and the Chief Executive Officer as necessary, integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. Proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives if the positions of Chair and CEO are unified.
- Require Management to provide the Board with complete, adequate and timely information about the matters to be taken in their meetings to enable the Board to properly fulfill their duties and responsibilities. The board shall also have independent access to Management and the Corporate Secretary including access to independent professional advice at the corporation's expense in furtherance of their duties and responsibilities.
- Make available to the company's stockholders, via multiple channels, a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

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

The Nomination Committee pre-screens nominees for independent director using the guidelines under Section 38 of the SRC and the provisions assessing independence under the Revised Manual on Good Corporate Governance. On this basis, Messrs. Felipe B. Alfonso (+), Guillermo D. Luchangco and Roberto F. de Ocampo have been elected as independent directors.

A Director who is neither an officer nor a substantial shareholder is considered to be independent. Those identified above are qualified to be independent Directors.

In assessing the independence of the Directors, the Nomination Committee has examined the different relationships enumerated under SRC Rule 38.1 of the SRC IRR that may impair the directors' independence and objectivity, and affirms that the above-mentioned directors are able to act with independent judgment.

**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.**

In compliance with SEC Circular No. 9 Series, of 2011, the company has a term limit of five consecutive years for independent directors. After the required cooling-off period of two years, the director can return as independent director for another term of five years.

**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
Felipe B. Alfonso	Director	April 5, 2013	Demise of director
Omar T. Cruz	Director	Nov 6, 2013	Resigned

**(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	Recommended by the Nomination Committee and subsequently submitted to the Board of Directors for Approval	Should not possess the disqualifications provided in Fourth Article, paragraph 1 of the Articles of Incorporation
(ii) Non-Executive Directors	As above	As above
(iii) Independent Directors	As above	As above
<b>b. Re-appointment</b>		
(i) Executive Directors	Recommended by the Nomination Committee and subsequently submitted to the Board of Directors for Approval	Should not possess the disqualifications provided in Fourth Article, paragraph 1 of the Articles of Incorporation
(ii) Non-Executive Directors	As above	As above
(iii) Independent Directors	As above	As above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors		<ul style="list-style-type: none"> <li>• Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> <li>• Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction 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, quasibank, trust company, investment house, or investment company; (c) engaging</li> </ul>

		<p>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> <ul style="list-style-type: none"> <li>• Any 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 Bangko Sentral ng Pilipinas (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;</li> <li>• Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the Commission or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;</li> <li>• Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</li> <li>• Any person judicially declared insolvent;</li> <li>• Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the</li> </ul>
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		acts, violations or misconduct listed in the foregoing paragraphs; and <ul style="list-style-type: none"> <li>Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code.</li> </ul>
(ii) Non-Executive Directors		As above
(iii) Independent Directors		As above
<b>d. Temporary Disqualification</b>		
(i) Executive Directors		Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; <ul style="list-style-type: none"> <li>Absence or non-participation without justification for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during the said incumbency unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock; the disqualification shall be lifted if the limit is later complied with;</li> <li>Conviction that has not yet become final for any of the acts or violations referred to in the grounds for disqualification of directors.</li> </ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>e. Removal</b>		
(i) Executive Directors	Vote of the stockholders holding or representing at	

	least two-thirds (2/3) of the outstanding capital stock	
(ii) Non-Executive Directors	As above	
(iii) Independent Directors	As above	
<b>f. Re-instatement</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year "cooling-off" period. Persons appointed as Chairman Emeritus, Ex-officio director/officers or members of any executive advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year "cooling-off" period prior to his qualification as an independent director.
<b>g. Suspension</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

**Voting Result of the last Annual General Meeting**

Name of Director	Votes Received
Applies to all Directors of PHN	unanimous

**6) Orientation and Education Program**

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

The new director attends a briefing, during which various business heads present the nature of their respective businesses and their plans for the future.

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

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/ Officer	Date of Training	Program	Name of Training Institution
Roberto M. Lavina	Feb 29, 2012	Conf on Mining's Impact on Phil Economy & Ecology	Management Association of the Phils
	Jul 9, 2012	Registration fee re: BBC General Assembly	BISHOPS-BUSINESSMEN'S CONFERENCE FOR HUMAN DEVELOPMENT
	Mar 19-20, 2013	STANDARD CHARTERED FORUM	Standard Chartered Bank Forum
Pythagoras L. Brion, Jr.	Oct 18, 2010	MAP Forum on Exe Coaching	Management Association of the Phils
	Oct 12, 2011	Economic briefing	Financial Executives Institute of the Phils (Finex)
	Feb 9, 2012	Corporate Governance	Institute of Corporate Directors, Inc.
Regina B. Alvarez	Oct 19, 2012	SEMINAR ON PAS 19 EMPLOYEE BENEFITS	SGV & Co.
	Oct 4, 2012	TAX FORUM	Financial Executives Institute of the Phils (Finex)
Cecille B. Arenillo	Nov. 5, 2010	Analyzing Company's Red Flags	Chartered Financial Analyst Society of the Phils.
	Oct. 28, 2010	Executive Coaching	Management Association of the Phils
	May 23-24, 2012	BasellII & Interface w/ IFRS	SGV & Co.
	Aug. 29, 2012	SEC Compliance with Rules on Disclosures	Center for Globals Best Practices
Rizalina P. Andrada	Oct 21-22, 2010	Corp Governance & Risk Mgt	Ateneo de Manila University
	Oct. 29, 2010	Tax Seminar	Tax Management Association of the Phils Inc
	May 30-31, 2011	Mechanics of Derivatives: Valuation Accounting & Risk Management	SGV & Co.
	Oct. 4, 2012	Tax Forum	Financial Executives Institute of the Phils (Finex)
	Oct. 19, 2012	PAS 19 Employees Benefits	SGV & Co.
Rolando D. Soliven	Nov 5-9, 2011	ENTERPRISE-WIDE RISK MNGT PROG	Asian Institute of Management

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Audit Committee members	Sept 19, 2013 2020132013	PHINMA Audit Committee Forum – “Audit Committee Roles, Functions and Best Practices”	PHINMA In-house Speaker: Mr. Juan Carlos Robles of Punongbayan & Araullo (P&A)

**B. CODE OF BUSINESS CONDUCT & ETHICS**

Business Conduct & Ethics	Directors	Senior Management and Employees
(a) Conflict of Interest		<p>No officer or employee may engage in any business or undertaking that is directly or indirectly in competition with or pre judicial to the interests of that of any company to the PHINMA Group, or to the performance of his job or work assignments.</p> <p>An employee should not involve himself or herself in situations where conflict of interest may arise. A conflict of interest exists when an employee is in the position to benefit personally, directly or indirectly, from his or her dealings with an entity or person conducting business with the Company.</p> <p>This policy is to ensure that the interest of the Company is always upheld and that the actuation of its employees is always above suspicion.</p>
(b) Conduct of		Officers and employees are expected to practice the



Business and Fair Dealings		highest standards of business conduct in every business relationship - with each other and with our customers, business partners, and competitors.
(c) Receipt of gifts from third parties		As a matter of policy, every employee and officer of the Company must strive to see to it that they are not involved in any situation that could interfere with or appear to interfere with their independent judgment in performing their duties. A prohibited act is soliciting gifts or any other property for personal gain from any supplier , organization, or individual that has business dealings with the Company.
(d) Compliance with Laws & Regulations		All officers and employees should work in a clean, orderly and safe environment. The Company requires full compliance with applicable workplace safety and industrial hygiene standards mandated by law.
(e) Respect for Trade Secrets/Use of Non-public Information		No officer nor employee may use confidential Company information for personal gain
(f) Use of Company Funds, Assets and Information		Malversation of Funds and other company assets for personal gain
(g) Employment & Labor Laws & Policies		Using official position in order to secure employment for relatives, except if such hiring is with written consent of functional head, who will ascertain and corroborate that the relative employed is the most qualified among applicants.
(h) Disciplinary action		Employees are given full notice and a chance to explain his side before any disciplinary action is imposed
(i) Whistle Blower		Not applicable
(j) Conflict Resolution		Installation of committee to handle and resolve conflict

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

Yes, disseminated to Senior Management and Employees and Directors.

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

Covered officers and employees are required to fill-up and submit the Confidential Disclosure Form and Conflict of Interest Certification upon employment.

In instances when any of the information disclosed has changed, the covered officer or employee has the obligation to amend his Confidential Disclosure Form accordingly.

**3) 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	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(2) Joint Ventures	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(3) Subsidiaries	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(4) Entities Under Common Control	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(5) Substantial Stockholders	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(6) Officers including spouse/children/siblings/parents	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(7) Directors including spouse/children/siblings/parents	Transactions with related parties (joint ventures, subsidiaries, and affiliates) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction. There are no transactions with directors, officers, or their families.
(8) Interlocking director relationship of Board of Directors	Directors currently serve as directors of subsidiaries and affiliates.

**(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	None
Name of Officer/s	None

Name of Significant Shareholders	None
----------------------------------	------

(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	There have been no conflicts of interest between the company, its directors, officers and significant shareholders
Group	

4) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Phinma, Inc.	Parent company of Phinma Corporation	Management contract between Phinma, Inc. and Phinma Corporation

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

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

5) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	There have been no conflicts between the corporation, its stockholders, third parties or regulatory authorities for the last three years
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

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

Neither, but before each meeting.

2) Attendance of Directors

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Oscar J. Hilado	1969	6	6	100%
Vice Chairman	Ramon del Rosario Jr.	1979	6	6	100%
Member	Roberto M. Laviña	May 2004	6	6	100%
Member	Magdaleno B. Albarracin Jr.	1980	6	5	83%
Member	Victor J. Del Rosario	1987	6	6	100%
Member	Jose L. Cuisia	1994	6	4	67%
Member	Omar T. Cruz	2011	6	3	50%
Member	Francisco L. Viray	March 2013	6	4	67%
Member	Filomeno G. Francisco	March 2012	6	6	100%
Independent	Roberto F. de Ocampo	April 2009	6	6	100%
Independent	Guillermo D. Luchangco	April 2005	6	3	50%

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

None

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

No. Only a majority vote of the quorum is required to validate a corporate act.

**5) Access to Information**

**(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?**

Board papers are provided at least a day before the board meeting.

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

Yes.

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

The Corporate Secretary is responsible for the Company's compliance with pertinent statutory and regulatory requirements and enforcing and maintaining the highest standards of corporate governance necessary for the efficient administration and operation of the Company, and for the protection of the interests of the Company and its various stakeholders. The duties of the Corporate Secretary, among others, are the following:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to the agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent him from doing so, and maintain record of the same.

<sup>5</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.

- Submit to the Commission, not later than the 30<sup>th</sup> day of January, an annual certification as to the attendance of the directors during Board meetings signed by the Corporate Secretary and countersigned by the Chairperson of the Board of Directors.
- If concurrently also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Code.

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

Yes.

**(e) Committee Procedures**

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

Yes  No

Committee	Details of the procedures
Executive	The agenda and related materials are sent to the director either in softcopy, by email or hardcopy at least a day before the meeting.
Audit	
Nomination	
Remuneration	
Others (specify)	

**6) External Advice**

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

Procedures	Details
Access to external auditors and tax advisers	During the meeting of the Audit Committee and the Board, and during the Annual Shareholders Meeting, the external auditor and/or tax consultants are present to answer the Board's and/or shareholders' questions.

**7) Change/s in existing policies**

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

Existing Policies	Changes	Reason
None		

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Approved by the Compensation Committee	Approved by the CEO
(2) Variable remuneration	-	-

(3) Per diem allowance	N/A	N/A
(4) Bonus	Approved by the Chairman	Proposed by the COO and approved by the CEO
(5) Stock Purchase Plan	Approved by the compensation Committee	Approved by the Compensation Committee
(6) Others	-	-

## 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	In addition to remuneration received as officers of the company, executive directors receive the following : a. Transportation allowance, paid monthly b. Per diem c. Directors bonus which is paid out yearly, after approval of the audited financial statements.	a. Transportation allowance of P 10,000 per month. b. Per diem of P 10,000 for every meeting attended. c. All directors (executive and non-executive) share in the directors' bonus pool which is computed as 5% of audited net income of the parent company	
Non-Executive Directors	a. Transportation allowance, paid monthly b. Per diem c. Directors bonus which is paid out yearly, after approval of the audited financial statements .	a. Transportation allowance of P 10,000 per month. b. Per diem of P 10,000 for every meeting attended. c. All directors (executive and non-executive) share in the directors' bonus pool which is computed as 5% of audited net income of the parent company	

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.

No.

Remuneration Scheme	Date of Stockholders' Approval
N/A	

## 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration (salary)	P- 10,408,350	-	-
(b) Variable Remuneration	11,647,935	-	-

(c) Per diem Allowance	360,000	₱ 200,000	₱ 160,000
(d) Directors' Bonuses			
(e) Stock Rights, Options, Warrants	-	-	-
(f) Others – Transportation allowance	600,000	₱430,000	280,000
<b>Total</b>	₱ 23,016,285	₱630,000	₱ 440,000

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	₱ 1,311,223	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	₱ 27,816	None	None
(f) Hospitalization Plan Premium	₱ 23,238	None	None
(g) Car Plan	₱2,068,246	₱ 1,082,642	None
(h) Others (Specify)			
<b>Total</b>	₱ 3,120,190	₱ 1,082,642	

#### 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:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	No. of Shares *	Total % from Capital Stock
Ramon R. del Rosario, Jr.			298,061	.115%
Roberto M. Lavina			238,832	.092%
Victor J. del Rosario			226,858	.088%
Total			763,751	.295%

\*No. of shares purchased by the officers under the company's Stock Purchase Plan.

##### (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
None		

## 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 for the year ended Dec. 31, 2013
Pythagoras L. Brion, Jr., SVP and Treasurer Regina B. Alvarez, SVP – Finance Cecille B. Arenillo, VP – Treasury and Compliance Officer Rizalina P. Andrada, VP – Finance Rolando D. Soliven, AVP – Internal Audit	P 13,765,219

## 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:

#### Executive Committee

The Executive Committee is composed of five (5) directors, one of whom is an independent director. The Committee pre-clears or approves investment proposals, strategic issues, and other matters that may be determined and delegated to it by the Board of Directors.

#### Audit Committee

The audit committee is composed of four (4) members of the Board, one (1) of whom is an independent director who is the Chairman. Each member is required to have at least adequate understanding of the Corporation's financial management systems and environment. The Audit Committee is tasked to check and review all financial reports that should be compliant with both the internal financial management systems and pertinent accounting standards, including regulatory requirements and endorse the same to the Board for approval. They perform oversight financial management functions, pre-approve all audit plans, evaluate and examine the non-audit work of the external auditor, organize an internal audit department and review reports from internal and external auditors and supervise the formulation of rules and procedures on financial reporting, internal control systems, internal audit examinations, appointment of the external auditor and compliance with financial reporting requirements in accordance with the guidelines of the SRC.

#### Nomination Committee

The Nomination Committee is composed of three (3) Directors one of whom is an independent director. The Nomination Committee pre-screens and shortlists all candidates nominated to become members of the board of directors in accordance with such factors as age, number of directorships/active memberships and officerships in other corporations, experience from other boards, knowledge of the industry of the Corporation, knowledge of finance and accounting and contacts of value to the Corporation.

#### Compensation Committee

The Compensation Committee is composed of four (4) directors, one of whom is an independent director. The duties and responsibilities of the committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the corporation's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with



statutory requirements.

## 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 (NED)	Oscar J. Hilado	April 17, 2013	none	none		> 9 years
Member (ED)	Magdaleno B. Albarracin, Jr.	April 17, 2013	none	none		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 17, 2013	none	none		> 9 years
Member (NED)	Jose L. Cuisia, Jr.	April 17, 2013	none	none		> 9 years
Member (ID)	Guillermo D. Luchangco	April 17, 2013	none	None		2 years

\*Based on available records from 2003 onwards.

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee*
Member (ED)	Magdaleno B. Albarracin, Jr.	April 17, 2013	4	3		> 9 years
Member (ED)	Victor J. del Rosario	April 17, 2013	4	4		> 9 years
Member (ID)	Roberto F. de Ocampo	April 17, 2013	4	4		5 years
Member (NED)	Filomeno G. Francisco	April 17, 2013	4	4		1 year

\*Based on available records from 2002 onwards.

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

**Magdaleno B. Albarracin, Jr.** has been Senior Executive Vice President of the Company since 1988 and is Vice-Chairman of Phinma, Inc. He is also a director of Holcim Philippines, Inc. and holds directorates in various Phinma companies. Dr. Albarracin served as Dean of the University of the Philippines College of Business Administration, as member of the Board of Regents of UP, as member of the Board of Trustees of the University of San Carlos, Cebu City and as President of the Asean Federation of Cement Manufacturers. Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He has been a Director of the Company since 1980.

**Victor J. del Rosario** has been the Executive Vice President / Chief Financial Officer of the company since 1995. He is also the Vice Chairman of Union Galvasteel Corporation and the Chief Strategy Officer of PHINMA, Inc. He is also a member of the Board of Directors of PHINMA, Inc. and various PHINMA-managed companies. Mr. del Rosario is an Economics and Accounting graduate of the De La Salle University and holds a Master of Business Administration degree from Columbia University. He is the brother of Mr. Ramon R. del Rosario, Jr. He has been a Director of the Company since 1987.

**Roberto F. de Ocampo** previously served as Secretary of Finance and was the former Chairman and Chief Executive Officer of the Development Bank of the Philippines. He is currently President of Philam Fund, Inc., Philam Bond Fund, Inc., Philam Strategic Growth Fund, Inc. and director of Alaska Milk Corp., Rizal Commercial Banking Corporation, Robinson's Land Corporation and EEI Corporation. He has a Bachelor of Arts degree (major in Economics) from the Ateneo de Manila University, a Master's degree in Business Administration from the University of Michigan, and a post-graduate diploma from the London School of Economics. He has been conferred Doctorates (Honoris Causa) by San Beda College, De La Salle University, Philippine Women's University and University of Angeles City. He became an Independent Director of the Company on April 2, 2009.

**Filomeno G. Francisco** was formerly President and Chief Operating Officer of AB Capital and Investment Corporation (ABCIC). He is currently President of Brown Cross Investments Corporation and Chairman of Ginory Holdings Corporation. Mr. Francisco served on the Boards of trade organizations, Investment House Association of the Philippines, Philippine Stock Exchange, PSE Foundation and Manila Stock Exchange. Mr. Francisco also held directorates in ABCIC, Cebu Holdings, Inc, Philippines Long-Term Equity Fund, Hi Cement Corporation, and United Pulp and Paper Co., Inc. He has a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

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

- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- 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;
- Perform direct interface functions with the internal and external auditors.
- 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 for the performance of their respective functions.
- Assess the performance of the external auditor on an annual basis prior to the committee’s endorsement of the external auditor’s engagement for the succeeding year.

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee*
Chairman (NED)	Oscar J. Hilado	April 17, 2013	1	1		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 17, 2013	1	1		5 years
Member (ID)	Guillermo D. Luchangco	April 17, 2013	1	1		3 years

\*Based on available records from 2003 onwards.

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee*
Chairman (NED)	Jose L. Cuisia, Jr.	April 17, 2013	None	None		> 9 years
Member (NED)	Oscar J. Hilado	April 17, 2013	None	None		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 17, 2013	None	None		> 9 years
Member (ID)	Roberto F. de Ocampo	April 17, 2013	None	None		< 1 year

\*Based on available records from 2003 onwards.

**(e) Others (Specify) Retirement Committee**

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee*
Chairman (NED)	Oscar J. Hilado	April 17, 2013	None	None		>6 years
Member (ED)	Magdaleno B. Albarracin, Jr.	April 17, 2013	None	None		>6 years
Member (ED)	Victor J. del Rosario	April 17, 2013	None	None		>6 years
Member (ED)	Roberto M. Lavina	April 17, 2013	None	None		>6 years

\*Based on available records from 2007 onwards.

### 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
Compensation	Roberto F. de Ocampo	Replaced Mr. Felipe Alfonso who died last April 5, 2013.
Executive	None	
Nomination	None	
Audit	Roberto F. de Ocampo	Replaced Mr. Felipe Alfonso as Chairman who died last April 5, 2013.
Others (specify)Retirement	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	-	
Audit	Approved quarterly and annual audited financial statements; approved the revisions of the Audit Charter; reviewed and approved audit plan of SGV and Internal Audit. Reviewed risk analysis of each business group.	Reviewed audit issues, including impairment losses and other provisions. Reviewed risk analysis of different business units and called for subsequent periodic reviews.
Nomination	Submitted list of nominees to the Board	Reviewed qualifications of directors nominated.
Remuneration	-	
Others (specify)		

### 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		
Audit	Risk management analysis	Review at least twice a year key risks of each business group and how they are being addressed.
Nomination	None	
Remuneration	None	
Others (specify)	None	

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

PHINMA adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risks and rewards.

PHINMA also recognizes risk management as an integral component of good corporate governance and

fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

PHINMA's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and fulfill the company's mission. However, these risks should be continuously identified and assessed to ensure that effective mitigation strategies are employed to the greatest extent possible.

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

A Business Resiliency Program is currently in place for the entire PHINMA Group. This program supersedes the previous Business Continuity Management program and expands its coverage further by going beyond the traditional confines of BCM and integrates Risk Management concepts with the disciplines of Disaster Response Planning, Crisis Management and Communications and Business Continuity Planning.

The Audit Committee has been tasked to lead and monitor the program.

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

Year 2012

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

Effective year 2013, all member companies of the PHINMA Group will undergo a risk assessment exercise on a semi-annual basis in coordination with the Business Resiliency program. The results of these assessments, together with the overall implementation of the risk management system, including the Business Resiliency Program and , will be subject to a review of its adequacy and effectiveness by the Audit Committee, through and the auditing activities of both External Audit and Internal Audit (PHINMA Group Internal Audit).

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

**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
Foreign Currency Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Credit/Counterparty Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Liquidity Risk	Duration of investment consistent with Company's investment horizon	To ensure that sufficient liquid resources are available to support operating and investing requirements on a timely basis.

Market Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Operations Risk	Adequate internal processes, system, and people	To ensure effective and efficient operations with adequate safeguards against losses and wastage.

**(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:

Top 3 Risks:

Risk Exposure	Risk Management Policy	Objective
Talent Management	Attract, develop, assign and retain the right personnel	To ensure the effective implementation of the Business Plan.
Business Continuity	Build resilience and capability for an effective response that safeguards the interests of key shareholders, reputation and value-creating activities in all functions and operations.	To ensure effective continuity of business operations in the event of a major disruption.
Market Competition	Consider and respond to changes in the market and in the actions of competitors.	To ensure that the Company remains a competitive, significant player in its chosen industry.

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
Dilution of minority shareholders in case of waiver of pre-emptive rights.

**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)
Foreign Currency Risk	<ul style="list-style-type: none"> <li>Constant monitoring of global and domestic political and economic environments and regular discussions with banks</li> <li>FX P &amp; L monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Hedging transactions</li> <li>Exposure limits</li> <li>Investment committee oversight</li> <li>Banking requirements</li> <li>Independent audits</li> </ul>

Credit/Counterparty Risk	<ul style="list-style-type: none"> <li>• Credit and business review / credit ratings studies/updates from the major rating agencies</li> <li>• Market and portfolio reviews as often as necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Accredited domestic and foreign banks approved by the Investment Committee</li> <li>• SBL / exposure limits</li> <li>• Arms-length basis for intercompany transactions</li> <li>• En banc discussions on major investments</li> <li>• Custodian bank</li> <li>• Comprehensive understanding of product risks and documentation</li> <li>• Investment committee oversight</li> <li>• Independent audits</li> </ul>
Liquidity Risk	<ul style="list-style-type: none"> <li>• Continuous monitoring of cash flows and annual plans</li> </ul>	<ul style="list-style-type: none"> <li>• Investments with a good track record of marketability and issue size</li> <li>• Investment maturities based on Group's plans.</li> <li>• Duration</li> <li>• Investment committee oversight</li> <li>• Independent audits</li> </ul>
Market Risk	<ul style="list-style-type: none"> <li>• Constant monitoring of global and domestic political and economic environments</li> <li>• Portfolio P &amp; L Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Regular discussions with banks</li> <li>• Red lines</li> <li>• Benchmarks</li> <li>• Investment committee oversight</li> <li>• Independent audits</li> </ul>
Operations Risk	<ul style="list-style-type: none"> <li>• Periodic monitoring of results</li> <li>• Regular presentation of portfolio performance to Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury system</li> <li>• Clear understanding of dealing authorities/limits</li> <li>• KPIs</li> <li>• Diversification and segregation of processes</li> <li>• Mandatory leaves</li> <li>• Training on all trading desks</li> <li>• Back office files</li> <li>• Support and Back-up</li> <li>• Independent audits</li> </ul>

**(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)
Talent Management	Annual risk assessments	<ul style="list-style-type: none"> <li>• Career and Succession Planning Program</li> <li>• Compensation Benchmarking Study every 2 years</li> <li>• Coaching Program</li> </ul>
Business Continuity	Annual risk assessments	<ul style="list-style-type: none"> <li>• Formal Business Continuity Management (BCM) Program aligned with ISO 22301</li> </ul>
Market Competition	Annual risk assessments	<ul style="list-style-type: none"> <li>• Formal Strategic Planning process, including a</li> <li>• Mid-year Business Plan Reviews</li> <li>• Monthly SBU performance review</li> </ul>

**(c) Committee**

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Semi-annual reporting of risks	The Audit Committee requires all SBUs to assess the status of their key risks on an annual basis. The results of these assessments, together with the corresponding mitigation strategies, are presented by the SBU Heads themselves to the Audit Committee.
Audit Committee	Independent audits	The Audit Committee oversees the effective implementation of external and internal auditing activities that cover the control activities described above.

**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.**

The internal control system for PHINMA Corporation includes any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

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

Examinations of the internal control system were performed by Group Internal Audit following the approved Internal Audit Plan and the results thereof were presented to the Audit Committee. Based on this, the Audit Committee found the internal control system to be adequate and effective.

- (c) Period covered by the review;**

The Audit Committee reviewed the results of internal audit examinations of the internal control system based on the approved Internal Audit Plan for the Calendar Year 2013.

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

Internal controls are reviewed on an ongoing basis by Group Internal Audit, through a risk based audit plan that is presented to and approved by the Audit Committee annually. Controls are evaluated for adequacy and effectiveness by Group Internal Audit using a risk-control matrix and the result of such evaluation is presented to the Audit Committee during its quarterly meetings.

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

**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.**

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
*	All internal auditing services (assurance and consulting)	In-house	Rolando D. Soliven, CPA, CIA, CFE, CQA, CRMA	**

\*Group Internal Audit (GIA), is an independent, objective provider of assurance and consulting services designed to add value and improve PHINMA Group's operations

\*\* The Audit Committee, together with senior management, receives a copy of all audit reports. Other recipients, including the operating heads, are provided copies upon the discretion of the Internal Audit Head.

- (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. This is explicitly stated in the Internal Audit Charter, as approved by the Audit Committee. The same is also indicated in the Audit Committee Charter, under the Committee's stated responsibilities.

- (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 Head of Internal Audit functionally reports to the Audit Committee. As such, the appointment, qualification or termination of the Head requires the Audit Committee's approval. The Audit Committee also



receives periodic reports from the internal auditors on the progress of internal audit work and other relevant information. Furthermore, in the Internal Audit Charter, as approved by the Audit Committee, the internal auditors have unrestricted access to the board and to all properties, records and personnel of PHINMA Corporation.

**(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
Victoria Mae Pilapil	Voluntary resignation (November 2013)
Allan Pablo	Voluntary resignation (December 2013)

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

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

Progress Against Plans	The 2013 Internal Audit Plan was satisfactorily executed in 2013.
Issues <sup>6</sup>	As defined below, no “issues” were identified during the year.
Findings <sup>7</sup>	No significant findings were found in 2013. Minor concerns identified were promptly and satisfactorily addressed by management.
Examination Trends	No pervasive issues and findings were found in 2013. Minor concerns identified were promptly and satisfactorily addressed by management.

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;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 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
Internal Audit Charter	Implemented since 2003, revised in 2012
Internal Audit Mission – Vision	Implemented
Code of Ethics	Implemented
Internal Audit KPIs and Initiatives	Annual implementation, with 2013 values
Engagement Planning	Implemented
Internal Audit Reporting	Implemented

<sup>6</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.

Conducting Audit Engagements	Implemented
Risk – Control Matrix	Implemented
Time Reporting	Implemented
Client Feedback Monitoring	Implemented
Communications Protocol	Implemented

**(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):**

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
See below.	NA	NA	NA

Internal Auditors:

To safeguard the independence of internal auditors, the following mechanisms have been established:

Code of Ethics – All internal auditors of PHINMA Corporation adhere to the Code of Ethics prescribed by the Institute of Internal Auditors (IIA). The said Code lists four principles, one of which is “Independence”, which form part of the mandatory guidance for IIA members.

Conflict of Interest – All internal auditors of PHINMA Corporation adhere to the PHINMA Code of Conduct, which includes a prohibition on conflict of interest.

Functional Reporting to the PHINMA Corporation Audit Committee – To protect its organizational independence, the Head of internal audit functionally reports to the Audit Committee.

Internal Audit Charter – The internal audit team functions under an Internal Audit Charter as approved by the Audit Committee which, in turn, is empowered by the Board of Directors through its Audit Committee Charter. This Charter provides broad authority levels to the internal audit team, including the authority to determine its own audit scope, techniques and methodologies, and unrestricted access to all properties, records and personnel.

Risk based Audit Plan – The Internal Audit Plan is approved by the Audit Committee and monitored for effective implementation.

External Auditors:

To safeguard the independence of external auditors, the following mechanisms have been established:

Statement of Independence – The external auditor is required to declare their independence to the Audit Committee prior to their appointment and after the release of the audit results.

Inquiry of Disagreements with Management – The Audit Committee inquires the external auditor on matters of disagreement with Management, if any.

Adherence to Philippine Standards on Auditing – The external auditors are required to state their adherence to local auditing standards prior to their appointment and after the release of the audit results.

**(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 Chairman and the CEO shall attest to the Company’s full compliance with the SEC Code of Corporate

Governance as embodied in the Company's Revised Manual on Good Corporate Governance as approved by the Board on March 3, 2011. All directors, officers and employees have been informed of their responsibilities under the Company's manual and internal procedures are in place to ensure compliance of the same.

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Phinma expects its officers and employees to practice the highest standards of business conduct in every business relationship - with each other, with customers, business partners, and competitors.  Soliciting gifts or any other property for personal gain from any supplier, organization, or individual that has business dealings with the Company is prohibited.	-
Supplier/contractor selection practice		
Environmentally friendly value-chain	None	
Community interaction	As part of its mission of making life better for Filipinos, the company has various corporate social responsibility initiatives in the communities it operates in, and encourages employees to actively participate in its programs.	College scholarships offered through the Phinma Education Network and Phinma National Scholars program; various housing and disaster relief programs, outreach programs (medical mission for inmates of New Bilibid Prison, Brigada Eskwela repair and clean-up, etc.)
Anti-corruption programmes and procedures?	Phinma expects its officers and employees to practice the highest standards of business conduct in every business relationship.	Phinma Corporation supports the Integrity Initiative and is a signatory of the Integrity Pledge.
Safeguarding creditors' rights	Phinma expects its officers and employees to practice the highest standards of business conduct in every business relationship.	

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

Yes, this is included as a section in the Company's Annual Report.

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

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

In responding to medical emergencies in the office, medical assistance is available at the company's retainer clinic as well as from the hospitals where the company is accredited in. All employees are provided with a life insurance coverage, a hospitalization benefit as well as benefits for annual routine check-ups with accredited clinics and hospitals.

To ensure building safety, the PHINMA Plaza is equipped with a smoke detection alarm system, where an alarm will be raised on the floor concerned, including floors directly above and below it. Each floor has its own fire exit, a stairway leading to the ground floor. A fire drill is conducted periodically in coordination with the

municipality and periodic updates on appropriate incidents relating to the employees' safety are provided like reminders on security of personal belongings, security precautions in public places, email blasts on traffic rerouting schemes affecting employees, etc. The office premises are only accessible to employees and other authorized personnel via a security access card. In 2013, CCTV cameras were installed in strategic places in the building to further enhance employee safety and security.

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

About 56% of employees underwent Annual Routine Check-up for the year 2013. No serious accidents nor material theft or security breach were reported at the office premises. There was one fire drill conducted in 2013 with all employees required to participate in.

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

With the company's commitment to the development of employees' potentials, definite measures are being taken to provide employees with training programs and meaningful job interactions. The basic objective is to develop abilities of the employee that can be beneficial in his work- place, home, social and community relationships.

External training covers all specialized training programs that are provided by external consultants or resource speakers. The courses may be offered in the form of public seminars that are conducted by external institutions. It may be an in-house training that is often applicable to the need of a select group or a few individuals.

Internal training covers training programs that are developed internally within the organization (either by HR or by select members of the company) to respond to the needs of a large group of employees.

A basic internal training sponsored by HR is the company orientation. This program is tailored for all employees who are newly hired, newly regularized and those who have just rendered their first year of service with the company. The program aims to instill a sense of commitment to the goals and objectives of the company among these employees. The orientation program also updates the participants on the company's rules and regulations.

Trainings conducted for 2013 are as follows:

1. Coaching for Performance Workshop – February 2013
2. Work Values Seminar – April 2013
3. Energy Work Attitude and Values – June and July 2013
4. Advance Excel – September 2013

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

**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.**

Employees are advised to document or record his complaint. Facts are gathered and questions are asked if necessary. Options for resolving the problem is discussed with all parties concerned by creating a panel or committee. Legal advice is also secured as appropriate. As the situation permits, the employee may also choose to remain anonymous. Included is a policy on sexual harassment that details the procedures and processes that will be followed for the resolution of such cases. Also in progress is the group-wide Integrity Assurance Program that includes, among others, a Whistleblower Policy.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

**(a) Holding 5% shareholding or more**

Shareholder	Number of Shares	Percent	Beneficial Owner
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PCD Nominee Corporation (Non-Filipino 31.40% and Filipino 18.95%)	130,745,140	50.35%	Various
Philippine Investment Management, Inc.	92,856,823	35.76%	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE			

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 – still being developed
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	Other than the programs on corporate governance that is required under the company's manual on good corporate governance, periodic economic briefings, director briefings on industry trends and updates on relevant best practices conducted by the company, the company does not have a formal board and director development program. With the qualifications, business experience, affiliations and concurrent positions in other companies of its directors, the company believes that its directors are sufficiently and effectively capable of performing their duties as directors.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

NA

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV and Co.	P 3,700,000.00	0

4) Medium of Communication

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

Information is disseminated through disclosures to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC), through the Company's website, through the Information Statements and Annual Reports sent to Shareholders. Information is also disseminated through the Annual Shareholders' Meeting.

**5) Date of release of audited financial report:**

The Audited Financial Statements are released at least 15 trading days before the Shareholders Meeting.

**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**

**The related party transactions as disclosed in the consolidated financial statements as of December 31, 2013 are as follows:**

Company	Relationship	Nature	Due to Related Parties	Due from Related Parties
Phinma, Inc.	Ultimate parent	Share in expenses		592
		Management fees & bonus	49,687	
Phinma Property Holdings Corporation	Associate	Grant of interest bearing advances		58
		Share in expenses		4,241
Trans-Asia Oil & Energy Development Corporation	Associate	Share in expenses		320
		Dividend income		162,498
AB Capital & Investment Corp.	Associate	Share in expenses		5
Microtel Development Corporation	Other related parties	Grant of non-interest bearing advances		45,000
		Share in expenses		3
Microtel Inn & Suites Pilipinas Inc.	Other related parties	Share in expenses		31
Phinma Foundation, Inc.	Other related parties	Share in expenses		1,305

Fuld & Company (US)	Other related parties	Due to shareholders	4,072	-
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**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?**

Related party transactions with subsidiaries and affiliates are at commercial, arms-length terms and conditions that are subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction.

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

<b>Quorum Required</b>	Majority of the stock issued and outstanding either in person or by proxy
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#### (a) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<ul style="list-style-type: none"> <li>• <b>Before</b> each board meeting: Before the board meeting, a copy of the agenda and all supporting documentation are sent to all board members. This is to afford board members to review the materials and come to the board meeting prepared to discuss each issue before making decisions.</li> <li>• <b>During</b> each board meeting: Time is allowed for discussion, questions, evaluation and consideration before taking action. Serious matters that may warrant greater attention and deliberation may be deferred to a later time to allow the board members more time to study the matter.</li> <li>• <b>After</b> the board meeting: Board minutes are written and distributed immediately. This is to allow board members to respond with comments and corrections as soon as possible while the meeting is still fresh in their minds. Members who disagree with the draft minutes are encouraged to bring their objection(s) forward prior to approval of the minutes at the next board meeting.</li> </ul>
<b>Description</b>	

#### (b) Stockholders' Rights LEGAL

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
Right to vote	n/a
Pre-emptive Rights, except as provided in Seventh Article, paragraph B of the Articles of Incorporation	
Right to inspect corporate books	
Right to receive information which is required to be disclosed by the company	

## Dividends

Declaration Date	Record Date	Payment Date
March 6, 2013	March 22, 2013	April 17, 2013

### (c) 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 Board aims to be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders are encouraged to personally attend such meetings. If they cannot attend, they are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, it is company practice that any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p>	<p>Before the stockholder meeting, notice of the stockholder's meeting, together with a copy of the Information Statement and a Proxy Form, are sent to each stockholder of record. This is to afford stockholders to review the materials and formulate their questions, if any, to the management.</p> <p><b>During</b> each the stockholder meeting: Time is allowed to accept questions and comments from the stockholders, to allow discussion regarding the former between the stockholders and the management.</p>

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

Details of the corporate decisions to be taken up during the Shareholders Meeting are sent out at least 15 business days prior to the Shareholders Meeting. During the meeting, shareholders are given a chance to ask questions and the same are addressed by the Board and management. The external auditors are likewise present to answer questions.

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.

- a. Date of sending out notices:

March 6, 2013 (Date of board meeting) – disclosure made to PSE on the date and agenda of the shareholders meeting.

March 22, 2013 – Information Statement (SEC-17 IS) sent out to the shareholders. (In compliance with SEC and PSE guidelines, the Information Statement (SEC 17-IS), which includes the date, venue and agenda of the Shareholders meeting, is sent out at least 15 business days before the Shareholders Meeting.)

- b. Date of the Annual/Special Stockholders' Meeting: April 17, 2013

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



- Re: Listing of PHINMA schools and PPHC – ANS: Not timely
- Re: Appropriation of retained earnings for future use – ANS: Php 1 Billion
- Re: When will SLTEC be in operation – ANS: 2014

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

Resolution	Approving	Dissenting	Abstaining
Annual of Annual Report	unanimous		
Election of Directors	unanimous		
Appointment of External Auditors	unanimous		

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

Same day disclosure to the SEC and PSE.

**(d) 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

**(e) 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	All Directors	April 17, 2013	Viva Voce	5.69%	72.67 %	78.36%
Special	none					

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

Yes.

**(iii) Do the company's common shares carry one vote for one share?**

Yes.

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.

**(f) 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	Must be in writing and signed
Notary	Notarization is not necessary

Submission of Proxy	At least five (5) days before the meeting
Several Proxies	The latest proxy revokes all earlier proxies
Validity of Proxy	Only for the meeting
Proxies executed abroad	Honored subject to validation
Invalidated Proxy	Invalidated proxy shall not be entitled to vote
Validation of Proxy	Corporate Secretary may validate Proxy
Violation of Proxy	Proxy is rendered void and vote shall be disregarded

**(g) Sending of Notices**

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

<b>Policies</b>	<b>Procedure</b>
The company discloses to the public through the PSE and the SEC the date and venue, and agenda for the Shareholders meeting upon approval by the Board.	The disclosure is sent to the PSE online through Odyssey upon approval by the Board. The company also sends a hardcopy to SEC the following day.
In compliance with SEC and PSE guidelines, the Information Statement (SEC 17-IS), which includes the date, venue and agenda of the Shareholders meeting, is sent out at least 15 business days before the Shareholders Meeting	The SEC 17-IS is sent via courier.

**(h) Definitive Information Statements and Management Report**

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	1,275
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	March 22, 2013
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	March 22, 2013
<b>State whether CD format or hard copies were distributed</b>	Hard copies
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	-

**(i) 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 Board is committed to respect the following rights of the shareholders:	
a. Voting rights	<ul style="list-style-type: none"> <li>Shareholders have the right to elect, remove and replace directors and vote on corporate acts</li> <li>A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ul>
b. Power of inspection / right to information	<ul style="list-style-type: none"> <li>Shareholders are allowed to inspect corporate books and records and shall be provided, upon request, information regarding matters for which management is responsible.</li> </ul>
c. Right to dividends	<ul style="list-style-type: none"> <li>Shareholders shall have the right to receive dividends subject to the discretion of the Board under certain circumstances.</li> </ul>
d. Pre-emptive rights and appraisal rights	<ul style="list-style-type: none"> <li>Shareholders shall have pre-emptive rights and appraisal rights , in accordance with the Corporation Code.</li> </ul>

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

Not provided.

## 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.

Periodic external communication required by the PSE and/or SEC, as well as voluntary disclosures, are drafted, and reviewed by the appropriate officer in charge. For example, legal matters are reviewed by the Corporate Secretary. Financial and other matters are reviewed by the concerned officers, including the SVP-Finance, the Compliance Officer and the Investor Relations Officers and approved by the EVP/CFO, the COO and/or the President. The audited financial statements and disclosures on results of operations are further approved by the Audit Committee and/or the Board of Directors. Disclosures are signed by the Corporate Secretary or the SVP Finance.

Internal communications for the purpose of coordination and joint review among management of any major external communications are done via email or phone or in person during management committee meetings. The Company's external and internal communication policies are reviewed and amended when required.

### 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
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(1) Objectives	To provide investors and the general public sufficient and timely access to relevant information on the company and apprise them of recent developments in order for these investors and the public to make informed investment decisions. To provide timely response to clarifications requested by existing or prospective shareholders on disclosed information.
(2) Principles	Accurate information, timely disclosure/ availability of information, relevance of information, timely response to request for clarification on disclosed information.
(3) Modes of Communications	Information on the Company such as financial information and other disclosures is available for download on the company's own website as well as the PSE website. Company office address, email address, telephone trunkline and fax number is also available on the Company website. Contact details of the Investor Relations Officer is also available on the company website. Transfer agent address, phone number, and email address can also be found on the website. Shareholders can also send the transfer agent emails directly from the Company website.
(4) Investors Relations Officer	Giles R. Katigbak Tel +632 8700130 Fax +632 870 0456 <a href="mailto:grkatigbak@phinma.com.ph">grkatigbak@phinma.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?**

With respect to the acquisition of corporate control in the Company, management will adhere to the guidelines of the PSE found in Article XX Unstructured Continuing Disclosure Requirements, Listing and Disclosure Rules, and treat an event where there is a change in shareholdings of stockholders owning more than 10% of shares in the Company as an event requiring prompt disclosure, as also provided under Section 36 Chapter IV of the RSA.]

The Company adheres to the provisions of the Corporation Code of the Philippines with respect to prospective merger transactions in terms of process of notification to stockholders, presentation of merger plans, voting process, and treatment of dissenting rights of stockholders.

The Company adheres to the general provisions of the Corporation Code of the Philippines with respect to prospective sale of substantial portions of the Company's assets in terms of appraisal rights in the event of dissenting stockholders.

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

The Company by laws has not specifically pre appointed any independent party to evaluate the fairness of the transaction price with respect to any prospective mergers or sale of major assets.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
Brigada Eskwela (May 2013)	High School and Elementary Schools in Bulacan, La Union, Guimaras
Exposure trip on social enterprise (June 2013)	Gawad Kalinga Enchanted Farm
Healthy cooking class for Grade 1 – 2 (June 2013)	Virlanie Foundation
Storytelling activity for Grade 1 – 2 students (August 2013)	Virlanie Foundation
Basic computer class (August 2013)	Childhope Asia Foundation Philippines
Art class (November 2013)	Childhope Asia Foundation Philippines

Marshalls and clothes distributors at receiving operations for Typhoon Yolanda survivors; repacking of relief goods (November 2013)	OPLAN Salubong, Villamor Airbase and Air21 Cargohaus
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**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.**

The Audit Committee performed a Self-Assessment in 2012, with the assistance of PHINMA Group Internal Audit, based on the checklist provided by the SEC in its Memorandum Circular No. 4 Series of 2012.

Currently, there is no process or criteria for assessing the performance of the board, its other committees, the directors, and the CEO/President.

**N. INTERNAL BREACHES AND SANCTIONS**

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

The Company's Board of Directors may impose the penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation. The commission of a grave violation of the provisions of the Company's Revised Manual on Corporate Governance by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

For 2013, no violation of the provisions of the Manual has been committed by any director, officer or employee and no sanction has been imposed.