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# SECURITIES AND EXCHANGE COMMISSION

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22 October 2015

**SECURITIES AND EXCHANGE COMMISSION**

**Attention: DIR. JUSTINA F. CALLANGAN**  
**CORPORATION AND FINANCE DEPARTMENT**  
SEC Bldg., EDSA  
Greenhills, Mandaluyong City

Dear Dir. Callangan:

In compliance with the Commission's requirements under SEC Memorandum Circular No. 12, Series of 2014 to send an advisement letter for updates and changes in the Annual Corporate Governance Report (ACGR) that are not reportable under Section 17 of the Securities Regulation Code, please be informed that Phinma Corporation has made updates and changes in the ACGR as of 22 October 2015 as follows:

1. Orientation and Education Program under BOARD MATTERS, Page 18
2. Policies under CODE OF BUSINESS CONDUCT AND ETHICS, Page 22
3. Performance-enhancing mechanisms under ROLE OF STAKEHOLDERS, Page 45

We trust the above submission is in full compliance with the SEC requirement.

Thank you.

Very truly yours,



**CECILLE B. ARENILLO**  
Compliance Officer




**JUAN J. DIAZ**  
Corporate Secretary

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 Only)  
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)
Actual number of Directors for the year	Eleven (11)

(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)]	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 14, 2015	ASM	46
Ramon R. del Rosario, Jr.	ED	OJH	1979	Apr 14, 2015	ASM	36
Roberto M. Laviña	ED	OJH	May 2004	Apr 14, 2015	ASM	11
Magdaleno B. Albarracin, Jr.	NED	OJH	1980	Apr 14, 2015	ASM	35
Victor J. del Rosario	ED	OJH	1987	Apr 14, 2015	ASM	28
Jose L. Cuisia, Jr.	NED	OJH	1994	Apr 14, 2015	ASM	21
Eric S. Lustre	NED	OJH	Nov 2013	Apr 14, 2015	ASM	1
Francisco L. Viray	NED	OJH	March 2013	Apr 14, 2015	ASM	2
Filomeno G. Francisco	NED	RRR	April 2012	Apr 14, 2015	ASM	3
Guillermo D. Luchangco	ID	OJH – none	April 2005	Apr 14, 2015	ASM	10
Roberto F. de Ocampo	ID	RRR - none	April 2009	Apr 14, 2015	ASM	6

(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 acknowledged that the same will serve as guide in 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 to what constitutes sound strategic business management and will therefore undertake every effort necessary to create and sustain awareness within the organization.

<sup>11</sup> Reckoned from the election immediately following January 2, 2012.

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.
- 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, upon the recommendation of 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. This exercise was done last June 2015. On the other hand, corporate strategies are reviewed and discussed semi-annually as part of the Group planning meetings. The last planning meeting was held June 2015.



(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. 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 & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc. Trans-Asia Gold and Minerals Trans-Asia Petroleum Corp Palawan 55 Exploration and Production Corp. One Subic Power Generation Corp.	Non-Executive (Chairman) Non-Executive (Chairman) 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 Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	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 & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc Microtel Development Corp.	Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman)

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



	One Subic Power Generation Corp.	Non-Executive
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. Trans-Asia Renewable Energy Corp.	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 Non-Executive 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 South Luzon Thermal Energy Corp. Palawan 55 Exploration and Production Corp. One Subic Power Generation Corp.	Executive Executive Executive Executive Executive Executive Executive Executive Executive Non-Executive (Chairman)
Guillermo D. Luchangco	Trans-Asia Oil & Energy Dev. Corp. Fuld & Company (Philippines), Inc.	Independent Independent
Jose L. Cuisia, Jr.	Phinma, Inc.	Non-Executive
Filomeno G. Francisco	Phinma Property Holdings Corp.	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	First Philippine Holdings Corporation Philex Mining Corporation	Non-Executive Non-Executive

Ramon R. del Rosario, Jr.	Ayala Corporation	Non-Executive
Jose L. Cuisia	SM Prime Holdings Manila Water Company, Inc.	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 Corp 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.	Phinma, Inc.	Director, President and shareholder of Phinma, Inc.
Victor J. del Rosario	Phinma, Inc.	Director, Executive Vice President, and shareholder of Phinma, Inc.
Roberto M. Lavina	Phinma, Inc.	Director, Senior Executive Vice President and COO, and shareholder of Phinma, Inc.
Eric S. Lustre	Philamlife	First Vice President and Head of Corp Finance Department for the Investment Division of The Philippine American Life and General Insurance Co.

(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
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		
CEO		

(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 ( as of 31 December 2014)	Number of Direct shares (as of September 30, 2015)	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar J. Hilado	100,000	100,000	373,408/Mariposa Properties, Inc.	.18%
Magdaleno B. Albarracin, Jr.	8,516,158	8,668,599	-	3.33%
Ramon R. del Rosario, Jr.	276,549	276,549	3,706,680/Blue River Holdings, Inc. and 649,210 thru Emar Corp	1.53%
Victor J. del Rosario	552,478	552,478	649,210/Emar Corp	.46%
Roberto M. Laviña	222,289	222,289	-	.085%
Jose L. Cuisia, Jr.	9,934	9,934	-	.004%
Francisco L. Viray	20,001	20,001	10,000/Mrs. Jacoba G. Viray	.012%
Guillermo D. Luchangco	1	1	-	-
Eric S. Lustre	1	1	-	-
Roberto F. de Ocampo	1	1	-	-
Filomeno D. Francisco	1	1	-	-
TOTAL	9,697,413	9,849,854	4,739,298	5.6%

## 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>Efficient operation of the Board and its committees in conformity with the highest standards of corporate governance.</p> <p>Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom.</p> <p>Promotion of effective communication with shareholders and other stakeholders</p> <p>Constructive debate and effective decision-making.</p> <p>Spearhead a board that initiates change and planning succession on Board and Group Executive appointments.</p> <p>Properly established Board committees which are composed suitably to operate efficiently.</p> <p>Provision of sound business support and advice to the CEO in strategy development.</p> <p><b>Promotion of effective working relationship and communications between executive and non-executive</b></p>	<p>Development of annual plans, consistent with agreed strategies, for presentation to the Board for support.</p> <p>Ensure that an organisational structure is in place including processes and systems to guarantee the efficient deployment of resources.</p> <p>Responsible to the Board for the performance of the business, consistent with the mission and vision of the Company.</p> <p>Timely communication of financial results, milestones, etc. to the investing public.</p> <p>Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom.</p> <p>Warrant management succession and development plans.</p> <p>Thorough review of capital investment proposals and efficient identification and management of risks</p> <p>An effective framework of internal controls over risk in relation to all business activities is in place.</p> <p>Close relationship anchored on 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?**

The Nominations Committee shall pre-screen and short list all candidates nominated to become members of the Board of Directors in accordance to a set of pre-selected criteria as stated in the Manual on Good Corporate Governance. This shall then be presented to the Board wherein not only the current skills of officers but also their potential are taken into consideration, keeping in mind business continuity and alignment with the company's vision and mission. Moreover, the CEO regularly monitors performance of each individual officer and plans for their future. The Human Resources' leadership programs also aid in identifying potentials for leadership position among the employees and officers.

**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 company's Manual on Good Corp Governance states that the board members shall be a combination executive, non-executive and independent directors to ensure that no director or small group of directors dominate the decision-making process. The board shall be comprised of a good mix of directors with varying backgrounds, whose business experience shall allow them to participate actively in the deliberations.

**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, criteria for the nomination/election of a non-executive director are 1) a practical understanding of the business of the company, 2) should possess previous business experience, 3) 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 and 4) shall be a member of good standing in a relevant industry, business or professional organization.

**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.

As stated in the company's Manual on Good Corporate Governance Section 2.2.1.3, the following are the duties and responsibilities of a director:

- To exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Company.
- To devote time and attention necessary to properly discharge his duties and responsibilities
- To act judiciously
- To exercise independent judgment
- To 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.
- To observe confidentiality
- To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

- To conduct business transactions with the Company , if any, in a manner that is fair and ensures that personal interest does not bias Board decisions.

The following are the directors' deliverables:

- 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. 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	The Nomination Committee pre-screens and short-lists all candidates in accordance with the list of qualifications and disqualifications in the Manual of Corporate Governance	<ul style="list-style-type: none"> <li>• Educational Background or extensive business experience</li> <li>• Integrity and probity</li> <li>• Diligence</li> <li>• Ownership of at least one share</li> <li>• Nature of Corporations of which he is a director</li> <li>• Age</li> <li>• Number of directorships</li> <li>• No Conflict of Interest</li> <li>• Experience in other boards</li> </ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		

<b>b. Re-appointment</b>		
(i) Executive Directors, Non-Executive Directors and Independent Directors	Same as above	Should not possess the disqualifications provided in Fourth Article, paragraph 1 of the Articles of Incorporation
<b>c. Permanent Disqualification</b>		
(i) Executive Directors, Non-executive Directors and Independent 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;</li> </ul> <p>(c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <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</li> </ul>

		<p>membership, participation or association with a member or participant of the organization;</p> <ul style="list-style-type: none"> <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 15 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 acts, violations or misconduct listed in the foregoing paragraphs; and</li> <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>
<b>d. Temporary disqualification</b>		
(i) Executive Directors, Non-Executive Directors and Independent Directors		<p>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;</p> <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> </ul>

		<ul style="list-style-type: none"> <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>
<b>e. Removal</b>		
(i) Executive , Non-executive and Independent Directors	Vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock	
<b>f. Reinstatement</b>		
(i) Executive and Non-executive Director		
(ii) Independent Director		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.
<b>g. Suspension</b>		
(i) Executive, Non-Executive and Independent Directors		

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

Name of Director	% of Votes Received
Oscar J. Hilado	78.09 %
Magdaleno B. Albarracin, Jr.	78.09 %
Ramon R. del Rosario, Jr	78.09 %
Jose L. Cuisia, Jr.	78.09 %
Victor R. del Rosario	78.09 %
<b>Roberto M. Laviña</b>	78.09 %
Francisco L. Viray	78.09 %
Filomeno G. Francisco	78.09 %
Eric S. Lustre	78.09 %
Guillermo D. Luchangco	78.09 %
Roberto F. de Ocampo	78.09 %

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. The new director is also provided a copy of the Manual on Good Corp Governance and advised of company policies pertaining to directors.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Audit Committee members	Sept 19, 2013	PHINMA Audit Committee Forum – “Audit Committee Roles, Functions and Best Practices”	PHINMA In-house Speaker: Mr. Juan Carlos Robles of Punongbayan & Arallo (P&A)
All directors and officers	July 28, 2014	Corp Governance Program	SGV
All directors and officers	27 August 2015	Corporate Governance Program	SGV
Oscar J. Hilado	20 June 2013	Business Continuity Management Training	Sycip, Gorres, Velayo and Company
Ramon R. del Rosario	4 February 2014	Ayala Group Corporate Governance and Risk Management Summit	Ayala Group
	28 February 2015	Ayala Group Corporate Governance and Risk Management Summit	Ayala Group
Roberto M. Laviña	20 June 2013	Business Continuity Management	Sycip, Gorres, Velayo and Company
	19 September 2013	Phinma Group Audit Committee Forum	Juan Carlos Robles
	26 September 2014	Crisis Communication Forum	Jose Avellana
	19 March 2015	Crisis Management & Communication Planning Forum	Andrew Thomas
	29 April 2015	Executive Coaching Champions to Drive Business Impact	DDI
Guillermo Luchangco	March 27-28, 2012	Euromoney Philippine Investment Forum 2012	Euromoney
	June 7, 2012	Insight into the US Rebalancing to the Asia-Pacific & Implication for the US Philippines Alliance	Center for Strategic and International Studies
	October 2, 2013	Invest Philippines : Trade and Investment Opportunities Conference	Invest Philippines
	June 26-27, 2014	2 <sup>nd</sup> Asian Business Conference 2014	Asian Institute of Management

	12 October 2015	Corporate Governance Training	Sycip, Gorres, Velayp & Company
Cecille B. Arenillo	11 June 2014	Integrity Assurance Programs	Messrs. Peter Perfecto, Lilian Linsangan and Francisco Roman
	11 June 2014	ASEAN ACGS Workshops	Institute of Corporate Directors
	28 August 2014	Annual Pinma Disaster Preparedness Forum	In-house Program
	19 March 2015	Crisis Management and Communication Planning	Andrew Thomas, Ogilvy
	14 May 2015	Strategic Negotiations	In-house Program
Nanette P. Villalobos	March 2013	Effective Business Writing	UA&P
	July-October 2014	Introduction to Macroeconomics	UA&P
	July-October 2015	Execution Strategy	John Clements
Regina B. Alvarez	18 September 2015	Update of PFRS	Sycip, Gorres, Velayp & Company
	4 October 2012	Tax Forum	Financial Executives Institute of the Philippines (Finex)
	19 October 2012	Seminar on PAS 19 Employee Benefits	Sycip, Gorres, Velayp & Company
Rizalina P. Andrada	18 September 2015	Update of PFRS	Sycip, Gorres, Velayp & Company
	4 October 2012	Tax Forum	Financial Executives Institute of the Philippines (Finex)
	19 October 2012	Seminar on PAS 19 Employee Benefits	Sycip, Gorres, Velayp & Company

<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.

**(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
All directors	July 28, 2014	Corp Governance Program	SGV
All directors	August 27, 2015	Corp Governance Program	SGV
Ramon R. del Rosario, Jr.	4 February 2014	Ayala Group Corporate Governance and Risk Management Summit	Ayala Group
	28 February 2015	Ayala Group Corporate Governance and Risk Management Summit	Ayala Group
Roberto M. Laviña	26 September 2014	Crisis Communication Forum	Jose Avellana
	19 March 2015	Crisis Management & Communication Planning Forum	Andrew Thomas

	29 April 2015	Executive Coaching Champions to Drive Business Impact	DDI
Guillermo D. Luchangco	June 26-27, 2014	2nd Asian Business Conference 2014	Asian Institute of Management
	12 October 2015	Corporate Governance Training	Sycip, Gorres, Velayp & Company

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

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

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management and Employees</b>
(a) Conflict of Interest	The Manual on Good Corporate Governance serves as the Code of Conduct for all directors of the Company.	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. If an employee faces a situation that may involve or lead to a conflict of interest, the employee is required to disclose such information and seek appropriate guidance. With the launch of the PHINMA Integrity Assurance Program, wherein everyone is required to accomplish a disclosure form detailing possible involvements which may create conflict of interest, the company is assured more than ever that the highest standards of ethics are being lived out throughout the company.
(b) Conduct of Business and Fair Dealings		Officers and employees are expected to practice the highest standards of business conduct in every business relationship - with each other and with the customers, business partners, and competitors.
(c) Receipt of gifts from third parties		PHINMA prohibits its employees from accepting and/or offering inappropriate gifts and gratuities that may impair or appear to impair the recipient's objectivity and may affect their ability to properly perform their job and responsibilities including cash- accepting, offering or giving in any amount is prohibited.  Gifts/Gratuities- accepting, offering or giving is prohibited if it is (a) beyond nominal value and (b) offered, given or accepted in exchange for an official act or an act under the employee's official responsibilities. All gifts and gratuities worth beyond the nominal value which are offered to the employees must be disclosed to the immediate superior, with a copy furnished to the Integrity Officer, and is subject to the discretion of the immediate superior whether this will be accepted, donated or declined.

		<p>Loans- all loans acquired from related parties should be properly disclosed with the following information:</p> <ul style="list-style-type: none"> <li>- Related party involved</li> <li>- Amount of loan</li> <li>- Interest rate</li> <li>- Term</li> <li>- Other pertinent information</li> </ul> <p>Officers and employees are required to disclose these incidents within 30 days via email to their immediate superior who shall review the disclosure together with the Integrity Officer and advise on the decision and course of action that should be taken.</p>
(d) Compliance with Laws & Regulations		<p>All officers and employees shall proceed with the conduct of their business in a manner that is compliant with applicable Philippine laws and regulations. The code of business conduct as well as the Employee’s Handbook shall serve as a guide should there be any need for clarification.</p> <p>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.</p>
(e) Respect for Trade Secrets/Use of Non- public Information		<p>No director, officer nor employee may use confidential company information for personal gain.</p> <p>Phinma also abides by an Insider Trading Policy which states that purchase and sale of Phinma shares or securities on the basis of potentially share price sensitive information that is not yet public is prohibited. Black-out periods provide specific guidelines for insider-trading regulations. Officers and employees of publicly-listed companies of PHINMA, together with their relatives, are strictly prohibited from trading shares of their respective companies.</p> <p>In a reminder dated October 20, 2015, the Compliance Officer reminded the directors and officers of the Company on their responsibilities with regards to SEC and PSE rules on the submission of SEC Form 23-A and 23-B, observance of the blackout period and disclosure of material information to any person unless such material information has also been disclosed to the SEC and the PSE. Detailed procedures to follow were reiterated in the reminder.</p>



(f) Use of Company Funds, Assets and Information		<p>Employees, officers and directors are expected to use company resources wisely and legitimately.</p> <p>Malversation of funds and other company assets for personal gain is strictly prohibited and is considered a very serious offense as stated in the Employee Handbook. Commission of the same on its first offense is punishable by dismissal.</p> <p>Using of company's time, materials and equipment or other property to do unauthorized work is considered a Less Serious Offense and is punishable with suspension of at least 3 days to one month.</p>
(g) Employment & Labor Laws & Policies		<p>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.</p>
(h) Disciplinary action		<p>Employees are given full notice and a chance to explain his side before any disciplinary action is imposed.</p>
(i) Whistle Blower		<p>Phinma, through its Whistleblowing and Non-Retaliation Policy under the Integrity Assurance Program, provides for a mechanism for reporting perceived and actual irregularities that are contrary to PHINMA's Core Values while providing appropriate protection for whistleblowers from possible retaliation.</p> <p>An Integrity Hotline has been launched which is an independent, dedicated email facility provided by the Company for receiving Whistleblower reports. All reports submitted through this facility shall be received by the Integrity Officer and the PHINMA GIA Head.</p>
		<p>All reports shall be investigated according to the PHINMA Response Plan.</p> <p>In the event that a whistleblowing report was made in bad faith, appropriate disciplinary or legal action shall be meted pursuant to the policies and procedures of PHINMA, and any applicable laws or regulations.</p>
(j) Conflict Resolution		<p>Installation of committee to handle and resolve conflict.</p>

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

Yes, the Company has a Manual on Good Corp Governance as well as an Employee Handbook and both are provided to directors and officers & employees respectively. The Phinma Integrity Assurance Program that was launched in June 2014 is now fully implemented and covers the following policies :

- Policy on Insider Trading
- Policy on Whistleblowing
- Policy on Sexual Harassment
- Policy on Conflict of Interest
- Policy on Gifts & Gratuities
- Anti-Fraud Policy

**3) 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 and every year thereafter. 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.

In light of the implementation of the Integrity Assurance Program, all directors, officers and employees are required to submit the Integrity Assurance Disclosure Form annually. The form details information regarding aspects of an employee's personal and/or professional dealings that may be in conflict with the said program.

The Company's Code of Conduct includes policies on Insider Trading which contains procedures for the implementation of the blackout period. The blackout period prohibits directors, officers and employees of the company to deal in the company's securities two days before and two days after the release of structured reports and two days after the release of unstructured reports.

**4) Related Party Transactions**

**(a) Policies and Procedures**

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	Phinma has set a universal policy for all Related Party Transactions. The policy provides for fairness and transparency in related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associate, affiliates, major stockholders officers and directors, including their spouses, children, and dependent siblings and parents and of interlocking director relationships by members of the Board.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
	The terms of any transaction involving related parties must be done at a fair and arm's length basis with the best interest of both parties in mind.
	The Board with the Audit Committee and PHINMA Management shall determine and provide pre-approved RPTs and thresholds subject for their review and approval.
	Any transaction that exceeds the threshold shall be subject to review and approval.
	Further, transactions that will need to be disclosed to appropriate governing agencies shall be complied with.
(8) Interlocking director relationship of Board of	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	In line with the Integrity Assurance Program, all officers and employees of the group are enjoined to submit disclosure forms which are to be evaluated by immediate superiors and raised to the Integrity Officer for any possible conflict of interest who then shall complete the resolution process. There have been no conflicts of interest between the company, its directors, officers and significant shareholders. In the event that one should arise, all diplomatic means will be exhausted in order to resolve the same prior to resorting to legally available measures.
Group	

2) 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		

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

3) 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 has been neither dispute nor conflict between the corporation and its stockholders, third parties including regulatory authorities for the past three years. In the event that one arises, the Company is committed to resolve the same by exhausting all diplomatic means available prior to resulting to legally available measures.
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?

A tentative schedule of board meetings is provided at the beginning of the year to allow directors and senior management to block off their calendars. Each meeting schedule is then confirmed a few weeks before actual meeting date.

2) Attendance of Directors

Board	Name	Date of First Election	No. of Meetings Held during the year (2014)	No. of Meetings Attended	%
Chairman	Oscar J. Hilado	1969	5	5	100%
Vice Chairman	Ramon del Rosario Jr.	1979	5	5	100%
Member	Roberto M. Laviña	May 2004	5	5	100%
Member	Magdaleno B. Albarracin Jr.	1980	5	5	100%
Member	Victor J. Del Rosario	1987	5	5	100%
Member	Jose L. Cuisia	1994	5	4	80%
Member	Eric S. Lustre	2013	5	3	60%
Member	Francisco L. Viray	March 2013	5	4	80%
Member	Filomeno G. Francisco	March 2012	5	5	100%
Independent	Roberto F. de Ocampo	April 2009	5	5	80%
Independent	Guillermo D. Luchangco	April 2005	5	5	100%

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

None. The non-executive directors did not see any need for an exclusive meeting amongst themselves.

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

No. Under the Company's By-Laws, only a majority vote shall constitute a quorum to validate a corporate act except as otherwise expressly provided by law.

**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, Board Members may directly coordinate with the office of the Corporate Secretary and/or the Management Team should there be a need to clarify an issue or raise a concern.

**(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, as expressed in the By-Laws, are the following:

- Keep full minutes of all meetings of the Board of Directors and of the stockholders.
- Keep the stock and transfer book, maintain a current register of stockholders with their corresponding address, and keep the corporate seal, which he shall stamp on all documents requiring such seal of the company.
- Fill and countersign all the certificates of stock issued, making corresponding annotations on the margins of stubs of such certificates upon issuance.
- Give or cause to be given, all notices required by law or by the By-Laws of the Company as well as notices of all meetings of the Board of Directors and of the stockholders.
- Perform such duties as may be prescribed by the Board of Directors or the President.

Further, in matters of corporate governance, the Corporate Secretary's duties and responsibilities are as follows:

- 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 and work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- 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.
- Submit to the Commission, not later than the 30<sup>th</sup> day of January, an annual certification as to the attendance of

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<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.

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. The Corporate Secretary is a member of the Philippine Bar and has a Master of Laws Degree from Harvard Law School.

(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 soft copy by email or hard copy at least a day before the meeting. Directors can advise the committee head, Corporate Secretary or the President for any other information they wish to be provided with in advance.
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, the Board and 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	None	The Board did not find any reason to amend any existing policy which has direct effect on the business.

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 : <ul style="list-style-type: none"> <li>a. Transportation allowance, paid monthly</li> <li>b. Per diem</li> <li>c. Directors bonus which is paid out yearly, after approval of the audited financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>a. Transportation allowance of P 10,000 per month.</li> <li>b. Per diem of P 20,000 for every meeting attended.</li> <li>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</li> </ul>	
Non-Executive Directors	<ul style="list-style-type: none"> <li>a. Transportation allowance, paid monthly</li> <li>b. Per diem</li> <li>c. Directors bonus which is paid out yearly, after approval of the audited financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>a. Transportation allowance of P 10,000 per month.</li> <li>b. Per diem of P 20,000 for every meeting attended.</li> <li>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</li> </ul>	

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, this is not taken up at the stockholders meeting.

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)	₱10,991,287	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	250,000	₱ 200,000	₱ 120,000
(d) Directors' Bonuses	7,843,845	-	-
(e) Stock Rights, Options, Warrants	11,647,935	-	-
(f) Others – Transportation allowance	600,000	P480,000	240,000
<b>Total</b>	<b>₱31,333,067</b>	<b>₱4,382,837</b>	<b>₱ 2,592,116</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	₱ 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	₱ 23,770	None	None
(g) Car Plan	₱2,718,352	None	None
(h) Others (Specify)			
<b>Total</b>	<b>₱4,081,161</b>		

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

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

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.			296,625	0.115%
Roberto M. Laviña			240,673	0.093%
Victor J. del Rosario			225,765	0.087%



Total			763,063	0.295%
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\*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	The Board believes that the current incentive program is sufficient and competitive. Hence, it did not see the need to amend the same	

**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
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 12,938,106

**E. BOARD COMMITTEES**

**1) Number of Members, Functions and Responsibilities**

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

Committee	No of Members			Functions/ Key Responsibilities & Power
	Executive (ED)	Non-executive (NED)	Independent (ID)	

Compensation		2	1	<ul style="list-style-type: none"> <li>• Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.</li> <li>• Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers.</li> <li>• Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties once hired.</li> <li>• Disallow any director to decide his/her own remuneration.</li> <li>• Review the existing Human Resources Development or Personnel Handbook to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory of such covering the same parameters of that must be met periodically in their</li> </ul>
Audit	1	1	2	<ul style="list-style-type: none"> <li>• Check all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements.</li> <li>• Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management</li> <li>• Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.</li> <li>• 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 Company'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 threat to his independence. The non-audit work, if allowed shall be disclosed in the annual report.</li> <li>• Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.</li> <li>• Review the quarterly , half-year and annual financial statements before their submission to the Board, with particular focus on any change/s in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards and</li> </ul>
				<ul style="list-style-type: none"> <li>• 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.</li> <li>• Elevate to international standards the accounting and auditing processes, practices and methodologies.</li> </ul>

				Develop a transparent financial management system to ensure the integrity of internal control activities throughout the company through a step- by-step procedure and policies handbook that will be used by the entire organization.  Supervise, as directed by Management, the formulation of rules and procedures on financial reporting, internal control systems, internal audit examinations, compliance with financial reporting requirements and appointment of the external auditor in accordance with the guidelines under the revised Code for the benefit of all stockholders and other stakeholders.
Nomination	1	1	1	Pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with a pre-determined set of qualifications and disqualifications based on the Manual on Good Corporate Governance.
Executive	1	3	1	Pre-clear or approves investment proposals, strategic issues and other matters that may be determined and delegated to it by the Board of Directors.

## 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 14, 2015	none	none		> 9 years
Member (ED)	Magdaleno B. Albarracin, Jr.	April 14, 2015	none	none		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 14, 2015	none	none		> 9 years
Member (NED)	Jose L. Cuisia, Jr.	April 14, 2015	none	none		> 9 years
Member (ID)	Guillermo D. Luchangco	April 14, 2015	none	none		3 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 14, 2015	1	1	100%	> 9 years
Member (ED)	Victor J. del Rosario	April 14, 2015	1	1	100%	> 9 years
Member (ID)	Roberto F. de Ocampo	April 14, 2015	1	1	100%	7 years
Member (NED)	Filomeno G. Francisco	April 14, 2015	1	1	100%	3 years

\*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 also 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 as well as former President of the Asian Institute of Management. He is currently Chairman of Philam Asset Management Inc. and independent director of Alaska Milk Corp., Robinson's Land Corporation and EEI Corporation, among others. He is a graduate of both De La Salle and the Ateneo Universities, has 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 and was conferred the Order of the British Empire (OBE) by Queen Elizabeth and Chevalier of the Legion d'Honneur by France. 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 a Director of PHINMA Property Holdings Corporation and 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 to the board and shareholders 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 14, 2015	none	none		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 14, 2015	none	none		6 years
Member (ID)	Guillermo D. Luchangco	April 14, 2015	none	none		4 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 14, 2015	none	none		> 9 years
Member (NED)	Oscar J. Hilado	April 14, 2015	none	none		> 9 years
Member (ED)	Ramon R. del Rosario, Jr.	April 14, 2015	none	none		> 9 years
Member (ID)	Roberto F. de Ocampo	April 14, 2015	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 14, 2015	none	none		>6 years
Member (ED)	Magdaleno B. Albarracin, Jr.	April 14 2015	none	none		>6 years
Member (ED)	Victor J. del Rosario	April 14, 2015	none	none		>6 years
Member (ED)	Roberto M. Laviña	April 14, 2015	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 passed on last April 5, 2013.
Executive	None	
Nomination	None	
Audit	Roberto F. de Ocampo	Replaced Mr. Felipe Alfonso as Chairman who passed on 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	Approval of contracts, bids and other major transactions as delegated by the Board.	
Audit	Approved quarterly and annual audited financial statements; approved the revisions of the Audit Charter; reviewed Business Resiliency Program and subsequent reports on action plans, reviewed and approved the Integrity Assurance Program's policies, appointed an Integrity Officer and reviewed and approved audit plan of SGV and Internal Audit, recommendation of external auditor for the succeeding year	Reviewed audit issues, including impairment losses, related party transactions and other provisions. Reviewed risk analysis of different business units and called for subsequent periodic reviews.
Nomination	Prequalification and screening of candidates for Board of Directors; Submitted list of nominees to the Board	Reviewed qualifications of directors nominated.
Remuneration	Salary increases and variable compensation of officers	
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. On March 21, 2013, the PHINMA Executive Committee, approved and mandated the implementation of the Business Continuity Management which has been renamed since then as PHINMA Business Resiliency Program. The program provides governance framework to develop business resiliency, build capability to safeguard the interests of the PHINMA Group's key shareholders, as well as the reputation and value-creating activities of the company in all its functions and operations.

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 fulfil 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 reviewed the program and has been tasked to lead and monitor the same. The Audit Committee believes that the program is both comprehensive and efficient in terms of the management and resolution of the company's risks.

**(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, will be subject to a review of its adequacy and effectiveness by the Audit Committee. This is then presented and approved by the Audit Committee of the major shareholders of the Company, Phinma Inc. and Phinma Corp as part of their oversight responsibilities. The most recent presentation was last February 18, 2015.

(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> </ul>	<ul style="list-style-type: none"> <li>Hedging transactions</li> <li>Exposure limits</li> <li>Investment committee oversight</li> <li>Banking requirements</li> </ul>

	<ul style="list-style-type: none"> <li>• FX P &amp; L monitoring</li> </ul>	<ul style="list-style-type: none"> <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> </ul>

		<ul style="list-style-type: none"> <li>• Back office files</li> <li>• Support and Back-up</li> <li>• Independent audits</li> </ul>
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**(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.
	Independent audits	The Audit Committee oversees the

		effective implementation of external and internal auditing activities that cover the control activities described above.
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**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

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

**(a) Explain how the internal control system is defined for the company.**

Internal control system is an organized means by which the Company’s resources are administered, regulated and assessed to ensure operational efficiency, accuracy in reporting, conformity with existing laws, regulations and policies and competent management of risks.

PHINMA’s Group Internal Audit Charter is an independent and objective assurance consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. While Internal Audit and Control is the main function of the Company’s Internal Audit Department, adherence to the same is every employee’s accountability. The Chief Audit Executive shall be bound to report functionally to the Board through the Audit Committee and administratively to the Senior Management.

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 2014.

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

Internal controls are reviewed 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.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information</p> <p>Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have significant impact on the organization</p>	All internal auditing services (assurance and consulting)	In-house	Rolando D. Soliven, CPA, CIA, CFE, CQA, CRMA	A written report is prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement. The report is distributed as appropriate and communicated to the Board as well.
Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets				

\*Group Internal Audit (GIA), is an independent, objective provider of assurance and consulting services designed to add value and improve the 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 included 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)
Angeleen B. Manzano	Voluntary resignation (September 2015)

**(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 2014 Internal Audit Plan was satisfactorily executed in 2014.
Issues <sup>6</sup>	As defined below, no "issues" were identified during the year.
Findings <sup>7</sup>	No significant findings were found in 2014. Minor concerns identified were promptly and satisfactorily addressed by management.
Examination Trends	No pervasive issues and findings were found in 2014. 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;

<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.

- 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
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):

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

INTERNAL AUDITOR	EXTERNAL AUDITORS
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.	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.
Conflict of Interest – All internal auditors of	Inquiry of Disagreements with

PHINMA Corporation adhere to the PHINMA Code of Conduct, which includes a prohibition on conflict of interest	Management – The Audit Committee inquires the external auditor on matters of disagreement with Management, if any.
Functional Reporting to the PHINMA Corporation Audit Committee – To protect its organizational independence, the Head of internal audit functionally reports to the Audit Committee.	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.
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.	

(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 and further amended and approved on May 28, 2014. 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
		In the conduct of our business, all efforts are taken to ensure that we are able to provide improved access to the essentials of a dignified life in congruence to the company's Mission Statement.



<p>Customers' welfare</p>	<p>Every business under the PHINMA group is geared towards making life better in pursuit of its mission of nation-building.</p>	<p>The PHINMA Group firmly believes that its commitment to ethical business practices, good corporate governance and social responsibility is vital and integral to the pursuit of its Mission: to help build our Nation through competitive and well-managed business enterprises that enable Filipinos to attain a better quality of life. In its steadfast adherence to the Core Value of Integrity, PHINMA became one of the first to sign the Integrity Pledge and, in turn, launched its own comprehensive, Group-wide implementation through the Integrity Assurance Program.</p>
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	<p>Adherence to the Policy on Gifts and Gratuities.</p> <p>In our supply chains, we ensure that contracts are awarded to those that provide not only the outmost value for money but also those companies whose objectives are parallel to that of the company.</p>	<p>PHINMA Corporation conducted its first of two Vendor Integrity Programs (VIP) last August 2015 at PHINMA Plaza in Rockwell, Makati City. This program aims to engage key business partners, particularly its accredited vendors and top service providers, and actively involve them in PHINMA’s steadfast commitment to its core value of integrity.</p> <p>The VIP kicked off with an orientation session entitled “Partners In Integrity” which was attended by top vendors of PHINMA Inc., PHINMA Corporation and TO Insurance Brokers last August 11 and October 6, 2015 at PHINMA Plaza. In these sessions, the vendors’ representatives met with key PHINMA Officers, Ms. Cecille Arenillo and Mr. Rolando Soliven, the Integrity Officer of PHINMA Corporation and the Vice President for Group Corporate Assurance, respectively, to discuss the objectives and mechanics of the program.</p> <p>Under the VIP, accredited vendors are expected to enter into an Integrity Pact with PHINMA Corporation. This Integrity Pact embodies the commitment of both PHINMA and its vendors to refrain from engaging in activities that are contrary to PHINMA’s core value of Integrity, especially those that relate to bribery, corruption and fraud. This Integrity Pact also includes a firm commitment from the vendor to become a signatory of the Integrity Pledge, a landmark document of the anti-corruption, private-sector campaign known as the Integrity Initiative.</p> <p>85% or 17 out of the top 20 vendors of Phinma Inc, Phinma Corporation and TO Insurance brokers attended the orientation sessions. As of date, 11 have already submitted Integrity Pacts duly signed by their President or CEO and 7 are confirmed to have signed the Integrity Pledge.</p> <p>The Vendor Integrity Program forms part of the overall PHINMA Integrity Assurance Program, an umbrella program of PHINMA Corporation that is implemented by all member companies across the entire PHINMA Group.</p>
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Environmentally friendly value-chain	To the extent possible, the Company favors contracts that include provisions for compliance with environmental laws and regulations.	
Community interaction	<p>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.</p>	<p>PHINMA HERO Network, the company's <i>volunteer</i> program for social responsibility engagements had the following initiatives for the year 2014 :</p> <p><i>PPHC, through the HERO Network's SPARK Projects, conducted a series of Disaster Resiliency and Health Seminars for their various properties and surrounding communities</i></p> <p><i>Mano Amiga Around the World Activity, where employee volunteers helped give the children a glimpse into the worlds and cultures of Brazil, India, and Egypt.</i></p> <p><i>THE HERO Network continued its partnership with PHINMA Foundation Inc. through their Big Brother-Big Sister Program for the PHINMA National Scholars.</i></p> <p><i>PHINMA HERO Volunteers joined Trans-Asia's annual Brigada Eskwela last May 2014, where they helped repaint and repair tables, chairs, and classrooms in partner public schools.</i></p> <p><i>In cooperation with World Vision, the HERO Network sponsored Larong Pilipino, a summer activity with the World Vision kids where they played traditional Filipino games.</i></p> <p><i>Headed by the Business Resiliency Program, employees volunteered to be part of the Emergency Response Unit of PHINMA, a number of whom received certifications from Red Cross for First Aid and Basic Life Skills.</i></p> <p><i>HERO Launched a group-wide fundraiser called Gimme 5 in November, where each SBU raised funds to support a partner community of their choice.</i></p>

		<p><i>Community Day on December 13, where PHINMA Employees nationwide contributed their time and effort to make life better for their chosen partners through various activities.</i></p> <p>In line with the wellness initiatives of the HR Department of PHINMA, the HERO Network, through the Philippine Red Cross, organized a blood donation drive for PHINMA Plaza employees last July 29. More than 40 employees from the various companies occupying PHINMA Plaza came to donate their blood but only 25 donors were eligible.</p>
<p>Anti-corruption programmes and procedures?</p>	<p>Phinma expects its officers and employees to practice the highest standards of business conduct in every business relationship.</p>	<p>The Company supports the Integrity Initiative and is a signatory of the Integrity Pledge. Internally, the Company has approved the implementation of the Integrity Assurance Program that includes policies on fraud, sexual harassment, conflict of interest, insider trading, gifts and gratuities and whistle-blowing. One of the program's primary component is the Vendor Integrity Program which is the Company's answer to the call made by the Integrity Initiative to promote transparency and corruption-free business dealings across the country. Its three stages include: Vendor Orientation, Vendor Integrity Pact and Vendor Integrity Pledge. By integrating the Company's Integrity Assurance Program to its dealings with suppliers, the Company aims to proactively eradicate corruptive business practices.</p>

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

Yes, descriptions and photos of the activities are provided and included as a section in the Company’s Annual Report and a portion of the website is dedicated to the same.

3) Performance-enhancing mechanisms for employee participation.

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

SAFETY

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.

HEALTH

PHINMA believes that a key factor to employee’s productivity is one’s health. It ensures that employees are in good state of health and can competently perform the physical demands on his job. Thus, the Company provides its employees a comprehensive medical check-up yearly so employees are able to be proactive in addressing any medical concerns they may have.

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.

In 2015, the Human Resources Division of the Phinma Group launched the Phinma Wellness Program which is a holistic approach comprising of three dimensions namely: Personal, Social and Physical Wellness. Various activities will be held in the course of the year to ensure that the program objective of supporting the employee value proposition, promoting awareness of wellness in a holistic manner and advocating living healthy lifestyles are achieved.

Below is the Calendar of Activities lined up for the year:

<b>Month</b>	<b>Activity</b>
<b>June</b>	<b>Launch My Wellness Journey Communication</b>
	<b>Vaccination Day</b>
<b>July</b>	<b>Surprise healthy snacks</b>
	<b>Managing Personal Finances Course</b>
	<b>Blood Donation</b>
<b>August</b>	<b>Painting Session</b>
<b>September</b>	<b>Sports Day</b>
<b>October</b>	<b>Healthy Eating and Nutrition Consultation</b>

WELFARE: EMPLOYEE RELATIONS AND WELL-BEING PHILOSOPHY

PHINMA believes that its success depends on how engaged and productive its employees are. Thus, the Company shall continue to invest in quality, holistic, employee-focused and fun-filled programs and activities for the development and well-being of its employees. It shall offer them opportunities for interaction, bonding, sharing of views, creative thinking, and learning.

PHINMA also conforms to the regulatory and statutory requirements of the government. PHINMA subjects to regular audit and site visits of government agencies.

September 1, 2015 saw the opening of the PHINMA Employee Hub which is an accessible, online portal that allows employees data access to various Company related information.

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

About 80 % of employees underwent Annual Routine Check-up for the year 2014. Other benefits which were availed of for the year are the Annual Flu Vaccine and consultations with medical specialists as the need arises.

The Surprise Healthy Snacks which took place in the month of July 2015 had the following number of participants during its month-long run:

COMPANIES	ACTUAL NO.	APPLE	JUICE	OATMEAL	YOGURT
PHINMA Inc.	4	5	4	5	4
PHINMA Corp.	1	1	1	1	1
T-O Insurance	8	8	6	8	6
Foundation	3	3	3	3	3
Trans-Asia	6	4	5	5	5
SLTEC	1	1	1	1	1
TAREC	6	0	6	6	1
%		86%	90%	93%	87%
GRAND TOTAL	164	141	148	153	142

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

PHINMA is committed to the total development of its employees. It recognizes that employee competence and professionalism are essential to the Company’s overall success and will therefore provide support for their learning and development. Through the different opportunities for growth that PHINMA provides, it emphasizes the important linkage between excellence and the organization’s optimum performance.

Phinma shall promote:

Total Individual Development. We believe that values and attitudes are as important as knowledge and skills. Thus, we have both behavioral and technical training for our employees as we believe that personal growth and professional development are inseparable.

Employee Development as a Line Responsibility. We believe that the Human Resources Department and the Line Managers are partners in employee development. The Line Managers’ role in career development includes determining developmental needs, and creating opportunities for employee’s growth and application of learning.

Self-Improvement and Commitment to Excellence. We believe that employees play a critical role in the growth of the business. Thus, PHINMA's commitment to excellence requires us to engage in the process of continual improvement and development of our workforce. While we provide different opportunities for learning, our employees are responsible and accountable for the drive to further their own personal and professional development. They are likewise encouraged to apply their learnings in all forms as a commitment to improve themselves and their work performance. This application of learning shall also be employees' contribution and commitment towards achieving the company's objectives.

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. As part of PHINMA's commitment to promote a continuous learning environment, the PHINMA Group Development Programs was recently launched. The programs address the learning and development needs of different employee segments and strengthen their competence and skills. All programs have core courses which are common to all, aligned with the core competencies, and are pre-requisite to certain other courses. The following are the various development programs that have started to be implemented this year:

- Staff Excellence Program
- Junior Management Program
- Line Managers' Excellence Acceleration Program
- Leadership Development Program
- Senior Officers' Advancement Resources

Another 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.

Human Resource – Initiated Trainings for 2014:

Title	Date/s of Conduct	Facilitator	Number of Participants
Balanced Scorecard	13 January 2014	Antonio Ma. Perez	9
Effective Business Communication	12 September 2014 10 October 2014	Dr. Dups Leadership Resource International	25
Effective Presentation Skills	1-3 October 2014	LEAD Consulting Network	16
Strategic Planning for Career Academy Asia	26 September 2014	Daisy L. Alvior	5
Enhancing Supervisor's Productivity	28-29 October 2014	People Management Association Philippines	1

Aligning Learning and Development to Drive Business Results	28 October 2014	Philippine Society for Training and Development	1
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Non- Human Resource Initiated Trainings for 2014

Title	Date/s of Conduct	Facilitator	Number of Participants
Records and Documents Management Systems	15-16 May 2014	Lean Archive Technologies Corporation	4
Implementing ISO 22301	26-30 May 2014	APEX Global	2
Team Building Workshop Seminar	27 May 2014	Daisy Alvior	12
Red Cross Certification Training	3-4 June 2014	Red Cross Rizal Chapter	13
Disaster Preparedness Forum	28 August 2014	Business Resiliency	42
Crisis Communication Forum	26 September 2014	Prof. Jose B. Avellana	40

New trainings for 2015

Human Resource – Initiated Trainings for 2015:

Title	Date/s of Conduct	Facilitator	Number of Participants
Teambuilding and Integrity/Values Session	March 06, 2015	Ms. Daisy Alvior	1
Effective Presentation Skills	April 22-23, 2015	Mindbroker Corporation	3
Executive Coaching Champions To Drive Business Impact	April 29, 2015	Development Dimensions International	7
Strategic Negotiations Workshop	May 13-14, 2015	Prof. Manuel J. De Vera (Facilitator)	4
Microsoft Advanced Excel	June 25-26, 2015	Informatics	2
Core Values/Integrity Assurance Roadshow	March 16 - May 11	Ms. Daisy Alvior	78
Personal Financial Fitness Program	July 31, 2015	Mindbroker Corporation	5
Time & Task Management for Productivity	August 25, 2015	Salt & Light Ventures	11
Crisis Management & Communication Planning Forum	March 19, 2015	Ogilvy	20
Basic Root Cause Analysis	September 18, 2015	Rosehall	8



Non- Human Resource Initiated Trainings for 2015:

Title	Date/s of Conduct	Facilitator	Number
Symantec Endpoint 12.1 Administration	June 1-5, 2015	Edupro	4

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

The Company's Human Resources Group has implemented the Balanced Scorecard system this year, 2015. It aims to eradicate subjectivity in terms of employee evaluation and make performance evaluation more standard.

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.

A Group-wide Integrity Assurance Program was launched in June 2014 that aims to:

- Convey with resolve the PHINMA Group's steadfast commitment to Integrity
- Institutionalize the adoption of policies, programs and practices that will foster and sustain an ethical business environment
- Comply with relevant regulatory requirements on transparency, good governance and ethical business practices
- A series of roadshows that started December of 2014 and meant to continue until the end of 2015 has been scheduled to create awareness across the PHINMA group and its vendors regarding the details of the Integrity Assurance Program.
- A dedicated e-mail service called the Integrity Hotline was likewise launched 22 December 2014 to ensure confidentiality in reporting. PHINMA's Whistleblower Policy, which is integrated in the same program, has provisions on retaliation. In detail, the policy states that any whistleblower who believes he/she is being retaliated against must contact the Integrity Officer or the PHINMA GIA head immediately. Further, anyone who is proven to have retaliated against a whistleblower will be penalized in accordance to the imposed penalties on the Employee Handbook

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more (as of September 30, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Non-Filipino 31.26% and Filipino 23.96%)	143,291,880	55.02%	Various
Philippine Investment Management, Inc.	89,003,086	34.17%	

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	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	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.

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:** 20 March 2015

**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, 2014 are as follows:

Company	Relationship	Nature	Due to Related Parties	Due from Related Parties
Phinma, Inc.	Ultimate parent	Share in expenses, Management fees & bonus	36,793	480
Phinma Property Holdings Corporation	Associate	Grant of interest bearing advances		549

		Share in expenses		54
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		
Microtel Inn & Suites Pilipinas Inc.	Other related parties	Share in expenses		
Phinma Foundation, Inc.	Other related parties	Share in expenses		1,029
Fuld & Company (US)	Other related parties	Due to shareholders	4,762	-
Others	Other related parties	Share in expenses	1,223	6

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?

Based on the policy on related party transactions, transactions with related parties (joint ventures, subsidiaries, affiliates, close family members, etc.) are subject to a fair and arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction.

All related party transactions that go beyond the allowed thresholds are subject to the approval of the shareholders.

#### 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.

Quorum Required	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.

System Used	Modified Viva Voce
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Description	Voting is done by raising of hands or viva voce; otherwise, in case of “nay” votes, voting shall be done in writing by secret ballot and counted thereafter by the Corporate Secretary in the presence of SGV & Co. to be able to validate the counting.
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**(b) Stockholders’ Rights**

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

Stockholders’ Rights under The Corporation Code	Stockholders’ Rights <u>not</u> in The Corporation Code
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	

**Dividend Policy**

The Company declares cash or stock dividend to its common shareholders on a regular basis, in amounts determined by the Board, taking into consideration the Company’s results of operations, cash position, investment and capital expenditure requirements and unrestricted retained earnings.

The Company may also declare special dividends where appropriate. There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declarations.

All shareholders are treated equally thus the Company strives that dividends are paid in an equitable and timely manner within 30 days after its declaration.

Declaration Date	Record Date	Payment Date
March 4, 2015	March 18, 2015	March 31, 2015

**(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 Shareholder'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>During 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>
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**2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

- a. Amendments to the company's constitution 66.67%
- b. Authorization of additional shares 66.67%
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company 66.67%

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? Yes.**

- a. Date of sending out notices:

March 4, 2015 (Date of board meeting) – disclosure made to PSE on the date and agenda of the shareholders meeting.

March 20, 2015 – 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 14 2015

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

The Chairman opened the floor for questions from the shareholders. There were no questions raised by the stockholders during the meeting.

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

Resolution	Approving	Dissenting	Abstaining
Minutes of Previous Meeting	78.09 %	0 %	0 %
Annual Report	78.09 %	0 %	0 %

Election of Directors	78.09 %	0 %	0 %
Appointment of External Auditors	78.09 %	0 %	0 %
Amendment of Articles of Incorporation and By-Laws	78.09 %	0 %	0 %

**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	Oscar J. Hilado Ramon R. del Rosario, Jr. Magdaleno B. Albarracin, Jr. Jose L. Cuisia, Jr. Victor J. del Rosario Roberto M. Lavina Francisco L. Viray Guillermo D. Luchangco Roberto F. de Ocampo Pythagoras L. Brion Regina B. Alvarez Cecille B. Arenillo Rizalina P. Andrada Rolando D. Soliven Nanette P. Villalobos Giles R. Katigbak Juan J. Diaz	April 14, 2015	Viva Voce	0	78.09 %	78.09 %
Special	None					

Below are the Directors and Senior Management who attended the Annual Shareholders' Meeting:

DIRECTORS	
Oscar J. Hilado	Chairman /Chairman of Executive Committee, Nomination Committee and Retirement Committee/ Member of Compensation Committee
Ramon R. del Rosario, Jr.	Vice Chairman/ President and CEO/ Member of Executive Committee, Audit Committee and Retirement Committee
Magdaleno B. Albarracin, Jr.	Non-executive Director/ Member of Executive Committee, Audit Committee and Retirement Committee
Jose L. Cuisia, Jr.	Non-executive Director/ Chairman of Compensation Committee/ Member of Executive Committee
Victor J. del Rosario	Executive Director/ EVP and CFO/ Member of Audit Committee and Retirement Committee
Roberto M. Laviña	Executive Director/ Sr. EVP and COO/ Member of Retirement Committee
Francisco L. Viray	Non-executive Director
Guillermo D. Luchangco	Independent Director/ Member of Executive Committee and Nomination Committee
Roberto F. de Ocampo	Independent Director/ Chairman of Audit Committee and Member of Compensation Committee

SENIOR MANAGEMENT	
Pythagoras L. Brion, Jr.	Sr. Vice President and Treasurer
Regina B. Alvarez	Sr. Vice President- Finance
Cecille B. Arenillo	Vice President- Treasury and Compliance Officer
Rizalina P. Andrada	Vice President- Finance
Rolando P. Soliven	Assistant Vice President- Internal Audit
Nanette P. Villalobos	Assistant Vice President- Treasury
Giles R. Katigbak	Investor Relations Officer
Juan J. Diaz	Corporate Secretary

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

Yes, Stock Transfer Service, Inc. was appointed as an independent party to count and/or validate the votes at the ASM.

**(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.

Policies	Procedure
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 EdgeSubmit 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**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other	1,249
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 20, 2015

Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 20, 2015
State whether CD format or hard copies were distributed	CD format and hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes, stockholders were provided hard copies

(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>

c. Other policies	<ul style="list-style-type: none"> <li>The Company also requires all its directors and officers to comply with the following requirements: 1) Submit to the Company within 24 hours from dealing in the Company's securities all information of the transaction, 2) observe the blackout period announced by the Company and 3) refrain from communicating material information to any person unless disclosure is simultaneously filed with the Exchange.</li> </ul>
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**(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 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
(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 are available for download from the company's website as well as the PSE website. Company office address, email address, telephone trunkline and fax number can be found in the Contact Us page of the site. Contact details of the Investor Relations Officer are also available online as well as the transfer agent's address, phone number and email address. 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's 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.

There were no mergers and acquisitions within the year 2014.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

For January to December 2014

Initiative	Beneficiary
Disaster Resiliency and Health Seminars through the SPARK Projects	Various PPHC sites (unit owners) and surrounding communities
Mano Amiga Around the World Activity	Mano Amiga Academy students (Grade 1-3)

Larong Pinoy	World Vision Kids
Brigada Eskwela (regularly every May) in cooperation with Trans-Asia	High School and Elementary Schools in Bulacan, La Union and Guimaras
PHINMA Community Day (each SBU had their own activity and target community)	Various partner communities of PHINMA
Big Brother- Big Sister Program of PHINMA National Scholarship (joint project with PHINMA Foundation , Inc)	PHINMA National Scholars from UPD and PNU

#### 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 2014, no violation of the provisions of the Manual has been committed by any director, officer or employee and no sanction has been imposed.