



101092015001772



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Representative

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### Company Information

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Industry Classification  
Company Type Stock Corporation

### Document Information

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# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

ANNA FRANCESCA C. RESPICIO	632-0905
Contact Person	Company Telephone Number

1	2	3	1					
Month	Day					Last day of June		
Fiscal Year							Month	Day
							Annual Meeting	

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Secondary License Type, if Applicable

Dept. Requiring this Doc.	Amended Articles Number/Section

	Total Amount of Borrowings	
Total No. of Stockholders	Domestic	Foreign

**To be Accomplished by SEC Personnel concerned**

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9 January 2015

**SECURITIES AND EXCHANGE COMMISSION**  
SEC Bldg. EDSA, Greenhills  
Mandaluyong City, Metro Manila

Attention: **Atty. Justina F. Callangan**  
Director  
Corporate Governance Finance Department

Re: **A Brown Company, Inc. (the "Corporation" or "A Brown")**  
Consolidated changes in Annual Corporate  
Governance Report for the year 2014

Gentlemen:

In compliance with SEC Memorandum Circular No. 12, Series of 2014, please see attached Secretary's Certificate on consolidated changes in the Corporation's annual corporate governance report for the year 2014.

Thank you for your kind attention.

Very truly yours,

  
**ANNA FRANCESCA C. RESPICIO**  
Assistant Corporate Secretary

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ABKTVCN\ACR\jen d 273-204

**Head Office : Xavier Estates Uptown Airport Road**  
Cagayan de Oro City  
Tel. Nos.: (088) 858 8784  
(088) 858 8785

**Branch : 3301-A West Tower, Phil. Stock Exchange Bldg.**  
Exchange Road, Ortigas Center, Pasig City  
Tel. Nos.: (02) 638 6832  
(02) 633 3135

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY, METRO MANILA ) S.S.

### SECRETARY'S CERTIFICATE

**ANNA FRANCESCA C. RESPICIO**, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, being the duly elected and qualified Assistant Corporate Secretary of **A BROWN COMPANY, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, under oath, does hereby certify that the attached report reflects the changes made in Annual Corporate Governance Report for the year 2014.

IN ATTESTATION OF THE ABOVE, this Certificate was signed this 9<sup>th</sup> day of January 2015 at Pasig City, Metro Manila.




**ANNA FRANCESCA C. RESPICIO**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 9<sup>th</sup> day of January 2015 at Pasig City, affiant exhibiting to me her Community Tax Certificate No. 12567208 issued on 8 January 2015 at Manila and TIN 419-191-112 as her competent evidence of identity.

Doc. No. 34  
Page No. 7  
Book No. 7  
Series of 2015.

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ABKT/CN/ACR 273-2-00



**ATTY RAMON L. CARRIDO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 0380 - PASIG CITY  
IBP NO. 27212101 - PASIG CITY  
TIN 100-018-817  
MCLE IV-COMPLIANCE # 00630/6/19/13  
ROLL # 22,172

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SEC Registration Number

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(Company's Full Name)

A	I	R	P	O	R	T	R	O	A	D	U	P	T	O	W	N
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C	A	G	A	Y	A	N	D	E	O	R	O	C	I	T	Y
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(Business Address: No. Street City/Town/Province)

Atty. Rosa Anna Duavit - Santiago
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Contact Person

02-6386832
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Company Telephone Number

1	2	/	3	1
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Month Day  
Fiscal Year

Consolidated Changes in the ACGR for 2014

A	C	G	R
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FORM TYPE

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Month Day  
Annual Meeting

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Secondary License Type, if applicable

C	F	D
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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

- 0 -
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Foreign

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM - ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT

**2014 (As of December 31, 2014)**

1. Report is Filed for the Year .....

**A BROWN COMPANY, INC.**

2. Exact Name of Registrant as Specified in its Charter .....

**Xavier Estates Uptown, Airport Road, Balulang,  
Cagayan de Oro City**

**9000**

3. ....  
Address of Principal Office Postal Code

**31168**

4. SEC Identification Number ..... 5. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code

**002-724-446-000**

6. BIR Tax Identification No. ....

**Principal Office – (088)-858-8784  
Liaison Office - (02) 638-6832 / (02) 633-3135**

7. ....  
Issuer's Telephone Number, including area code

**3304-C, 33<sup>rd</sup> Floor  
West Tower, PSE Centre  
Ortigas Center, Pasig City 1600 (Liaison Office)**

8. ....  
Former name or former address, if changed since last report

9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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..... <b>Common Stock</b> .....	..... <b>1,732,865,522</b> .....
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10. Indicate the item numbers reported herein:

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## A. BOARD MATTERS

### 1. Board of Directors

Number of Directors per Articles of Incorporation	<b>Nine (9)*</b>
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Actual Number of Directors for the year	<b>Nine (9)*</b>
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of years served as director
Walter W. Brown	Executive (ED)	No	No	Dec. 1966	<u>May 2014</u>	Annual	<u>48</u>
Annabelle P. Brown	Non-executive (NED)	No	<u>No</u>	Dec. 1966	<u>May 2014</u>	Annual	<u>48</u>
Robertino E. Pizarro	Executive (ED)	Yes-majority shareholder	<u>No</u>	July 2001	<u>May 2014</u>	Annual	<u>12**</u>
Antonio S. Soriano	Non-executive (NED)	Yes-majority shareholder	No	Aug. 2007	<u>May 2014</u>	Annual	<u>7</u>
Gerardo Domenico Antonio V. Lanuza	Non-executive (NED)	Yes***	No	Aug. 2009	<u>May 2014</u>	Annual	<u>5</u>
Elpidio M. Paras	Independent (ID)	No	No – no relationship	June 2002	<u>May 2014 – less than 3 years<sup>1</sup></u>	Annual	<u>12</u>
Thomas G. Aquino	Independent (ID)	No	No – no relationship	March 2012	<u>May 2014 – less than 3 years<sup>1</sup></u>	Annual	<u>2</u>
Rosa Anna Duavit-Santiago	Executive (ED)	Yes-majority shareholder	<u>Yes</u>	June 2012*	<u>May 2014</u>	Annual	<u>2*</u>
Roel Z. Castro	Executive (ED)	Yes-majority shareholder	<u>Yes</u>	June 2012*	<u>May 2014</u>	Annual	<u>2*</u>

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

Reckoned as of December 31, 2014. Directors elected on June 7, 2013 were re-elected as directors on May 9, 2014.

\* - The SEC approved on December 28, 2012 the amendment to the Articles of Incorporation increasing the number of directors from seven (7) to nine (9). The election of two directors who were elected last June 1, 2012 only became effective as of December 28, 2012 and as such they were not be able to attend any Board Meeting for the year (2012) in their capacity as members of the Board.

\*\* - Robertino E. Pizarro was elected as director on July 2001 and re-elected in August 2003.

\*\*\* Phil Realty and Holdings Corporation is represented by Gerardo Domenico Antonio V. Lanuza. He has the right to vote or direct the voting or disposition of the PRHC's shares.

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

*The Board of Directors and Management including its officers and staff of A Brown Company, Inc. hereby commit themselves to the principles and best practices contained in the Revised Manual on Corporate Governance and acknowledge that the same may guide the attainment of its corporate goals. In pursuit of transparency, accountability, fairness and integrity, the Revised Manual on Corporate Governance shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management also believe that corporate governance is an important and necessary component of sound business management and will therefore undertake to nurture and maintain awareness within the organization.*

*The Manual acknowledges that compliance with the principles of good corporate governance shall start with the Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall*

*exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and credibility in the discharge of its duties, functions and responsibilities. The Board shall also formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management performance. To aid in complying with the principles of good corporate governance, the Board shall constitute the following committees: Nomination Committee, Compensation and Remuneration Committee, Audit and Risk Committee, Governance Committee, Executive Committee and Committee on Corporate Culture and Values Formation. The Board may form other committees, including an Advisory Board/Committee, as it may deemed appropriate.*

*With regard to the company's reportorial disclosure system, all material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e. anything that could potentially affect share price, shall be publicly disclosed. The directors, officers and staff shall likewise observe the prohibition to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Exchange. The company shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material no-public information shall comply with the rule.*

*The company recognizes that good corporate governance should be visible to its shareholders. The Manual provides the investor's rights and protection for the guidance of all internal and external parties concerned as governance covenant between the company and its shareholders. The Board shall be committed to respect the rights of the stockholders as provided for in the Corporation Code as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board which include the voting right, pre-emptive right (if not denied in the articles of incorporation), power of inspection, right to information, right to dividends and appraisal right among others. It shall be the duty of the Board to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.*

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

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

*The Board review and approve the vision and mission statement every three (3) years.*

(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:

<b>Director's Name</b>	<b>Corporate name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman</b>
<i>Walter W. Brown</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Executive Chairman</i>
	<i>A Brown Energy Resources Development, Inc. (ABERDI)</i>	<i>Chairman</i>
	<i>Nakeen Corporation (NC)</i>	<i>Chairman</i>
	<i>Andesite Corporation (AC)</i>	<i>Chairman</i>
	<i>Bonsai Agri Corporation (BAC)</i>	<i>Chairman</i>
	<i>Brown Resources Corporation (BRC)</i>	<i>Chairman</i>
	<i>Masinloc Consolidated Power, Inc. (MCPI)</i>	<i>Chairman</i>

	<i>Hydro Link Projects Corp. (HLPC)</i>	<i>Chairman</i>
	<i>Palm Thermal Consolidated Holdings Corporation (PTCHC)</i>	<i>Chairman</i>
	<i>Palm Concepcion Power Corporation (PCPC)</i>	<i>Chairman</i>
	<i>Panay Consolidated Land Holdings Corp. (PCLHC)<sup>a</sup></i>	<i>Chairman</i>
	<i>PhiGold Ltd. (Phigold)</i>	<i>Director **</i>
	<i>Monte Oro Resources &amp; Energy, Inc. (MORE)<sup>b</sup></i>	<i>Director</i>
	<i>Peakpower Energy, Inc. (PEI)<sup>c</sup></i>	<i>Chairman</i>
	<i>Peakpower SOCCSARGEN, Inc. (PSI)<sup>d</sup></i>	<i>Chairman</i>
	<i>Peakpower San Francisco, Inc. (PSFI)<sup>e</sup></i>	<i>Chairman</i>
	<i>Peakpower Bukidnon, Inc. (PBI)<sup>f</sup></i>	<i>Chairman</i>
<i>Annabelle P. Brown</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Director</i>
	<i>A Brown Energy Resources Development, Inc. (ABERDI)</i>	<i>Director</i>
	<i>Nakeen Corporation (NC)</i>	<i>Treasurer</i>
	<i>Andesite Corporation (AC)</i>	<i>Treasurer</i>
	<i>Bonsai Agri Corporation (BAC)</i>	<i>Treasurer</i>
	<i>Brown Resources Corporation (BRC)</i>	<i>Treasurer</i>
<i>Robertino E. Pizarro</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>President</i>
	<i>A Brown Energy Resources Development, Inc. (ABERDI)</i>	<i>President</i>
	<i>Nakeen Corporation (NC)</i>	<i>President</i>
	<i>Andesite Corporation (AC)</i>	<i>President</i>
	<i>Bonsai Agri Corporation (BAC)</i>	<i>President</i>
	<i>Brown Resources Corporation (BRC)</i>	<i>President</i>
	<i>Masinloc Consolidated Power, Inc. (MCPI)</i>	<i>President</i>
	<i>Hydro Link Projects Corp. (HLPC)</i>	<i>Vice-Chairman</i>
	<i>Palm Thermal Consolidated Holdings Corporation (PTCHC)</i>	<i>Vice-Chairman</i>
<i>Antonio S. Soriano</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Director</i>
	<i>Nakeen Corporation (NC)</i>	<i>Director</i>
	<i>Andesite Corporation (AC)</i>	<i>Director</i>
	<i>Bonsai Agri Corporation (BAC)</i>	<i>Director</i>
<i>Gerardo Domenico Antonio V. Lanuza</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Director</i>
<i>Elpidio M. Paras</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Independent Director</i>
<i>Thomas G. Aquino</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>Independent Director</i>
<i>Rosa Anna Duavit-Santiago</i>	<i>A Brown Company, Inc. (ABCI)</i>	<i>VP &amp; CFO/Treasurer</i>
	<i>Masinloc Consolidated Power, Inc. (MCPI)</i>	<i>Director</i>
	<i>Peakpower Bukidnon, Inc. (PBI)<sup>f</sup></i>	<i>Director/Treasurer/CFO</i>
<i>Roel Z. Castro</i>	<i>A Brown Company, Inc. (ABCI)</i>	<a href="#"><i>EVP-Business Development</i></a>
	<i>Masinloc Consolidated Power, Inc. (MCPI)</i>	<i>Treasurer</i>
	<i>Hydro Link Projects Corp. (HLPC)</i>	<i>President</i>
	<i>Palm Thermal Consolidated Holdings Corporation (PTCHC)</i>	<i>President &amp; CEO</i>
	<i>Palm Concepcion Power Corporation (PCPC)</i>	<i>President &amp; CEO</i>
	<i>Panay Consolidated Land Holdings Corp. (PCLHC)<sup>a</sup></i>	<i>Treasurer (until 05/15/13) &amp;</i>

		<i>President &amp; CEO (05/15/13 onwards)</i>
	<i>Peakpower Energy, Inc. (PEI)<sup>c</sup></i>	<i>President &amp; CEO</i>
	<i>Peakpower SOCCSARGEN, Inc. (PSI)<sup>d</sup></i>	<i>President &amp; CEO</i>
	<i>Peakpower San Francisco, Inc. (PSFI)<sup>e</sup></i>	<i>President &amp; CEO</i>
	<i>Peakpower Bukidnon, Inc. (PBI)<sup>f</sup></i>	<i>President &amp; CEO</i>
<p><sup>2</sup>-The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.  ** - Resigned as Chairman of PhiGold Ltd. as of February 8, 2013 but still a Director. The investment in PhiGold Ltd. was reclassified from Investment in Associate to Available-for-Sale Investment as of June 2013.  <sup>a</sup>-Merged with Palm Concepcion Power Corporation (PCPC) as the surviving corporation on July 21, 2014  <sup>b</sup>- A Brown Company, Inc. sold all its MORE shareholdings on October 10, 2014  <sup>c</sup>-Incorporated in February 18, 2013  <sup>d</sup>-Incorporated in February 18, 2013  <sup>e</sup>-Incorporated in May 22, 2013  <sup>f</sup>-Incorporated in July 24, 2014</p>		

(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:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman</b>
<i>Walter W. Brown</i>	<i>Atok- Big Wedge Co., Inc.</i>	<i>Non- Executive Director</i>
	<i>Apex Mining Co., Inc.</i>	<i>Executive Director (Chairman &amp; President) <sup>a</sup></i>
<i>Gerardo Domenico Antonio V. Lanuza</i>	<i>Philippine Realty &amp; Holdings Corp. (PRHC)</i>	<i>Executive Director</i>
<i>Thomas G. Aquino</i>	<i>Now Corporation <sup>b</sup></i>	<i>Director and Chairman</i>
	<i>Alscons Consolidated Resources, Inc.</i>	<i>Independent Director</i>
<p><sup>a</sup> - Elected as Director/Chairman of Apex Mining Co., Inc. on October 21, 2013.  <sup>b</sup> - On August 16, 2013, the SEC approved the change of corporate name to the present one from the previous Information Capital Technology Ventures, Inc. (ICTV).</p>		

(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:

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
<i>Walter W. Brown</i>	<i>Annabelle P. Brown</i>	<i>Family relationship</i>
	<i>PBJ Corporation</i>	<i>Chairman of PBJ Corporation</i>
<i>Annabelle P. Brown</i>	<i>Walter W. Brown</i>	<i>Family relationship</i>
	<i>PBJ Corporation</i>	<i>President of PBJ Corporation</i>
<i>Robertino E. Pizarro</i>	<i>Walter W. Brown</i>	<i>Family relationship</i>
	<i>Annabelle P. Brown</i>	<i>Family relationship</i>
<i>Gerardo Domenico Antonio V. Lanuza</i>	<i>Philippine Realty &amp; Holdings Corp. (PRHC)</i>	<i>Director of Philippine Realty &amp; Holdings Corp. (PRHC)</i>

(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:

	<b>Guidelines</b>	<b>Maximum Number of Directorships in other companies</b>
Executive Director		
Non-Executive Director		
CEO		

*The Nomination Committee was given authority in the Revised Manual on Corporate Governance that it may consider the following guidelines in the recommending to the Board for approval of the shareholders a maximum number of directorships for individual members of the Board:*

- *The nature of the business of the Corporations which he is a director;*
- *Age, and physical capacity of the director,*

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

*On the other hand, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.*

*However, there was no explicit provision in the Revised Manual on Corporate Governance with regard to the number as limit for membership in other companies' board.*

(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: [\(As of December 31, 2014\)](#)

<b>Name of Director</b>	<b>Number of Direct Shares</b>	<b>Number of Indirect shares / Through (name of record owner)</b>	<b>% of Capital Stock</b>
<i>Walter W. Brown</i>	<i>311,903,537</i>	<i>Walter W. Brown and Annabelle P. Brown – 3,821,418</i>	<i>31.357%</i>
		<i>Walter W. Brown (Special Fund) – 797,895</i>	
		<i>North Kitanglad Agri. Corp. – 13,937,344</i>	
		<i>Pine Mountain Properties, Inc. – 54,945,295</i>	
		<i>Bendaña Brown Holdings Corp. – 102,626,710</i>	
		<i>Cogon Corp. – 55,342,500</i>	
<i>Annabelle P. Brown</i>	<i>191,498,228</i>	<i>PBJ Corp. – 134,368,642</i>	<i>18.805%</i>
<i>Robertino E. Pizarro</i>	<i>1,060,613</i>	<i>Ma. Cristina P. Pizarro – 76,247</i>	<i>0.137%</i>
		<i>Kevin Pizarro – 100,359</i>	
		<i>Kristina Pizarro – 66</i>	
		<i>Ma. Cristina &amp;/or Juan Paolo Pizarro – 100,174</i>	
		<i>Ma. Cristina &amp;/or Jonathan Robert Pizarro – 36,657</i>	
		<i>Marie Danielle Pizarro – 102,284</i>	
		<i>Ma. Cristina &amp;/or Ma. Isabel Pizarro – 102,284</i>	
		<i>Jonathan Robert Pizarro – 132,031</i>	
		<i>Kristina Pizarro – 132,031</i>	
		<i>Juan Paolo Pizarro – 132,031</i>	
		<i>Ma. Isabel Pizarro – 132,031</i>	
		<i>Kevin Pizarro – 132,031</i>	
		<i>Marie Danielle Pizarro – 132,031</i>	

<i>Antonio S. Soriano</i>	1,318		0.000%
<i>Gerardo Domenico</i>			
<i>Antonio V. Lanuza</i>	13,202		0.001%
<i>Elpidio M. Paras</i>	1,318		0.000%
<i>Thomas G. Aquino</i>	1,250		0.000%
<i>Rosa Anna Duavit-Santiago</i>	1,250		0.000%
<i>Roel Z. Castro</i>	1,250		0.000%
<b>TOTAL</b>	<b>504,481,966</b>	<b>367,150,061</b>	<b>50.300%</b>

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

Executive Chairman	<b>Walter W. Brown</b>
President	<b>Robertino E. Pizarro</b>

*Effective December 29, 2011, the Chairman is appointed as Executive Chairman and the CEO/President will stay as President. We have active Board Committees and regular Board Meetings to pass important corporate decisions. Checks and balances are provided to help ensure that independent, outside views, perspectives and judgments are given proper hearing in the Board.*

- (b) Roles, Accountabilities and Deliverables

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

	<b>Chairman</b>	<b>Chief Executive Officer</b>
Role		
Accountabilities		
Deliverables		

*Section 3 (Chairman) and Section 4 (President) of Article III of the Company's By-laws define the role and responsibilities of the Chairman and the President as amended by the Board of Directors on 12 March 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on 27 June 2011 and approved by the Securities and Exchange Commission (SEC) on 13 June 2012.*

*Section 3. CHAIRMAN – The Chairman of the Board shall be the chief executive officer of the Corporation and shall have a general control and management of the business affairs of the Corporation. He shall preside at all meetings of the Board of Directors and Stockholders. He shall have such powers and duties as are usually incidental to the office of the chief executive officer and shall perform such other duties as may be imposed on him by law, the Articles of Incorporation and these By-laws; or as may be assigned to him by the Board of Directors.*

*Section 4. PRESIDENT – The President, subject to the control of the Board, shall have general supervision of the business and affairs of the Corporation. He shall, in the absence of the Chairman, preside at all meetings of the stockholders and of the Board of Directors. He may sign with the Secretary any or all certificates of stock of the Corporation; provide the stockholders and the Board of Directors such reports, memoranda,*

accounts and data which may be required of him; and in general, perform all duties incident to the office of the President and such others as may from time to time be assigned to him by the Board of Directors or as prescribed by these By-laws.

*The Executive Chairman's deliverables are strategic visioning, meeting bottom line targets, financial viability and sustainability of the company.*

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

*The Revised Manual on Corporate Governance provides:*

*“The Board of Directors has to implement a process for the selection of a mix and competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. It shall appoint competent, professional, honest and highly-motivated management officers. It shall adopt a professional development program for employees and effective succession planning program for senior management.”*

*Part of succession plan of the President is the training of the Vice-President of the company who is also the President of other subsidiaries. For other key management positions, the list of the assessment of other senior managers and of their potential to succeed to the position is likewise provided. If there are no internal employees who meet the requirements of other key management positions, outside applications will be considered.*

- 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.

*Revised Manual of Corporate Governance 3.2.1.2 (Specific Duties and Functions of the Board) –*

*To insure a high standard of best practice for the Corporation, [its stockholders and other stakeholders](#), the Board shall:*

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

*Based on Board of Directors' profile, there are four (4) Executive Directors, three (3) Non-executive Directors and two (2) Independent Directors.*

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

*Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) –*

*A director shall have the following duties and responsibilities:*

- *To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, 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.*

*A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.*

*Based on Board Committees' profile, there are four (4) Board Committees, namely, Audit and Risk, Remuneration, Governance and Corporate Culture and Values Formation which are comprised of one (1) Non-executive Director and two (2) Independent Directors.*

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

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			
Deliverables			

*The Executive Directors ensure that the mandate of the Board cascade down to operations. They bridge the oversight role of the Board and the execution of the policies by management as approved by the Board. Non-executive Directors give strategic directives for company's growth and check performance of the executives in terms of the output of the company. The Independent Directors represent the minority shareholders and do the "check and balances" of the actions of the majority shareholders and management.*

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

*Independence comprises independence of mind (real independence) and independence in appearance (perceived independence). Independence of mind is the state of mind that permits the expression of opinion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that an individual's integrity, objectivity or professional skepticism has been compromised. Independence of mind and in appearance is necessary to express a conclusion or decision without bias, conflict of interest or undue influence of others. Together, both forms are essential to achieve the goal of independence. Briefly, independence refers to that environment which allows the person to carry out his work freely and objectively.*

*"Independent Director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business, or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director and includes, among others, any person who:*

- a.) is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;*
- b.) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;*
- c.) is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;*
- d.) is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;*
- e.) has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;*
- f.) is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;*
- g.) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial;*
- h.) is not a securities broker-dealer or a person holding office of trust and responsibility in broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman and an authorized clerk of the broker or dealer;*
- i.) was not a regular director of the Company who resigned or whose term ended within the last two (2) years;*
- j.) was not the Chairman "Emeritus", "Ex-Officio" Directors/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 within one (1) year.

When used in relation to a company, “related company” means another company which is: (1) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and “substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten (10) percent of any class of its equity security.

The Nomination Committee has determined that the company’s independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code. The nominated independent directors are in no way related to the stockholders who nominated them.

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 to SEC Memorandum Circular No. 9, Series of 2011 which took effect on January 2, 2012; the Company adopted the following rules on the election of the independent directors:

- 1.) There shall be no limit in the number of covered companies that a person may be elected as Independent Directors (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate.
- 2.) ID can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated.
- 3.) After completion of the five-year service period, an ID shall be ineligible as such in the same company unless the ID has undergone a “cooling off” period of two (2) years, provided that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company.
- 4.) An ID re-elected as such in the same company after the “cooling-off” period can serve for another five (5) consecutive years under the conditions mentioned in paragraph 2 above.
- 5.) After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided in the said SEC Circular.

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
None			

(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		
(ii) Non-Executive Directors		

(i) Independent Directors		
<b>b. Re-appointment</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
<b>d. Temporary Disqualification</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
<b>e. Removal</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		

*Section I (ANNUAL MEETING) of Article I (MEETING OF STOCKHOLDERS) of the Company's Amended By-Laws:*

*“The Annual meeting of stockholders shall be held during the month of June of each year, at the place where the principal office of the company is located, and on such date and time as the Board of Directors may determine.”*

*The Board of Directors shall hold office for one (1) year and until their successors are elected and qualified (Section 23 of the Corporation Code of the Philippines). Since the members of the board are required to be elected annually, the election of the same must be held in each year.*

*Written notice, stating the date, time and place of the annual meeting shall be sent to all stockholders of record at least two (2) weeks prior to the scheduled annual stockholders' meeting, unless a different period is required by the by-laws. The distribution to stockholders of information statement (SEC Form 20-IS) at least fifteen (15) business days from the date of the stockholders' meeting shall be sufficient compliance with the notice requirement. Unless otherwise provided by the by-laws, the stock and transfer book shall be closed at least twenty (20) days before the scheduled date of the annual stockholders' meeting to enable the corporation to prepare the list of stockholders entitled to vote.*

*Other procedural requirements as embodied in SRC Rule 20 if applicable are to be followed. Article I (MEETING OF STOCKHOLDERS) and Article II (BOARD OF DIRECTORS) of the Company's Amended By-Laws provide guidelines on the election of Directors during the Annual Stockholders' Meeting or Special Meeting duly called for a specific purpose and the process of filling vacancies if any shall occur.*

*After the requirements of Notice are complied with, the following are the process in the selection, re-appointment, disqualification, removal, reinstatement and suspension of directors:*

***Process Adopted:***

***a. Selection/Appointment (Executive Directors, Non-executive Directors and Independent Directors)***

*Section 10 (NOMINATION COMMITTEE), Article II of the Amended By-laws stated that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of director.*

*The nominees are presented to the Nomination Committee by the Corporate Secretary based on the letter-nominations received. The Nomination Committee then considers if the nominees have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee nominate, approve and recommend said nomination to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the nomination. The Nomination Committee then makes a relevant recommendation to the Board of Directors.*

- 1.) The election of directors is done annually during the annual meeting of shareholders.*
- 2.) The elections are done usually by a show of hands (viva voce) but election through secret balloting may be done if requested by any voting stockholder.*
- 3.) Cumulative voting is allowed in the election of directors.*
- 4.) No delinquent stock is allowed to be voted.*
- 5.) Candidates receiving the highest number of votes shall be declared elected.*

*Manner of Voting: In the annual meetings of stockholders, stockholders are entitled to elect such number of directors as shall be provided in the Articles of Incorporation to the Board of Directors. Each stockholder may vote such number of shares for as many as such number of persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by such number of directors required shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by such number of directors required.*

*The Board shall be composed of such number of directors as shall be provided in the Articles of Incorporation, duly elected by the stockholders entitled to vote in accordance with the By-Laws, the Corporation Code and Securities Regulation Code. The directors shall be elected annually by the stockholders at the annual meeting and shall hold office until their successors are elected and qualified unless removed from office as provided by law. If any vacancy shall occur among the directors by death or from any other cause, such vacancy may be filled by vote of the majority of the directors constituting a quorum at any directors meeting. The remaining directors shall continue to act, but if at any time their number be reduced to less than a majority, the vacancies shall be filled by the stockholders at a special meeting called for the purpose. When there is an increase in the number of directors, the filling up of new positions shall be in accordance with Section 24 of the Corporation Code of the Philippines, (i.e. by an election at a regular or at a special meeting of stockholders duly called for the purpose or in the same meeting authorizing the increase of directors if so stated in the notice of the meeting.)*

*Directors may be removed and the vacancies so caused shall be filled in a manner as prescribed by law. Any vacancy occurring in the board of directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least majority of the remaining directors, if still constituting quorum, otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose.*

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

*The membership of the Board may be a combination of executives and non-executives (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.*

**b. Re-appointment (Executive Directors, Non-executive Directors and Independent Directors)**

*After serving as director of the preceding year, a director may be re-elected following the procedures in the selection/appointment of directors.*

**c. Permanent Disqualification (Executive Directors, Non-executive Directors and Independent Directors)**

*In cases of disqualification by operation of law, a mere declaration of such disqualification is sufficient to remove the director from office. The procedure in the removal of the directors need not be followed.*

**d. Temporary Disqualification (Executive Directors, Non-executive Directors and Independent Directors)**

*The directors who are proposed to be temporarily disqualified are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for temporary disqualification, the Nomination Committee then makes a relevant recommendation (for temporary disqualification) to the Board of Directors.*

**e. Removal (Executive Directors, Non-executive Directors and Independent Director)**

*A director or directors may also be removed with or without cause and irrespective of the tenure of office. He could be removed by a vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock. However, removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled.*

*The procedure for the removal of directors:*

- 1.) The removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose*
- 2.) The removal must be by a vote of the stockholders holding 2/3 of the outstanding capital stock.*
- 3.) Previous notice must be given to the stockholders of the intention to propose such removal at the meeting.*
- 4.) Notice of time and place of such meeting, as well as the intention to propose such removal must be given by written notice as prescribed in the Corporation Code*

**f. Re-instatement (Executive Directors, Non-executive Directors and Independent Directors)**

*The directors who are proposed to be re-instated are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for re-instatement, the Nomination Committee then makes a relevant recommendation (for re-instatement) to the Board of Directors.*

**g. Suspension (Executive Directors, Non-executive Directors and Independent Directors)**

The directors who are proposed to be under preventive suspension are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for preventive suspension, the Nomination Committee then makes a relevant recommendation (for preventive suspension) to the Board of Directors.

**Criteria:**

**a. Selection/Appointment (Executive Directors, Non-executive Directors and Independent Directors)**

**Qualifications**

Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance

I. In addition to the qualifications for directorship in the Company provided for in the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations and such other qualifications approved by the Board and incorporated in amendments to the By-laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) Holder of at least one (1) share of stock of the Corporation;
- (ii) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- (iii) He shall be at least twenty one (21) years old;
- (iv) He shall have proven to possess integrity and probity; (and)
- (v) He should have sufficient interest in the business of the corporation to be willing as well as able to make a positive contribution to its undertakings.
- (vi) He must have a practical understanding of the business of the corporation or previous business experience;
- (vii) He must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

**a. Selection/Appointment (Independent Directors)**

**Additional Qualification**

III. "Independent Director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business, or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director of the Company and includes, among others, any person who:

- a.) is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- b.) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;
- c.) is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- d.) is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- e.) has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
- f.) is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;
- g.) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other

persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial;

- h.) is not a securities broker-dealer or a person holding office of trust and responsibility in broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman and an authorized clerk of the broker or dealer;
- i.) was not a regular director of the Company who resigned or whose term ended within the last two (2) years;
- j.) was not the Chairman “Emeritus”, “Ex-Officio’ Directors/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 within one (1) year.

When used in relation to a company, “related company” means another company which is: (1) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and “substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten (10) percent of any class of its equity security.

#### **a. Selection/Appointment (Independent Directors)**

##### **Additional Qualification**

There shall be no limit in the number of covered companies that a person may be elected as Independent Directors (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate.

Given the qualifications for selection/appointment, the Nomination Committee has to determine that the company’s nominees for directors (either executive or non-executive) and independent directors possess all the qualifications and have none of the disqualifications for directors and independent directors, respectively as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code.

#### **b. Re-appointment (Executive Directors, Non-executive Directors and Independent Directors)**

After serving as director of the preceding year, a director may be re-elected as long as the director still possesses all the qualifications and none of the disqualifications for directors and independent directors.

#### **c. Permanent Disqualification (Executive Directors, Non-executive Directors and Independent Directors)**

Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance

II. The following shall be grounds for the permanent disqualification of a director:

- (i) 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;
- (ii) 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, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity

- involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;*
- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;*
  - (iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;*
  - (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;*
  - (vi) Any person judicially declared to be insolvent;*
  - (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;*
  - (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.*

**c. Permanent Disqualification (Independent Directors)**

**Additional Permanent Disqualification**

*After serving as Independent Director for ten (10) years after the January 2, 2012 effectivity, the Independent Director shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided in the SEC Memorandum Circular No. 9, Series of 2011.*

**d. Temporary Disqualification (Executive Directors, Non-executive Directors and Independent Directors)**

*Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance*

*IV. Any of the following shall be a ground for the temporary disqualification of a director:*

- (i) 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;*
- (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;*
- (iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;*
- (iv) Being under preventive suspension by the Corporation;*
- (v) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.*
- (vi) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.*

*A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.*

**d. Temporary Disqualification (Independent Directors)**

**Additional Temporary Disqualification**

*After completion of the five-year service period, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated, an Independent Director shall be ineligible as such in the same company unless the Independent Director has undergone a “cooling off” period of two (2) years, provided that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Director in the same company.*

**e. Removal (Executive Directors, Non-executive Directors and Independent Director)**

*Section 28 of the Corporation Code provides that directors may be removed with or without cause but removal without cause may not be used to deprive minority shareholders of the right of representation to which they are entitled.*

*The director may be removed on the ground of mismanagement of the corporation’s affairs, neglect or in case of fraud or refusal to act in accordance with their authorities. Violations of the articles of incorporation and by-laws may also be a ground for removal from office.*

**f. Re-instatement (Executive Directors, Non-executive Directors and Independent Directors)**

*In a disqualification that can be cured, a director can be re-instated if thereafter acquires the qualification.*

*Under the grounds for temporary disqualification, a temporarily disqualified director who takes the appropriate action to remedy or correct the disqualification within sixty (60) business days from such disqualification can be re-instated.*

**g. Suspension (Executive Directors, Non-executive Directors and Independent Directors)**

*A director may be under preventive suspension to give way for the authorities to conduct ongoing investigation to which the director may be involved.*

Voting Result of the last Annual General Meeting ([May 9, 2014](#))

Name of Director	Votes Received
Walter W. Brown	<a href="#">1,368,987,675</a>
Annabelle P. Brown	<a href="#">1,368,987,675</a>
Robertino E. Pizarro	<a href="#">1,368,987,675</a>
Antonio S. Soriano	<a href="#">1,368,987,675</a>
Gerardo Domenico Antonio V. Lanuza	<a href="#">1,368,987,675</a>
Elpidio M. Paras	<a href="#">1,368,987,675</a>
Thomas G. Aquino	<a href="#">1,368,987,675</a>
Rosa Anna Duavit-Santiago	<a href="#">1,368,987,675</a>
Roel Z. Castro	<a href="#">1,368,987,675</a>

*Since there are as many nominees duly prescreen and short listed by the Nomination Committee as there are seats to be filled, the Corporate Secretary casted all votes in favor of those nominated who are therefore deemed elected. [The votes received by each director were 1,368,987,675 and 982,647,253 for the May 9, 2014 and June 7, 2013 Annual General Meeting.](#)*

6) Orientation and Education Program

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



The incoming directors are oriented about the company's business including those of the subsidiaries. They are provided with basic information concerning the Corporation and with briefings by senior management to acquaint them with the Corporation's financial profile, strategic plans, management organization, compliance programs and corporate policies. Annual Reports are given to provide them an understanding about the financial condition and performance of the company for the past years. A copy of the Revised Manual of Corporate Governance is furnished to ensure thorough dissemination of its contents and to enjoin continuing compliance. Executive Directors are also provided a copy of the Employee Code of Conduct and Manual on Operating Procedures. Available formal training opportunities in areas relevant to the discharge of a director's duties will be considered by the Board.

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

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Training/External Courses</b>	<b>Name of Training Institution</b>
<i>Rosa Anna Duavit-Santiago (Director/Officer)</i>	<i>December 14, 2011</i>	<i>Corporate Governance Seminar</i>	<i>Philippine Securities Consultancy Corporation (PhilSECC)</i>
	<i>February 15, 2012</i>	<i>SEC Forum</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>June 18, 2012</i>	<i>Philippine Financial Asset Forum</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>July 17-18, 2012</i>	<i>Mid-year Economic Briefing</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>August 3,10,17,24, 2012</i>	<i>Mandatory Continuing Legal Education (MCLE)</i>	<i>Integrated Bar of the Phils. (IBP) Legal Council of the Philippines Supreme Court</i>
	<i>October 5, 2012</i>	<i>FINEX National Conference</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>February 1, 2013</i>	<i>Economic Briefing Seminar</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>March 20, 2013</i>	<i>Tax Update Seminar</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>June 26, 2013</i>	<i>The Asset Forum</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>October 3, 2013</i>	<i>Economic Briefing: Macro Outlook</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>October 4, 2013</i>	<i>FINEX National Conference</i>	<i>Financial Executive of the Phils. (FINEX)</i>
	<i>December 10, 2013</i>	<i>Accounting &amp; Tax Update</i>	<i>PricewaterhouseCoopers (PwC)- Isla Lipana</i>
<i>Thomas G. Aquino (Director)</i>	<i>May 18-19, 2012</i>	<i>Corporate Governance for the Common Good Seminar</i>	<i>Center for Professional Development in Business and Economics - De La Salle University</i>
	<i>July 3-4, 2013</i>	<i>Corporate Governance Best Practices: Board Directors' Guide for Audit Committees</i>	<i>Center for Global Best Practices, Foundation, Inc.</i>
<i>Roel Z. Castro (Director/Officer)</i>	<i>June 22, 2012</i>	<i>Corporate Governance Seminar</i>	<i>Philippine Securities Consultancy Corporation (PhilSECC)</i>
<i>Arturo A. Perlas (Officer)</i>	<i>April 25, 2012</i>	<i>Corporate Governance Seminar</i>	<i>Philippine Securities Consultancy Corporation (PhilSECC)</i>

<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.

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
<u>Walter W. Brown</u> (Director/Officer)	<u>Jan. 7-8, 2014</u>	<u>MOREI-PMHI-APEX In-House Technical Seminar</u>	<u>UP National Institute of Geological Sciences</u>
	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
	<u>Dec. 11-12, 2014</u>	<u>MOREI-APEX In-House Technical Seminar</u>	<u>UP National Institute of Geological Sciences</u>
<u>Annabelle P. Brown</u> (Director)	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
<u>Robertino E. Pizarro</u> (Director/Officer)	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
<u>Antonio S. Soriano</u> (Director)	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
<u>Roel Z. Castro</u> (Director/Officer)	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
<u>Rosa Anna Duavit-Santiago</u> (Director/Officer)	<u>February 19, 2014</u>	<u>1<sup>st</sup> Economic Briefing</u>	<u>Financial Executive of the Phils. (FINEX)</u>
	<u>March 6-7, 2014</u>	<u>Orientation Course on Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
	<u>October 9, 2014</u>	<u>Investor Relation Seminar</u>	<u>Philippine Stock Exchange</u>
	<u>November 13, 2014</u>	<u>2015 SEC Updates</u>	<u>Financial Executive of the Phils. (FINEX)</u>
	<u>November 20, 2014</u>	<u>3<sup>rd</sup> Asia Pacific Real Estate Investment Summit</u>	<u>APREA</u>
<u>Thomas G. Aquino</u> (Director)	<u>March 6-7, 2014</u>	<u>Orientation Course on Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
<u>Elpidio M. Paras</u> (Director)	<u>August 15, 2014</u>	<u>Corporate Governance</u>	<u>Sycip, Gorres, Velayo &amp; Co. (SGV)</u>
<u>Gerardo Domenico Antonio V. Lanuza</u> (Director)	<u>November 29, 2014</u>	<u>Corporate Governance &amp; Risk Management</u>	<u>Ateneo de Manila University – Center for Continuing Education (ADMU-CCE)</u>
<u>John L. Batac</u> (Officer)	<u>July 7, 2014</u>	<u>Corporate Governance Seminar</u>	<u>Philippine Securities Consultancy Corporation (PhilSECC)</u>
<u>Renne P. Subido</u> (Officer)	<u>December 16, 2014</u>	<u>Orientation Course on Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
<u>Jason C. Nalupta</u> (Officer)	<u>May 26, 2014</u>	<u>Orientation Course on Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
<u>Anna Francesca C. Respicio</u> (Officer)	<u>November 20, 2014</u>	<u>Orientation Course on Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><i>Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) -</i></p> <ul style="list-style-type: none"> <li><i>To conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the corporation;</i></li> </ul> <p><i>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.</i></p> <p><i>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.</i></p>		<p><i>Section 7 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Directly or indirectly having financial or pecuniary interest in any business, contract, or transaction in connection with which he intervenes or takes part in his official capacity. (Type E offense)</i></p>
(b) Conduct of Business and Fair Dealings	<p><i>Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) -</i></p> <ul style="list-style-type: none"> <li><i>To conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the corporation;</i></li> </ul> <p><i>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.</i></p>		<p><i>Section 8 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Unauthorized actions clearly in excess of one's authority such as but not limited to, acts of disbursing, releasing or authorizing disbursement of company funds without written authority by one's superior or similar acts that go beyond or outside his authority or responsibility, where the interest of the company is prejudiced. (Type D offense)</i></p>

	<p><i>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.</i></p>	
(c) Receipt of gifts from third parties		<p><i>Section 5 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Offering or accepting anything of value in exchange for a job, work assignment, work location, or favorable condition of employment. (Type E offense)</i></p>
		<p><i>Section 6 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Directly or indirectly requesting or receiving gift, present, share, percentage or any form of benefit or favor, for himself or for any other person in connection with any business, contract, application or transaction between the company and any other party, wherein the employee in his official capacity has to intervene. (Type E offense)</i></p>
		<p><i>In addition to the offense mentioned in the Employee Code of Conduct, a memorandum has been disseminated to the employees with regards to Corporate Gifts which states that, "all gift packs received by any officer or employee of the company related to business transactions shall be considered corporate gifts. These gifts whether received in the office or at home or whether received before or after a function shall be turned over to the custodian for raffle purposes. If only one such personal gift is received, the staff can keep the gift. If more than one gift is received, the excess shall be turned over to the custodian or to the HR Dept. For perishable items - those liable to spoil or deteriorate (such as food items) if not immediately consumed or used: Because of their nature, these gifts must be immediately given to the employee concerned. However, items which can be preserved or refrigerated (e.g. fruit cake, candies, chocolates, cookies and ham) shall be classified as raffle items. During Christmas party, all gifts will be raffled off to all qualified employees.</i></p>

<p>(d) Compliance with Laws &amp; Regulations</p>	<p><i>Revised Manual of Corporate Governance 3.2.1.2 (Specific Duties and Functions of the Board) – To ensure a high standard of best practice for the Corporation, <a href="#">its stockholders and other stakeholders</a>:</i></p> <ul style="list-style-type: none"> <li>• <i>Ensure to the best of its ability that that the Corporation complies with all relevant laws, regulations and codes of best business practice.</i></li> </ul> <p><i>Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) –</i></p> <ul style="list-style-type: none"> <li>• <i>To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, 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.</i></li> </ul> <p><i>A director should also keep abreast with industry developments and business trends in order to promote the corporation’s competitiveness.</i></p>	
<p>(e) Respect for Trade Secrets/Use of Non-public Information</p>	<p><i>Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) -</i></p> <ul style="list-style-type: none"> <li>• <i>To observe confidentiality;</i></li> </ul> <p><i>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</i></p>	<p><i>Section 11 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Giving away or disclosing without permission company trade secrets and/or trade practices or trade processes or any valuable information acquired by his office, or by him on account of his position, to unauthorized persons, or making available such information in advance of its authorized release date and where in the process, the interest of the company is prejudiced. (Type E offense)</i></p>
	<p><i>Revised Manual of Corporate Governance 6.4 (Reportorial Disclosure System of Company’s Corporate Governance Policies ) -</i></p> <p><i>6.4. In compliance with Section 4.2 of the Revised Disclosure Rules of the Philippine Stock Exchange (PSE) entitled “Selective Disclosure of Material Information”, directors, officers and staff shall likewise observe the following:</i></p> <p><i>“An Issuer is prohibited to communicate material information non-public information about the Issuer to any person, unless the Issuer is ready to</i></p>	

	<p><i>simultaneously disclose the material non-public information to the Exchange. This rule does not apply if the disclosure is made to:</i></p> <p><i>A person who is bound by duty to maintain trust and confidence to the Issuer such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and</i></p> <p><i>A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.</i></p> <p><i>The issuer shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with the requirement of this rule.</i></p> <p><i>The company being a listed company, if selectively disclosing material non-public information to securities analysts, institutional investors or other third parties who do not fall under letters a and b above, ahead of the general public, shall be considered as violating this exchange rule.</i></p>	
<p>(f) Use of Company Funds, Assets and Information</p>	<p><i>Revised Manual of Corporate Governance 6.4 (Reportorial Disclosure System of Company's Corporate Governance Policies ) -</i></p> <p><i>6.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;</i></p> <p><i>6.2. All material information <u>about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders</u>, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, if the amount of such acquisition or disposal shall involve a significant effect on the financial structure of the company or is not be in the normal course of business. Board changes, related party transactions, material changes in the</i></p>	<p><i>Section 1 to Section 8, Article II (Offenses Against Property) of the Employee Code of Conduct: Our responsible dominion over material goods requires us to always practice honesty in its highest sense. This also asks us to practice justice by respecting the rightful property of our fellow workers and that of the companies we work with.</i></p>

	<p><i>share holdings of directors such as to affect management and or ownership control of the business must be disclosed.</i></p> <p><i>6.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management. Major changes in corporate strategy, and off balance sheet transactions, the size of which has a significant effect on the business should always be disclosed.</i></p> <p><i>6.5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.</i></p>	
(g) Employment & Labor Laws & Policies		<p><i>POLICY STATEMENT that "We adhere at all times the employment and labor laws of the Philippines. The company ensures the compliance to the basic rights of workers like:</i></p> <p><i>(1) Security of Tenure</i>  <i>* workers cannot be dismissed without just and authorized caused and due process</i>  <i>*workers shall be made regular after six (6) months of probation</i></p> <p><i>(2) Hours of work</i></p> <p><i>(3) Weekly Rest Day</i></p> <p><i>(4) Payment of Required Wage &amp; Wage Related Benefits</i>  <i>* minimum wage in the region; payment of holiday pay &amp; premium pay as the labor law require</i>  <i>*payment of night differential, paternity leave, maternity leave, 13th Month Pay, retirement pay and the like</i></p> <p><i>(5) Safe and Healthful Conditions of Work and Welfare Services</i></p>
(h) Disciplinary action	<p><i>Revised Manual of Corporate Governance 8.2 (Monitoring and Assessment) –</i>  <i>The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation shall be subject officer or employee to the penalty provided under Part 9 of this Manual.</i></p> <p><i>Revised Manual of Corporate Governance 9 (Penalties for Noncompliance with the Manual) –</i>  <i>To strictly observe and implement the provisions of this Manual, the .....</i></p>	<p><i>General Policies: ABCI policies including those described in the Code of Conduct, apply to ALL employees at all levels of the organization, regardless of their position. Failure of any employee to comply with the Code of Conduct, ABCI policies, or the legal and regulatory requirements applicable to their role with the company will subject them to disciplinary action up to and including termination from employment.</i></p> <p><i>1. Any and all acts violating, thus, and/or constituting a violation of the comprehensive policies detailed in the CODE of Conduct will be considered a violation, and liable to disciplinary</i></p>

	<p>penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors officers and staff in case of violation of any of the provision of this Manual.</p> <p>The commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.</p>	<p>action.</p> <p>2. Ignorance of the policies declared in the Code as well as notices or memoranda that may be promulgated in the future shall not justify an employee from non-observance nor from the disciplinary action to be imposed thereon.</p> <p>3. All disciplinary actions shall be imposed following the process enumerated in the Code.</p> <p>4. All actions to resolve or settle grievances shall abide by the relevant provisions of any mechanism installed for such purpose.</p> <p>5. Administration of disciplinary action on erring employees shall not hinder the company from filing criminal and/or civil charges in accordance with the applicable laws of the State.</p> <p>6. In cases where the infractions or offenses committed violate more than one provision of this Code, these shall be dealt with separately.</p>
(i) Whistle Blower	<p><u>The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.</u></p>	<p><u>The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.</u></p>
(j) Conflict Resolution		<p>When conflict arises, the procedure that applies is as follows: As stated in the Employee Code of Conduct:</p> <p>1. All administrative cases must be reported formally to the employee's immediate superior</p> <p>2. The immediate superior of the reported employee shall review, study, and validate the report submitted to him within forty-eight (48) hours.</p> <p>NOTE: In checking the validity of the report submitted, the 5Ws (Who, What, Where, When, Why) and 1 H (How) fact finding method is a proven effective guide.</p> <p>3. After establishing the validity of the submitted report, the immediate superior must determine whether or not the case merits preventive suspension. If so, the immediate superior must issue the same preventive suspension which must not exceed thirty (30) working days. However should the company decide to extend</p>



beyond 30 working days because more time is needed for investigation, extension can be made but with pay.

4. The immediate superior must issue a Notice to Explain (NTE) to the reported employee stating clearly the charges, purpose, reason and basis of such.

5. The employee must receive and submit his response to his immediate superior within the allowable time provided as stated in the NTE.

*NOTE: An employee who fails to submit a written report as mandated in the NTE without any valid reason will lead to the waiving of his right to explain and be heard. This, therefore, would eventually mean IMPLIED ADMISSION on his part of the commission of acts constituting the charge brought against him.*

6. Upon receipt of the employee's explanation, the immediate superior studies it and makes his recommendation to the department manager either to excuse or impose Disciplinary Action (DA) on the reported employee. The basis of his recommendation must always be in consonance with the Code and the Philippine Labor Laws.

7. Where the immediate superior recommends the imposition of the DA and such recommendation is approved by the department manager, the decision will be issued to the reported employee, and explained to him or her.

8. Where the immediate superior makes recommendations to excuse the imposition of the DA and the same is approved by the department manager, the employee will receive a copy of the decision.

9. In cases where the recommendation of the immediate superior is disapproved, the decision of the department manager shall prevail.

10. The employee, after receiving the copy of the decision approving the imposition of disciplinary action imposed upon him, must review his or her stand about the matter. Should she or he feel aggrieved about the decision, he or she may appeal and elevate the matter to the Division Head. The Division Head may opt to consult the HRD in reviewing the case. The decision of the Division head will be final and executory. Offenses that will impose dismissal however may be appealed to the President.

*Under the Employee Code of Conduct, the following are the levels of offenses;*

- Type A – light*
- Type B – minor*
- Type C – serious*
- Type D – grave*
- Type E – capital*

*The Board of Directors and Management (i.e. officers and staff) hereby commit themselves to the principles and best practices contained in the Manual. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of the contents of this Manual to all employees and related parties and to likewise enjoin continuing compliance. An adequate number of printed copies of the Manual must be reproduced with a minimum of at least one (1) hard copy per operating division. A director shall, before assuming as such, be required to attend seminar on corporate governance which shall be conducted by a duly recognized private or government institute. The Revised Manual of Corporate Governance covers the corporate actions of the Board, directors, officers and employees of the company. It also includes dealings with shareholders, creditors and other stakeholders.*

*The Company is committed to the highest standards of ethics and business conduct. The Company conducts its business as a good corporate citizen and complies with all laws, rules and regulations applicable to it or the conduct of its business. This commitment and standard of conduct governs our relationships with customers, suppliers, shareholders, competitors, the communities in which we operate, and with each other as Employees at every organizational level.*

*The Code of Business Conduct and Ethics applies to all officers, directors and employees (collectively referred to as Employees) of ABCI and its subsidiaries. Entities that ABCI may have an interest in but does not have control should be encouraged, as far as possible, to adopt policies and guidelines that are consistent with the principles and values set out in this Code. Outside consultants, contractors and temporary employees engaged by ABCI are required to abide by the policies, principles and values set out in this Code when performing services for, or on behalf of, ABCI. The Code is an expression of the Company's core values and represents a framework for decision-making. To this end, Employees are responsible for understanding the Code and acting in accordance with it.*

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

*The Employee Code of Conduct has been disseminated to senior management and employees. Likewise, the Revised Manual on Corporate Governance has been communicated to all directors, executives and employees and related third parties.*

*The Employee Code of Conduct and the Revised Manual on Corporate Governance are posted to the company's website for easy reference by the directors, officers, employees, stockholders and other interested stakeholders.*

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

*The task of insuring that the Employee Code of Conduct will be understood and religiously complied with is collectively entrusted to the Human Resource Division and the Department or Division where the employee is affiliated. Human Resource Division is responsible to make sure that suitable measures are continuously taken to educate all employees on the policies of this Code of Conduct, to insure that the policies are updated and consistent with the requirements of all operating units, to established a control measures to assist in the progress of the implementation of corrective actions, to assist erring employees and to continuously forewarn department heads on the negative standing, if any, of employees under them and to prepare all documents and reports as may be needed to efficiently implement the provisions of this Code of Conduct. All line managers and supervisors of each department or division are also responsible to administer the policies including the enforcement of disciplinary actions to erring employees, to facilitate in the resolution or settlement of any grievance that may come to light relating to this Code and to prepare and submit to HRD*

*the required reports and documentations on cases investigated and/or disciplinary actions meted out for proper recording and control.*

*The insure adherence to the Revised Manual on Corporate Governance, the Board of Directors shall appoint a Compliance Officer who shall monitor compliance with the provisions and requirements of the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation; appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified; issue a certification or attest in a specific period as prescribed by the regulatory authorities on the extent of the Corporation’s compliance with the Manual for the completed year, explaining the reasons for the deviation and identify, monitor and control compliance risks.*

*The Company’s Board of Directors shall likewise adopt the best practices on corporate governance and create different committees such as Audit and Risk, Nomination, Compensation and Governance. The Committee on Corporate Culture and Values Formation was also organized to promote, foster and institutionalize the corporate vision, mission and core values, good corporate governance and ethical conduct among the members of the Board, officers and employees of the company. The different board and management committees also perform oversight functions over compliance with the Manual and other corporate policies of the Company.*

4) Related Party Transactions

(a) Policies and Procedures

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

<b>Related Party Transactions</b>	<b>Policies and Procedures</b>
(1) Parent Company	
(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	
(8) Interlocking director relationship of Board of Directors	

*Related party relationships exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among the entities, which are under common control with the reporting enterprise, or between and/or among the reporting entities and key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. For financial statements disclosure purposes, an affiliate is an entity under common control of the Parent Company’s stockholders.*

The independent directors and/or audit committee play an important role in reviewing significant related party transactions. The Audit Committee has prior-approval authority for related party transactions.

The related party transactions are disclosed in the notes to the financial statements and SEC Form 17-A (Annual Report). The practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management is enjoined.

The Company and its subsidiaries and certain affiliates, in the ordinary course of business have entered into transactions with each other principally consisting of reimbursement of expenses and management agreements. All transactions were done on commercial terms and arms-length basis.

All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e., anything that could potentially affect share price, shall be publicly disclosed such information including related party transactions.

(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.

	<b>Details of Conflict of Interest (Actual or Probable)</b>
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.

	<b>Directors/Officers/Significant Shareholders</b>
Company	
Group	

*It is one of the general principles of directors' duties to avoid conflicts between personal interests and the interests of the company. Likewise, it is the duty of the director to act in good faith for the benefit of the company as a whole and must not use his position to gain (directly or indirectly) and advantage for himself or someone else or which causes detriment to the company. Officers are also prohibited to directly or indirectly to be involved having financial or pecuniary interest in any business, contract, or transaction in connection with which he intervenes or takes part in his official capacity. The Revised Manual of Corporate Governance and Employee Code of Conduct to be ethical by avoiding dealings that conflict of interest would arise.*

*The Compensation and Remuneration Committee requires to submit Full Business Interest Disclosure as part of the pre-employment requirements for all officers and directors, which should require all officers and directors 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 to the Corporation. Such Disclosures should be updated at least every year. It is mandatory for officers and directors even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.*

Directors, officers and significant shareholders shall promptly notify the company's Compliance Officer of any interest such person or an immediate family member of such person had, has or may have in a related party transaction.

The Audit Committee in discharging its oversight role is empowered to investigate any matter brought to its attention will full access to all books, records, facilities and personnel of the Company. It is the Committee's mandate to review and have prior-approval authority for related party transactions. The external auditor is engaged to review the related party transactions and compliance to disclosure as required in the reporting standards. The internal auditor may unveil any conflict of interest as he conducts independent audit function.

5) 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:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
<i>Walter W. Brown and Annabelle P. Brown</i>	<i>Family Relationship</i>	<i>Walter W. Brown, the Chairman of ABCI is married to Annabelle P. Brown.</i>
<i>Walter W. Brown and PBJ Corporation</i>	<i>Business Interest</i>	<i>Walter W. Brown is also the Chairman of PBJ Corporation.</i>
<i>Annabelle P. Brown and PBJ Corporation</i>	<i>Business Interest</i>	<i>Annabelle P. Brown is the President of PBJ Corporation.</i>
<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.		

(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:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
<i>Walter W. Brown and Annabelle P. Brown and ABCI</i>	<i>Contractual Relationship</i>	<i>Walter W. Brown/Annabelle P. Brown/Patricia B. Juat/ Victor P. Juat granted loan to ABCI duly supported by promissory notes.</i>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: *NONE*

<b>Names Shareholders</b>	<b>% of Capital Stock affected (Parties)</b>	<b>Brief Description of the Transaction</b>
<i>none</i>	<i>none</i>	<i>none</i>

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	
Corporation & Third Parties	
Corporation & Regulatory Authorities	

Consistent with policy of the State to encourage and actively promote the use of Alternative Dispute Resolution systems as effective tool in settlement of business disputes, A Brown Company, Inc., has adopted use of alternative dispute resolution (ADR) techniques e.g. arbitration, mediation, and the like to resolve appropriate disputes in a fair, timely, and cost efficient manner.

The Company, through its stock transfer agent, investor relations office and the Corporate Secretary attends to the needs of the stockholders.

The Company engaged on regular consultations with regulatory and government agencies to any regulations and compliance requirements.

### C. BOARD MEETINGS & ATTENDANCE

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

*The Board of Directors' meetings are conducted throughout the year. In 2013, the schedule is determined at least two-weeks before the meeting. For 2014, the Board of Directors' meetings are scheduled before the beginning of the year. However, the schedule is subject to change if need be with the consensus of the members of the Board and the notice to be sent on time.*

- 2) Attendance of Directors ([January 1 to December 31, 2014](#))

Board	Name	Date of Election	No. of Meetings Held during the year*	No. of Meetings Attended	%
Chairman	Walter W. Brown	<a href="#">May 9, 2014</a>	<a href="#">Eleven (11)</a>	<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Member	Annabelle P. Brown	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Member	Robertino E. Pizarro	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Member	Antonio S. Soriano	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Member	Gerardo Domenico Antonio V. Lanuza	<a href="#">May 9, 2014</a>		<a href="#">Eight (8)</a>	<a href="#">72.73%</a>
Member	Rosa Anna Duavit-Santiago	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Member	Roel Z. Castro	<a href="#">May 9, 2014</a>		<a href="#">Ten (10)</a>	<a href="#">90.91%</a>
Independent	Elpidio M. Paras	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>
Independent	Thomas G. Aquino	<a href="#">May 9, 2014</a>		<a href="#">Eleven (11)</a>	<a href="#">100%</a>

\* - The number of meetings counted covers from [January 2014 to December 2014](#). The Directors are elected annually by the shareholders during the Annual Meeting held every June of each year and shall hold office until their successors are elected and qualified unless removed from office as provided by law. The same set of directors were re-elected on [May 9, 2014](#).

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

*After a Committee Meeting (especially Audit Committee Meeting), if it deems necessary, an executive session is held without the presence of any executive. An executive session is usually conducted at least once per year for the review the report of the external auditor including the deficiencies noted in the application of financial accounting standards and another executive session for the third-party internal auditor's presentation of internal audit findings.*

*The Audit Committee is composed of one (1) non-executive director and two (2) independent directors.*

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

*Section 3 (Powers and Quorum) of Article II of the Company's By-Laws:*

*"The directors shall act only as a board and individual directors shall have no power as such.*

*A majority of the whole number of directors shall constitute a quorum for the transaction of business and every decision of a majority of a quorum assembled as a board shall be valid as a corporate act.*

*In the absence of a quorum, one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present."*

- 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?

*The board papers are given during the meeting. Directors who have expressed desire to participate in the meeting through teleconference, the materials are given in advance in accordance with existing SEC regulations. [Advance soft copies of the board papers were sent through email for their initial reading](#) at least two (2) days prior to the day of the meeting.*

<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.

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

*The Directors have all access to information and should they require explanation on any transactions, the management and the Corporate Secretary are welcome to answer.*

- (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 Revised Manual on Corporate Governance provides the role of the corporate secretary as follows:*

*The Corporate Secretary is an officer of the company. As such, a high level of competence and dedication to duty is expected of him. He must be loyal to the mission, vision and objectives of the Company.*

*The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.*

*Considering his varied functions and duties, he must possess some level of competence not only in legal matters but also in other areas deemed necessary for him to perform the tasks assigned to him. He must possess appropriate administrative, interpersonal and legal skills, be aware of the laws, rules and regulations necessary in the performance of their duties or responsibilities. He must also have a working knowledge of the operations of the company.*

*Duties and Responsibilities:*

- *Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.*
- *As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.*
- *Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations. 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, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.*
- *Ensure that all Board procedures, rules and regulations are strictly followed by the members.*
- *If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided in this Manual.*

*To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer.*

*Duties and Responsibilities:*

*The Compliance Officer shall perform the following duties:*

- *Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;*
- *Appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified.*
- *Determine violations of the Manual and recommend the appropriate penalty for violation thereof for further review and approval of the Board;*
- *Issue a certification or attest on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reasons for the deviation from the same; and*
- *Identify, monitor and control compliance risks.*

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

*The company's corporate secretary is one of the partners of Tan Venturanza Valdez law office. He has extensive experience in corporate housekeeping having handled 13 corporations as corporate secretary and 22 corporations as assistant corporate secretary of local and multinational firms including those listed in the Philippine Stock Exchange. He earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University.*

- (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



<b>Committee</b>	<b>Details of the procedures</b>
Executive	
Audit	
Nomination	
Remuneration	
Others (specify)	

*The Directors are notified of the agenda a week before the meeting but the board materials are provided on the day of the meeting. [Advance soft copies of the board materials were sent through email for their initial reading.](#) Any information that the directors asked to the Management is answered by the concerned officer.*

#### 6) External Advice

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

<b>Procedures</b>	<b>Details</b>

*The members, either individually or as a Board, and in furtherance of their duties and responsibilities should have access to independent professional advice at the corporation's expense. Part of every Board Committee's Charter is the provision of the Committee's authority to retain outside advisors.*

#### *Nomination Committee Charter (Annex A of the Revised Manual on Corporate Governance)*

*Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, including the sole authority to retain and terminate search firms used to identify Director candidates, and to approve any such search firm's fees and other retention terms."*

#### *Compensation Committee Charter (Annex B of the Revised Manual on Corporate Governance)*

*Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, including the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director, Chief Executive Officer or other senior executive compensation and to approve any such compensation consultant's fees and other retention terms."*

#### *Audit and Risk Committee Charter (Annex C and D of the Revised Manual on Corporate Governance)*

*Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist the Committee in the performance of its functions. The Committee shall have the sole authority to approve related fees and retention items. The Company will provide appropriate funding, as determined by the Committee, for Compensation to any such advisors engaged by the Committee."*

#### *Governance Committee Charter (Annex E of the Revised Manual on Corporate Governance)*

*Part V-Outside Advisor: "The Committee shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions and to approve their fees and other retention terms."*

*Executive Committee Charter (Annex F of the Revised Manual on Corporate Governance)*

*Part V-Outside Advisor: “The Committee shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions and to approve their fees and other retention terms.”*

*Outside advisors who meet the minimum requirements of the Board Committees based on the terms of references and who has the relatively best offer price and competency will be chosen. Outside advisors that will be sought should be well-known expert on the field the advisory is called for.*

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
<i>none</i>	<i>none</i>	<i>none</i>

**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		
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

*Annex B – Compensation and Remuneration Committee Charter:*

*“The Compensation Committee assists the Board and the Company’s management in defining the Company’s executive compensation policy and in carrying out various responsibilities relating to compensation of the Company’s executive officers and directors, including: evaluating and approving the compensation of the Chief Executive Officer and evaluating and recommending to the Board compensation to all other executive Officers; reviewing and recommending to the Board compensation to non-employee directors and overseeing the development and administration of the Company’s equity compensation and benefit plans.*

*The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The Compensation and Remuneration committee should however ensure that compensation levels are consistent with the Corporation’s financial capability as well as reasonable industry standards.”*

Although compensation of division heads and below is based on a schedule of pay scale with category per level and pay range per level, the remuneration of the Executive Chairman and other key personnel (Assistant Vice President and up) is open for negotiation with consideration of the executive's academic qualifications, length of experience, previous compensation package, field of expertise, etc.

Since the Executive Chairman is an executive and director, apart from his compensation (e.g. basic salary, 13<sup>th</sup> month pay and other benefits) as an executive, he shall receive per diem as a director for every Board and Committee Meeting attended. If bonus will be paid as, the Executive Chairman shall receive bonus both as an executive and as a director.

If other key management officers are not directors, they shall receive compensation which includes basic salary, 13<sup>th</sup> month pay and other benefits and if recommended by the Compensation Committee and subsequently approved by the Board of Directors, bonus shall also be paid.

Other than the Executive Chairman and the President, officers who are also directors receive only compensation and bonus as an executive officer. No per diem and bonus is paid for their attendance during the Board and Committee Meetings.

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.

	<b>Remuneration Policy</b>	<b>Structure of Compensation Packages</b>	<b>How Compensation is Calculated</b>
Executive Directors			
Non-Executive Directors			

Remuneration Policy:

The Compensation and Remuneration Committee shall review and if necessary establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.

The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The Compensation and Remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards.

Structure of Compensation Packages:

Executive Directors (director who is also the head of a department or unit of the corporation or performs any work related to its operation) receive compensation (e.g. basic salary, 13<sup>th</sup> month pay and other benefits) as an executive and per diem as a director for every Board and Committee Meeting attended. If bonus will be paid, the executive directors receive bonus both as an executive and as a director.

Non-executive Directors (director who is not the head of a department or unit of the corporation nor performs any work related to its operation) receive per diem for every Board and Committee Meeting attended. If bonus will be paid, the non-executive directors receive bonus which is pro-rated based on director's attendance.

Other than the Executive Chairman and the President, officers who are also directors receive only compensation and bonus as an executive officer. No per diem and bonus is paid for their attendance during the Board and Committee Meetings.

How Compensation is Calculated:

The regular directors receive Php 10,000 while the Independent Directors and Chairman of the Board receive Php 15,000 as per diem for every board and committee meeting. As provided in Section 1, Article V of the company Amended By-Laws, a bonus may be distributed to the members of the Board of Directors, officers and employees. The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

Section 7 of Article II (BOARD OF DIRECTORS) of the company's Amended By-Laws:

**COMPENSATION:**

Directors as such shall receive such compensation for their services as may be from time to time fixed by the stockholders.

Section 2 of Article III (OFFICERS, AGENTS AND EMPLOYEES) of the company's Amended By-Laws:

**COMPENSATION:**

The Compensation of all officers elected or appointed by the Board of Directors shall be fixed by the Board.

Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws:

**BONUS:**

The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.

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.

<b>Remuneration Scheme</b>	<b>Date of Stockholders' Approval</b>
<p>Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws:</p> <p><b>BONUS:</b></p> <p>The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.</p> <p><b>INCREASE OF PER DIEM:</b></p> <p>The Board of Directors approved the increase of per diem as recommended by the Compensation Committee. The regular directors receive Php 10,000 while the Independent Directors and Chairman of the Board receive Php 15,000 as per diem for every board and committee meeting.</p>	<p>As amended by the Board of Directors on March 12, 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on June 27, 2011. The Securities and Exchange Commission (SEC) approved the Amended By-Laws on June 13, 2012.</p> <p>All acts of the Board of Directors and Officers will be confirmed, ratified and approved in the succeeding Annual Stockholders' Meeting.</p>

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	<u>Php 16,969,480.82</u>	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance*	<u>220,000.00</u>	<u>Php 190,000.00</u>	<u>Php 395,000.00</u>
(d) Bonuses	<u>788,096.60</u>	<u>905,532.99</u>	<u>322,512.56</u>
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)			
<b>Total</b>	<u>Php 17,977,577.42</u>	<u>Php 1,095,532.99</u>	<u>Php 717,512.56</u>

\* includes travel allowance

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	<u>3,171.12</u>	-	-
(f) Hospitalization Plan	<u>64,411.92</u>	-	-
(g) Car Plan	<u>1,037,362.92</u>	-	-
(h) Others (Specify)			
<b>Total</b>	<u>Php 1,104,945.96</u>	-	-

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	Number of Equivalent Shares	Total % from Capital Stock
none	n/a	n/a	n/a	n/a

(b) Amendments of Incentive Programs

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

<b>Incentive Program</b>	<b>Amendments</b>	<b>Date of Stockholders' Approval</b>															
<i>Compensation (Bonus)</i>	<p><i>Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws:</i>  <b>BONUS:</b>  <i>The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.</i></p>	<p><i>As amended by the Board of Directors on March 12, 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on June 27, 2011. The Securities and Exchange Commission (SEC) approved the Amended By-Laws on June 13, 2012.</i></p>															
<i>Vacation and Sick Leave Benefits</i>	<p><i>1.) Uniform fifteen (15) vacation leaves and fifteen (15) sick leaves for all regular employees with at least one (1) year of service with the Corporation.</i></p> <p><i>*Clarified on September 18, 2013 Compensation Committee Meeting the following schedule of vacation and sick leave credits:</i></p> <table border="1" data-bbox="555 1294 1133 1507"> <thead> <tr> <th><u>Years In Service</u></th> <th><u>Vacation Leave Credits</u></th> <th><u>Sick Leave Credits</u></th> </tr> </thead> <tbody> <tr> <td><i>0 &lt; 1 year</i></td> <td><i>5 days/year</i></td> <td><i>5 days/year</i></td> </tr> <tr> <td><i>1 &lt; 3 years</i></td> <td><i>7.5 days/year</i></td> <td><i>7.5 days/year</i></td> </tr> <tr> <td><i>3 &lt; 7 years</i></td> <td><i>10 days/year</i></td> <td><i>10 days/year</i></td> </tr> <tr> <td><i>7 years &amp; up</i></td> <td><i>15days/year</i></td> <td><i>15days/year</i></td> </tr> </tbody> </table> <p><i>2.) None of the leave credits shall be convertible to cash.</i></p> <p><i>3.) Sick leaves may be cumulated. Vacation leaves may not be cumulated.</i></p>	<u>Years In Service</u>	<u>Vacation Leave Credits</u>	<u>Sick Leave Credits</u>	<i>0 &lt; 1 year</i>	<i>5 days/year</i>	<i>5 days/year</i>	<i>1 &lt; 3 years</i>	<i>7.5 days/year</i>	<i>7.5 days/year</i>	<i>3 &lt; 7 years</i>	<i>10 days/year</i>	<i>10 days/year</i>	<i>7 years &amp; up</i>	<i>15days/year</i>	<i>15days/year</i>	<p><i>All acts of the Board of Directors and Officers will be confirmed, ratified and approved in the succeeding Annual Stockholders' Meeting <a href="#">on May 9, 2014</a>.</i></p>
<u>Years In Service</u>	<u>Vacation Leave Credits</u>	<u>Sick Leave Credits</u>															
<i>0 &lt; 1 year</i>	<i>5 days/year</i>	<i>5 days/year</i>															
<i>1 &lt; 3 years</i>	<i>7.5 days/year</i>	<i>7.5 days/year</i>															
<i>3 &lt; 7 years</i>	<i>10 days/year</i>	<i>10 days/year</i>															
<i>7 years &amp; up</i>	<i>15days/year</i>	<i>15days/year</i>															

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: (2014)

Name of Officer/Position	Total Remuneration
Marie Antonette U. Quinito/Controller	<u>Php 9,224,027.30</u>
John L. Batac/Vice President – Construction & Development	
Arturo A. Perlas/Vice President – External Affairs	
Ma. Milagros M. Yu/Credit & Collection Manager	
Ma. Theresa M. Alcantar/Senior Sales and Marketing Manager	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	Two (2)	One (1)		Yes			
Audit and Risk		One (1)	Two (2)	Yes			
Nomination	One (1)		Two (2)	Yes			
Remuneration		One (1)	Two (2)	Yes			
Others (specify)							
Governance		One (1)	Two (2)	Yes			
Corporate Culture and Values Formation		One (1)	Two (2)	Yes			

*Functions, Key Responsibilities and Power*

**EXECUTIVE COMMITTEE (Annex F of the Revised Manual on Corporate Governance)**

**Purpose:** *The purpose of the Executive Committee (the “Committee”) is to act on behalf of the Board of Directors (the “Board”) between Board meetings.*

*The Executive Committee may exercise all of the powers of the Board (except those power expressly reserved by the applicable law to the Board) in the management and direction of the business and conduct of the affairs of the Company, subject to any specific directions given by the Board.*

**Key Responsibilities:** *The Committee shall have all the authority of the Board, except that it shall not have authority to:*

- 1.) *Approve any action for which shareholders' approval is also required;*
- 2.) *Fill vacancies in the Board or in any committee thereof;*
- 3.) *Amend or repeal the By-laws, or adopt new By-laws;*
- 4.) *Amend or repeal any resolution of the Board that which, by its express terms, is not so amenable or repealable;*
- 5.) *Distribute cash dividends to the shareholders;*
- 6.) *Fix the compensation of Directors for serving on the Board or any committee thereof;*
- 7.) *Fix or amend the compensation, benefits or perquisites of the Chief Executive Officer;*
- 8.) *Take any action that the Corporation Code of the Philippines or the Company's By-Laws prohibit the Board from delegating to a committee; or*
- 9.) *Take any action required by the rules or regulations of the Securities and Exchange Commission or the Philippine Stock Exchange to be approved by the full Board or by another committee of the Board.*

**AUDIT AND RISK COMMITTEE (Annex C and D of the Revised Manual on Corporate Governance)**

**Purpose:** *The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of A Brown Company, Inc. (the "Company") is to represent and assist the Board in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. Management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements.*

**Key Responsibilities:** *The primary responsibility of the Committee is to oversee the Company's financial controls and reporting processes on behalf of the Board and report the results of its activities to the Board. The Committee may perform such other duties and responsibilities as are consistent with its purpose and as the Board or the Committee deems appropriate:*

- 1.) **Independent auditors.** *The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company.*
- 2.) **Audit services.** *The Committee shall discuss with the independent auditors the overall scope and plans for their respective audits including their respective responsibilities and the adequacy of staffing and compensation. The Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent auditors.*
- 3.) **Permissible non-audit services.** *The Committee shall establish policies and procedures for the engagement of the independent auditors to provide permissible non-audit services, which shall include pre-approval of permissible non-audit services to be provided by the independent auditors. The Committee may, from time to time, delegate its authority to pre-approve non-audit services to one or more Committee members, provided that such delegate(s) present any such approvals to the full Committee at its next scheduled meeting.*
- 4.) **Review of interim financial statements; earnings releases.** *The Committee shall review the interim financial statements, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management prior to the filing of the Company's Quarterly Report on SEC Form 17-Q.*
- 5.) **Review of annual audited financial statements.** *The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on SEC Form 17-A (or the annual report to shareholders), including (a) their judgment about quality, not just acceptability, of the Company's accounting principles, including significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (b) the clarity of the disclosures in the financial statements; and (c) the Company's disclosures under Management's*



*Discussion and Analysis of Financial Condition and Results of Operations, including critical accounting policies.*

- 6.) **Internal controls, disclosure controls and procedures.** *The Committee will review and discuss with management and the independent auditors the Company's internal controls. The Committee will review and discuss the Company's disclosure controls and procedures, and the periodic assessments of such controls and procedures by the President and Treasurer.*
- 7.) **Complaint procedures.** *The Committee will establish procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls, and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.*
- 8.) **Risk Assessment.** *The Committee will review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.*
- 9.) **Related-Party Transactions.** *The Committee will review and have prior-approval authority for related-party transactions (as defined in the applicable Philippine Stock Exchange listing standards).*
- 10.) **Hiring of auditor personnel.** *The Committee shall set clear hiring policies with regard to employees and former employees of the independent auditors.*
- 11.) **Charter.** *The Committee shall periodically (but no less than annually) review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.*
- 12.) **Annual performance evaluation.** *The Committee shall annually review its own performance.*
- 13.) **Investigative authority.** *In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.*
- 14.) **Training and Education.** *As part of their continuing education, each member shall attend seminar on corporate governance conducted by a duly recognized private or government institute and accredited by the Securities and Exchange Commission. Each member is also encouraged to attend seminars and trainings relevant to their performance as members of the Audit Committee, e.g. financial reporting and audit, internal control, risk management and others.*

**Purpose:** *The Risk Committee is established for the purpose of assisting the Board in overseeing the company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The Risk Committee will assist the board in providing framework to identify, assess, monitor and manage the risks associated with the company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with company's risk profile.*

**Key Responsibilities:** *The Committee shall have the authority of the Board to:*

- 1.) *Oversee the company's risk management function*
- 2.) *Develop a formal risk management policy that guides the company's risk management and compliance processes and procedures*
- 3.) *Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks*
- 4.) *Discuss and review policies with respect to risk assessment and risk management including the company's major financial and business risk exposures and the actions the management has undertaken to control them*
- 5.) *Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not*
- 6.) *Monitor the management of significant risk to reduce the likelihood of unwelcome surprises*
- 7.) *Satisfy itself that less significant risks are being actively managed with the appropriate controls in place and working effectively*
- 8.) *Annually review the company's approaches to risk management and recommends to the Board changes or improvements to key elements of its processes and procedures.*

- 9.) *Perform other activities consistent with this charter, the company's by-laws and governing law as the Committee or the Board deems necessary or appropriate*

#### ***NOMINATION COMMITTEE (Annex A of the Revised Manual on Corporate Governance)***

***Purpose:*** *The purposes of the Nomination Committee (the "Committee") is to identify individuals qualified to become members of the Board of Directors (the "Board") and, consistent with criteria approved by the Board, recommend that the Board select the Director nominees for the next annual meeting of stockholders.*

*It shall prescreen and short list all candidates nominated to become a member of the board of directors in accordance with the qualifications criteria and grounds for disqualification provided in Annex "H" hereof.*

*In consultation with the executive or management committees, review at regular intervals and if so necessary redefine the role, duties and responsibilities of the Chief Executive Officer with the aim of maintaining at all times acceptable standards of good governance.*

#### ***Key Responsibilities:***

- 1.) Develop and recommend for approval by the Board a set of criteria for Board membership. Identify, evaluate and attract qualified individuals to become Directors who satisfy such criteria. Make recommendations to the Board regarding Director candidates for membership on the Board, including the slate of Director nominees to be proposed by the Board for election by the stockholders at the annual meeting of stockholders and any director nominees to be elected by the Board to fill interim director vacancies. Establish and follow procedures for the recommendation of Director candidates by the Company's stockholders and the consideration by the Governance Committee of Director candidates so recommended.*
- 2.) Assess the contributions and independence of incumbent Directors in determining whether to recommend them for re-election to the Board at the annual meeting of stockholders.*
- 3.) Make recommendations to the Board on such matters as the retirement age, tenure and removal of Directors.*
- 4.) Manage the Board performance review process and review the results with the Board on an annual basis.*
- 5.) Recommend to the Board candidates for appointment to Board committees and consider periodically rotating Directors among the committees.*
- 6.) Review directorships in other public or private companies (excluding charitable or non-profit organizations) held by or offered to Directors and executive officers of the Company.*
- 7.) Review and assess the channels through which the Board receives information and the quality and timeliness of information received.*
- 8.) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.*

#### ***COMPENSATION AND REMUNERATION COMMITTEE (Annex B of the Revised Manual on Corporate Governance)***

*The Compensation Committee assists the Board and the Company's management in defining the Company's executive compensation policy and in carrying out various responsibilities relating to compensation of the Company's executive officers and directors, including: evaluating and approving compensation of the Chief Executive Officer and evaluating and recommending to the Board compensation to all other executive officers; reviewing and recommending to the Board compensation to non-employee directors; and overseeing the development and administration of the Company's equity compensation and benefit plans.*

***Purposes:*** *The Committee shall review and if necessary establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.*

*The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The compensation and remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards.*

*Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all officers and directors, which should require all officers and directors to declare under the penalty of perjury all their existing business interests or share holdings that may directly or indirectly conflict with their performance of duties to the Corporation. Such Disclosures should be updated at least every year. It should be clear that it is mandatory for officers and directors even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.*

**Key Responsibilities:**

- 1.) *Assist management and the Board in defining an executive compensation policy that (a) attracts, retains and appropriately rewards key executives of the Company, (b) links compensation with achievement of the Company's business objectives and (c) aligns the interests of key executives with the long-term interests of the Company's stockholders.*
- 2.) *Annually (or bi-annually in the case of bonus amounts) review and approve corporate goals and objectives relevant to the base salary, bonus amount and other compensation of the Chief Executive Officer/President and the Company's other officers.*
- 3.) *Evaluate the performance of each of the Chief Executive Officer/President and the Company's other officers in light of those goals and objectives and determine and approve the compensation level, including base salary, bonus amount and other compensation, if any, of each such officer based on this evaluation and other relevant factors. Evaluation of the Chief Executive Officer/President's performance shall be made in consultation with the Governance Committee.*
- 4.) *Make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including overseeing the development of new compensation plans and the revision of old plans.*
- 5.) *Administer the Company's incentive compensation and equity-based plans, and approve restricted stock awards, stock option grants and other equity-based or incentive awards under these plans, including any performance criteria relating to these plans or any awards.*
- 6.) *Review the Company's employee benefit plans and either recommend plan changes to the Board or amend such plans, subject where required by shareholder approval.*
- 7.) *Recommend to the Board retainer, other compensation, and attendance fees, including Board committee attendance fees, for non-employee Directors.*
- 8.) *Annually review and discuss with the Company's management the Compensation Disclosure to be included in the Company's annual report and SEC Form 17-A and 17-IS.*
- 9.) *Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.*
- 10.) *Evaluate annually the performance of the Committee and the adequacy of this Charter.*
- 11.) *Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.*

**GOVERNANCE COMMITTEE (Annex E of the Revised Manual on Corporate Governance)**

**Purposes:** *The Governance Committee shall oversee the formulation or review and implementation of the corporate governance structure and policies of the company; and assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and the individual Board members in carrying out their functions as set out in this manual and the respective charters of the Board Committees.*

**Key Responsibilities:**

- 1.) *Develop and recommend to the Board a set of corporate governance principles and review and recommend changes to these principles, as necessary.*
- 2.) *Review and make recommendations to the Board regarding proposals of stockholders that relate to corporate governance.*
- 3.) *Take such steps as the Committee deems necessary or appropriate with respect to assessments of the performance of the Board, each other Board committee, and itself, at least annually. Review and reassess the adequacy of this Charter at least annually.*
- 4.) *Oversee the evaluation of the Chief Executive Officer/President by the Board and the Compensation Committee.*

- 5.) *Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.*

**COMMITTEE ON CORPORATE CULTURE AND VALUES FORMATION**  
**(Annex G of the Revised Manual on Corporate Governance)**

**Purposes:** *The purpose of forming this committee is to promote, foster & institutionalize the corporate vision, mission, core values, good corporate governance & ethical conduct among the board of directors, officers & employees of the company.*

**Key Responsibilities:** *The Committee shall have the authority of the Board as follows:*

- 1.) *Formulate strategies that will foster, imbibe, translate & institutionalize into action plans the corporate vision, mission & core values, such that the policies, decision and lifestyle of the Brown Group, individually & collectively, are founded on them.*
- 2.) *Provide policy guidance and facilitate compliance with the good corporate governance, code of ethics & business practices.*
- 3.) *Look into ways to continuously enhance high standard of business conduct & ethics in the company.*
- 4.) *Adopt a process to insure the Committee members revisit/review the vision, mission & core values statements periodically.*
- 5.) *Such other functions that are necessary, implied and incidental to the exercise of the authority/responsibility so conferred.*

2) Committee Members

(a) **Executive Committee** (*From January 1 to December 31, 2014*) – *Election was held on May 9, 2014 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	<i>Annabelle P. Brown</i>	<i>July 2003 to present</i>	<i>Three (3)</i>	<i>Three (3)</i>	<i>100%</i>	<u><i>Eleven years &amp; Five months</i></u>
Member (ED)	<i>Walter W. Brown</i>	<i>August 2007 to present</i>		<i>Three (3)</i>	<i>100%</i>	<u><i>Seven years &amp; Four months</i></u>
Member (ED)	<i>Robertino E. Pizarro</i>	<i>July 2003 to present</i>		<i>Three (3)</i>	<i>100%</i>	<u><i>Eleven years &amp; Five months</i></u>
Member (NED)						
Member (ID)						

(b) **Audit and Risk Committee** (*From January 1 to December 31, 2014*) – Election was held on *May 9, 2014* and shall hold office until their successors are elected and qualified unless removed from office as provided by law.

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	<i>Elpidio M. Paras</i>	<i>June 2002 to present</i>	<i>Four (4)</i>	<i>Four (4)</i>	100%	<i>Twelve years &amp; Six months</i>
Member (ED)						
Member (NED)	<i>Gerardo Domenico Antonio V. Lanuza</i>	<i>August 2010 to present</i>		<i>Zero (0)</i>	0%	<i>Three years &amp; Four months</i>
Member (ID)	<i>Thomas G. Aquino</i>	<i>March 2012 to present</i>		<i>Four (4)</i>	100%	<i>Two years &amp; Ten months</i>
Member						

Disclose the profile or qualifications of the Audit Committee members.

The Audit and Risk Committee members profile or qualifications are as follows:

**ELPIDIO M. PARAS, Independent Director –**

*Engr. Elpidio M. Paras, Filipino, 62, Independent Director, June 28, 2002 to present. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974). He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), Arriba Telecontact, Inc. (2005 - present), Trustee - Promote CDO Foundation, Inc. (2005 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to present) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005) and Hagdan sa Pag-uswag Foundation, Inc. He is also a member of PhilAAPA (Philippine Association of Amusement Parks & Attractions), and Director of Maria Reyna-Xavier University Hospital, Inc. (MRXUH). He was also three time Pres. and Chairman of the Philippine Cable TV Association.*

**THOMAS G. AQUINO, Independent Director -**

*Dr. Thomas G. Aquino, Filipino, 65, March 12, 2012 to present. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and international trade negotiations.*

*He is Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He specializes in economic policy related to reinvigorating manufacturing for regional and global competition. He is Chairman of NOW Corporation, a publicly listed firm engaged in telecommunications, media and technology, and an Independent Director of Alsons Consolidated Resources Inc., also a publicly listed firm involved in property development and power generation in Mindanao. He is Vice-Chairman of Knowledge Professionals Service Cooperative Inc., a cooperative among knowledge professionals committed to advance Philippine IT competencies in various fields of endeavor.*

*Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade partners and led the country's trade negotiations work in the World Trade Organization and Asean Free Trade Agreement and representation in Asia Pacific Economic Cooperation. He was the lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was*

*recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines.*

*He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from the Graduate School of CRC (now UA&P) in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.*

**GERARDO DOMENICO ANTONIO V. LANUZA, Director -**

*Mr. Gerardo Domenico V. Lanuza, Filipino, 31, Director, August 3, 2009 to present. He is a Director and Vice-President- Special Projects of Philippine Realty and Holdings Corp.; Director and Vice President of Campos, Lanuza & Co., Inc. and Director of Greenhills Properties, Inc., British United Automotive Corp. and Klassik Motors Corp. He finished his Legal Management course from the De La Salle University (2006).*

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

*The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is to represent and assist the Board in its general oversight of the Company’s accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. Management is responsible for preparing the Company’s financial statements and the independent auditors are responsible for auditing those financial statements.*

**Appointment, Compensation, Retention, Rotation and Oversight of Independent Auditors**

***Independent auditors.*** *The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company. The Company shall provide the appropriate funding, as determined by the Committee, for payment of compensation to the public accounting firm so engaged.*

*The independent auditor (external auditor) shall be selected and appointed by the stockholders upon the recommendation of the Audit Committee from the pool of duly accredited independent auditor by the regulatory authorities, e.g. Securities and Exchange Commission (SEC). The external auditor or the lead partner thereof primarily responsible for the audit of the company or the review thereof shall be rotated or changed at least once every five (5) years or as determined by the regulatory authorities.*

*The Committee shall also be responsible for: (a) ensuring its receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with Philippine Standards on Auditing and Philippine Financial Reporting Standards, (b) actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and (c) taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor. In connection with these responsibilities, the Committee shall discuss the auditor’s independence from management and the Company, including whether the auditors’ performance of permissible non-audit services is compatible with their independence. This process will include, at least annually, the Committee’s review of the independent auditors’ internal control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the auditor’s independence) all relationships between the independent directors and the Company. The Company shall review the use of auditors other than the independent auditor in cases such as management’s request for second opinions.*

**Approval of Audit Engagement and the Related Audit Scope and Audit Plans**

The Committee shall pre-approve all audit plans, scope and frequency before the conduct of the external and internal audit.

**Audit services.** The Committee shall discuss with the independent external and internal auditors the overall scope and plans for their respective audits including their respective responsibilities and the adequacy of staffing and compensation. The Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent auditors.

**Permissible non-audit services.** The Committee shall establish policies and procedures for the engagement of the independent external auditors to provide permissible non-audit services, which shall include pre-approval of permissible non-audit services to be provided by the independent external auditors. The Committee may, from time to time, delegate its authority to pre-approve non-audit services to one or more Committee members, provided that such delegate(s) present any such approvals to the full Committee at its next scheduled meeting.

**Review of Financial Reports**

The Committee shall check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. It shall review the reports submitted by the internal and external auditors. It shall review interim and annual financial statements before the submission to the Board with particular focus on the following matters: 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 compliance with tax, legal and regulatory requirements.

**Review of annual audited financial statements.** The Committee shall review with management and the independent auditors the financial statements to be included in the Company’s Annual Report on SEC Form 17-A (or the annual report to shareholders), including (a) their judgment about quality, not just acceptability, of the Company’s accounting principles, including significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (b) the clarity of the disclosures in the financial statements; and (c) the Company’s disclosures under Management’s Discussion and Analysis of Financial Condition and Results of Operations, including critical accounting policies.

- (c) **Nomination Committee** (From January 1 to December 31, 2014) – Election was held on May 9, 2014 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Thomas G. Aquino	March 2012 to present	One (1)	One (1)	100%	<u>Two years &amp; Ten months</u>
Member (ED)	Walter W. Brown	August 2010 to present		One (1)	100%	<u>Four years &amp; Four months</u>
Member (NED)						
Member (ID)	Elpidio M. Paras	December 2002 to August 2010; July 2011 to present		One (1)	100%	<u>Eleven years &amp; One month</u>
Member						

(d) **Remuneration Committee** (From January 1 to December 31, 2014) – Election was held on May 9, 2014 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	<i>Thomas G. Aquino</i>	<i>March 2012 to present</i>	<i>One (1)</i>	<i>One (1)</i>	100%	<i>Two years &amp; Ten months</i>
Member (ED)						
Member (NED)	<i>Annabelle P. Brown</i>	<i>July 2002 to present</i>		<i>One (1)</i>	100%	<i>Twelve years &amp; Five months</i>
Member (ID)	<i>Elpidio M. Paras</i>	<i>July 2002 to present</i>		<i>One (1)</i>	100%	<i>Twelve years &amp; Five months</i>
Member						

(e) Others (Specify)

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

**Governance Committee** (From January 1 to December 31, 2014) – Election was held on May 9, 2014 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	<i>Elpidio M. Paras</i>	<i>July 2008 to present</i>	<i>One (1)</i>	<i>One (1)</i>	100%	<i>Six years &amp; Five months</i>
Member (ED)						
Member (NED)	<i>Antonio S. Soriano</i>	<i>July 2008 to present</i>		<i>One (1)</i>	100%	<i>Six years &amp; Five months</i>
Member (ID)	<i>Thomas G. Aquino</i>	<i>March 2012 to present</i>		<i>One (1)</i>	100%	<i>Two years &amp; Ten months</i>
Member						

**Corporate Culture and Values Formation Committee** (From January 1 to December 31, 2014) – Election was held on May 9, 2014 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	<i>Annabelle P. Brown</i>	<i>July 2011 to present</i>	<i>One (1)</i>	<i>One (1)</i>	100%	<i>Three years &amp; Five months</i>
Member (ED)						
Member (NED)						
Member (ID)	<i>Thomas G. Aquino</i>	<i>March 2012 to present</i>		<i>One (1)</i>	100%	<i>Two years &amp; Ten months</i>
Member (ID)	<i>Elpidio M. Paras</i>	<i>July 2011 to present</i>		<i>One (1)</i>	100%	<i>Three years &amp; Five months</i>



3) Changes in Committee Members (From January 1 to December 31, 2014)

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

Name of Committee	Name	Reason
Executive	<u>none</u>	
Audit	<u>none</u>	
Nomination	<u>none</u>	
Remuneration	<u>none</u>	
Others (specify)		
Governance	<u>none</u>	
Corporate Culture and Values Formation	<u>none</u>	

All members of the Committees are the same in the Organizational Meeting held on May 9, 2014, July 10, 2013 and August 23, 2012.

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
Audit	<p>a.) In relation to the external audit findings discussed by the External Auditors, the “action points” was presented to the Audit Committee noted by the respective responsible officers of the Company and the subsidiaries. The Committee noted the action points presented.</p> <p>b.) The Audit Committee approved the Draft Audited Parent and Consolidated Financial Statements and endorsed the same for approval by the Board of Directors.</p> <p>c.) The representative of the Company’s Internal Auditor, Bacong Patriana &amp; Co., presented and discussed their findings on certain issues of <u>Construction Materials Inventory, Receivables – ABERDI, Revenues, Plant, Property and Equipment(PPE)- BRC</u> and the corresponding actions taken by the Management toward the issues.</p> <p>d.) The Audit Committee noted and approved the related party transactions.</p> <p>e.) <u>The Audit Committee approved the 2014 Internal Audit Fees.</u></p>	<p>a.) External audit findings for Audit of Financial Statements</p> <p>b.) Approval of Audited Financial Statements of the Parent Company as well as the Consolidated Financial Statements.</p> <p>c.) Internal Audit Report for a specific period</p> <p>d.) Related Party Transactions- <u>Sale ABCI’s BRC shares to Sps. Walter W. Brown and Annabelle P. Brown or to the entity they will designate; sale of several parcel of lands located in Xavier Estates in Cagayan de Oro City to Spouses Walter W. Brown and Annabelle P. Brown or to the entity they designate; sale of land to Brown Resources Corp. (BRC) of the land where the chalets of BRC stand</u></p> <p>e.) Approval of the internal audit fees</p>

	<p>f.) <a href="#"><u>The Audit Committee approved the 2015 Internal Audit Plan and 2014 External Audit Plan</u></a></p> <p>g.) <i>The representative of the Company's Internal Auditor, Bacong Patriana &amp; Co., presented and discussed their findings on certain issues of Inventory and monitoring of land titles, audit on <a href="#"><u>cash counts and cash handling</u></a>, inventory count observation on Talakag Crushing plant, Sales Documentation, Audit on Recruitment, Hiring Process, and Payroll Transactions <a href="#"><u>and Information Technology Controls</u></a>. The Committee noted the issues discussed.</i></p>	<p>f.) Approval of Internal and External Audit Plan</p> <p>g.) Internal Audit Findings</p>
Nomination	<p>a.) <i>The Nomination Committee endorsed the nominations given in favor of Messrs. Elpidio M. Paras (by <a href="#"><u>Mr. Roel Z. Castro</u></a>) and Thomas G. Aquino (by <a href="#"><u>Atty. Rosa Anna Duavit-Santiago</u></a>) as nominees for independent directors and determined that these nominees possess all the qualifications and have none of the disqualifications of independent directors.</i></p>	<p>a.) <i>The nomination of independent directors for the ensuing year</i></p>
Remuneration	<p>a.) <i><a href="#"><u>The Compensation Committee noted the report on personnel and benefits comparing actual from budget; outsourcing initiatives conducted during the year with regard to human resource; investment performance of the retirement plan and update on application of the retirement plan for tax exemption.</u></a></i></p>	<p>a.) <i><a href="#"><u>The Committee is aware of the status of the number of personnel and the benefits paid with the comparison as to the actual incurred from the budget; the outsourcing initiatives to address employee turnover; the investment performance of the retirement plan and the update of the retirement plan's application for tax exemption.</u></a></i></p>
Others (specify)		
Governance	<p>a.) <i><a href="#"><u>The Governance Committee has recommended the approval of the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.</u></a></i></p> <p>b.) <i><a href="#"><u>The Governance Committee has recommended the approval of the Insider Trading Policy to apprise and ensure compliance of covered persons on their obligations under applicable securities laws and regulations of the SEC as well as the PSE Black-out Policy. Aside from complying with the law against insider trading (prohibition from trading Issuer's securities based on inside information and tipping or passing information to someone) as part of PSE and SEC regulations, the company is supporting the market-based principle of 'equal opportunity based on equal access of information'.</u></a></i></p>	<p>a.) <a href="#"><u>Approval of the Whistle-blower Policy</u></a></p> <p>b.) <a href="#"><u>Approval of the Insider Trading Policy</u></a></p>

Corporate Culture and Values Formation	<i>The Committee noted the discussion and planned to adopt the proposed programs on value formation and evaluation measures.</i>	a.) <i>Company program on value formation</i> b.) <i>Evaluation measures</i>
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## 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.

<b>Name of Committee</b>	<b>Planned Programs</b>	<b>Issues to be Addressed</b>
Executive	<i>Strategic Planning</i>	<i>To revisit and assess tactical and operating plans from previous year and prepare both plans for the incoming year in alignment to the strategic plans</i>
Audit	<i>External and Internal Audit Plan</i>	<i>To continuously monitor compliance to the company's internal control and processes, establish an overall strategy for the external audit so as to perform the engagement in an effective manner.</i>
Nomination	<i>Nomination List</i>	<i>To pre-qualify and shortlist nominees for election of directors including independent directors and to fill in possible vacancy in the Board.</i>
Remuneration	<i>Revisit the Appraisal System vis-à-vis the Grant of Bonus</i>	<i>To reward exemplary performance of employees meeting their key result areas (KRA)/deliverables and encourage employees to do better in their daily tasks.</i>
Others (specify)		
Governance	<u><i>Monitor compliance to new policies and draft new policies to strengthen Corporate Governance</i></u>	<u><i>To monitor compliance of new approved policies and to draft new policies to further strengthen Corporate Governance.</i></u>
Corporate Culture and Values Formation	<i>Reassess existing programs on value formation</i>	<i>To strengthen the corporate culture the company imbibes and live with by the directors, officers and employees</i>

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

*The Company's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and to fulfill the company's multi-faceted mission. However, these risks should be assessed in order to insure that effective mitigation strategies are employed to the greatest extent possible. Mitigation strategies should consider transferring or insuring risk, reducing the likelihood of the risk occurring, reducing the severity of the risk should it occur, avoiding the risk altogether, or accepting the risk, while continuing to monitor it to ensure it stays within the company's risk appetite. Risk management will effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.*

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

Key Responsibilities stated on the Risk Committee Charter:

*The Committee shall have the authority of the Board to:*

- 1. Oversee the company's risk management function.*
- 2. Develop a formal risk management policy that guides the company's risk management and compliance processes and procedures*
- 3. Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks*
- 4. Discuss and review policies with respect to risk assessment and risk management including the company's major financial and business risk exposures and the actions the management has undertaken to control them*
- 5. Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not*
- 6. Monitor the management of significant risk to reduce the likelihood of unwelcome surprises*
- 7. Satisfy itself that less significant risks are being actively managed with the appropriate controls in place and working effectively*
- 8. Annually review the company's approaches to risk management and recommends to the Board changes or improvements to key elements of its processes and procedures.*
- 9. Perform other activities consistent with this charter, the company's by-laws and governing law as the Committee or the Board deems necessary or appropriate*

- (b) Period covered by the review; -- *every fiscal year*

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

*The risk management system is reviewed by the Directors on a per annual basis every end of the year. This year, the Company outsourced experts to review, upgrade and update the risk management framework and processes based on the changes of business environment.*

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

*This year, the Company outsourced experts to review, upgrade and update the risk management framework and processes based on the changes of business environment.*

## 2) Risk Policy

- (a) Company

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

*The Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Company's principal financial instruments comprise of cash and cash equivalents, receivables, investment in equity securities, and bank loans. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The main purpose of bank loans is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade receivables, trade payables and accrued liabilities, which arise directly from operations. The Company's policies and guidelines cover credit risk, liquidity risk and interest rate risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any*

negative impact on the Company's results and financial position. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

The main risks arising from the use of financial instruments that have material effect on the company's position and performance are credit risk, liquidity risk, interest rate risk and equity price risk. The Company's Board of Director reviews and agrees with policies for managing each of these risks.

Aside from liquidity risk, credit risk and market risk (interest rate risk and equity price risk), the Company is also exposed to operational risks.

<b>Risk Exposure</b>	<b>Risk Management policy</b>	<b>Objective</b>
<i>Interest rate risk</i>	<i>In a trade-off between risk and return, the exposure to changes in interest rate need not necessarily be the completely eliminated but rather it should be to manage the impact of interest rate changes within self-imposed reasonable limits set after careful consideration of a range of possible interest rate environments with a balanced mix of fixed and variable rate.</i>	<i>The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by shaping the structure of balance and off-balance sheet items.</i>
<i>Credit risk</i>	<p><i>Sound credit risk management involves prudently managing the risk/reward relationship and controlling and minimizing credit risks across a variety of dimensions, such as quality, concentration, maturity, security and type of credit facility.</i></p> <p><i>Credit risk management includes identifying existing or potential credit risks to which the company is exposed in conducting its business activities and developing and implementing sound and prudent credit policies to effectively manage and control these risks;</i></p> <ul style="list-style-type: none"> <li><i>• developing and implementing effective credit granting, documentation and collection processes; and</i></li> <li><i>• developing and implementing comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the credit portfolio.</i></li> </ul>	<p><i>The objective of credit risk management is to mitigate the risk of incurring losses arising from counterparty defaults and/or failure to honor its financial or contractual obligations through credit analysis and review.</i></p> <p><i>While managing for the reduction of credit risk, other objective is customer retention to keep customers loyal to insure current and future sales.</i></p> <p><i>By researching and investigating an applicant's financial background, credit risk management is able to gauge the risk involved in doing business with prospective customer. For established customers, a credit review process should be employed to stay familiar with the credit situation of clients thereby allowing for credit limit adjustments and restructuring to reduce the company's credit risk.</i></p>
<i>Liquidity risk</i>	<i>The company's policy concerning liquidity is based on keeping a portfolio of liquid securities (e.g. money market instruments) and increasing stable sources of financing from deposits of customers.</i>	<i>The objective of liquidity risk management is to pay present and future debts (also potential) on time (or meeting financial obligations as they fall due), taking into account the nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of statement of financial position and contingent liabilities and commitments.</i>

<p><i>Equity price risk</i></p>	<p><i>The company should plan and strategize to reduce equity price risk in a two-pronged approach: protect stock value from high volatility and enhance returns.</i></p>	<p><i>The objective of equity price risk management is to reduce portfolio volatility and limit portfolio's equity exposure from market decline by providing downside protection and controlling volatility without curtailing the upside.</i></p>
<p><i>Operational risk –</i>  <i>1.) People risk –</i>  <i>*internal fraud,</i>  <i>external fraud,</i>  <i>incompetency,</i>  <i>work force interruption,</i>  <i>wrongful termination</i>  <i>2.)Process risk-</i>  <i>*valuation/model risk,</i>  <i>failure of internal</i>  <i>process,</i>  <i>exceeding limits,</i>  <i>project overruns,</i>  <i>inadequate project plan,</i>  <i>failure to adhere</i>  <i>internal &amp; external</i>  <i>compliance procedure,</i>  <i>security risk</i>  <i>3.) systems and</i>  <i>technology risk –</i>  <i>network failure,</i>  <i>external security</i>  <i>breaches,</i>  <i>failure to integrate or</i>  <i>migrate with/from</i>  <i>existing systems,</i>  <i>4.)external risk –</i>  <i>legal risk,</i>  <i>regulatory risk,</i>  <i>political risk</i></p>	<p><i>Management should evaluate the adequacy of tools and techniques both in terms of its efficiency and effectiveness. Steps should be taken to design and implement cost- effective solutions to reduce the operational risk to an acceptable level.</i></p>	<p><i>The objectives of operational risk management is to monitor assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions, including the extent to which identifiable risks can be transferred outside the company; and ensuring that adequate controls and systems are in place to identify and address problems before they become major concerns.</i></p>

(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:

*The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's policies and guidelines cover credit risk, liquidity risk and interest rate risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.*

*The main risks arising from the use of financial instruments that have material effect on the company's position and performance are credit risk, liquidity risk, interest rate risk and equity price risk. The Group's Board of Director reviews and agrees with policies for managing each of these risks.*

*Aside from credit risk, liquidity risk and market risk (interest rate risk and equity price risk), the Group is also exposed to operational risks.*

<b>Risk Exposure</b>	<b>Risk Management policy</b>	<b>Objective</b>
<i>Interest rate risk</i>	<i>In a trade-off between risk and return, the exposure to changes in interest rate need not necessarily be the completely eliminated but rather it should be to manage the impact of interest rate changes within self-imposed reasonable limits set after careful consideration of a range of possible interest rate environments with a balanced mix of fixed and variable rate</i>	<i>The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by shaping the structure of balance and off-balance sheet items.</i>
<i>Credit risk</i>	<p><i>Sound credit risk management involves prudently managing the risk/reward relationship and controlling and minimizing credit risks across a variety of dimensions, such as quality, concentration, maturity, security and type of credit facility.</i></p> <p><i>Credit risk management includes identifying existing or potential credit risks to which the company is exposed in conducting its business activities and developing and implementing sound and prudent credit policies to effectively manage and control these risks;</i></p> <ul style="list-style-type: none"> <li><i>• developing and implementing effective credit granting, documentation and collection processes; and</i></li> <li><i>• developing and implementing comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the credit portfolio.</i></li> </ul>	<p><i>The objective of credit risk management is to mitigate the risk of incurring losses arising from counterparty defaults and/or failure to honor its financial or contractual obligations through credit analysis and review.</i></p> <p><i>While managing for the reduction of credit risk, other objective is customer retention to keep customers loyal to insure current and future sales.</i></p> <p><i>By researching and investigating an applicant's financial background, credit risk management is able to gauge the risk involved in doing business with prospective customer. For established customers, a credit review process should be employed to stay familiar with the credit situation of clients thereby allowing for credit limit adjustments and restructuring to reduce the company's credit risk.</i></p>
<i>Liquidity risk</i>	<i>The Group's policy concerning liquidity is based on keeping a portfolio of liquid securities (e.g. money market instruments) and increasing stable sources of financing from deposits of customers.</i>	<i>The objective of liquidity risk management is to pay present and future debts (also potential) on time (or meeting financial obligations as they fall due), taking into account the nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of statement of financial position and contingent liabilities and commitments.</i>
<i>Equity price risk</i>	<i>The Group should plan and strategize to reduce equity price risk in a two-pronged approach: protect stock value from high volatility and enhance returns.</i>	<i>The objective of equity price risk management is to reduce portfolio volatility and limit portfolio's equity exposure from market decline by providing downside protection and controlling volatility without curtailing the upside.</i>
<i>Operational risk – 1.) People risk –</i>	<i>Management should evaluate the adequacy of tools and techniques both</i>	<i>The objectives of operational risk management is to monitor</i>

<p><i>*internal fraud, external fraud, incompetency, work force interruption, wrongful termination</i></p> <p><i>2.) Process risk-</i></p> <p><i>*valuation/model risk, failure of internal process, exceeding limits, project overruns, inadequate project plan, failure to adhere internal &amp; external compliance procedure, security risk</i></p> <p><i>3.) systems and technology risk – network failure, external security breaches, failure to integrate or migrate with/from existing systems,</i></p> <p><i>4.) external risk – legal risk, regulatory risk, political risk</i></p>	<p><i>in terms of its efficiency and effectiveness. Steps should be taken to design and implement cost- effective solutions to reduce the operational risk to an acceptable level.</i></p>	<p><i>assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions, including the extent to which identifiable risks can be transferred outside the company; and ensuring that adequate controls and systems are in place to identify and address problems before they become major concerns.</i></p>
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(c) Minority Shareholders

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

<b>Risk to minority Shareholder</b>
<i>The principal risk of the exercise of controlling shareholder's voting power is the minority shareholders' inability to be represented in the Board of Directors.</i>

3) Control System Set Up

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Credit risk</i>	<i>Credit risk refers to the risk that a counter-party will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the company. The credit risk exposure of the financial assets includes: cash &amp; cash equivalents, accounts receivable, notes receivable and refundable deposits.</i>	<i>The company assesses the credit risk of clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and</i>



	<p><i>The credit risk measurement methods make it possible to reflect the credit risk in the price of products, determine the optimum cut-off levels and determine impairment allowances.</i></p> <p><i>Impairment allowances are based on the classification of credit quality as past due but not impaired and those impaired.</i></p> <p><i>Credit risk is measured using the five “Cs” of credit expert system; and internal rating system.</i></p>	<p><i>evaluating the client’s credit history obtained from external sources during credit investigation.</i></p> <p><i>The company reviews the methods used credit risk assessment, recognizing provisions and allowances, controlling and monitoring credit risk during the lending process and determining the quality and efficiency of restructuring and enforcement of the amounts receivable from clients.</i></p> <p><i>The company only transacts with recognized and creditworthy counterparties, follows strict credit policies and procedures in granting of credit to customers which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Company likewise monitors exposures through continuing assessment of creditworthiness of customers and monitoring of the aged schedules of receivables. Real estate buyers are subjected to standard credit check procedures which are calibrated based on payment scheme offered prior to sale. Transfer of ownership or title of real estate sold can only be done upon full payment of the agreed total contract price. The credit risk arising from counterparty defaults are monitored by classifying the quality per class as neither past due nor impaired, past due but not impaired and impaired.</i></p>
<p><i>Interest rate risk</i></p>	<p><i>Interest rate risk is the significant movements in interest rates that expose the firm to high borrowing costs, lower investment yields or decreased asset values. Cash in bank and cash equivalents, contract receivables for the financial assets and short-term and long-term debt for the financial liabilities are</i></p>	<p><i>The Company established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.</i></p>

	<p><i>exposed to interest rate fluctuations.</i></p> <p><i>The impact of changing interest rates on a portfolio consisting of various assets and liabilities can be measured by gap analysis and duration analysis.</i></p>	<p><i>To manage the interest rate risks on its interest income, the Company places the cash balances reputable banks and financial institutions on varying maturities and interest rate terms.</i></p>
Liquidity risk	<p><i>Liquidity risk refers to the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk can be measured by using liquidity gap analysis by comparing the company's liquid assets from its volatile liabilities.</i></p>	<p><i>The Company ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Company manages liquidity by maintaining adequate reserve and invests in short-term money market instruments. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects. Furthermore, long-term debts are used for financing when the business requirement calls for it to ensure adequate liquidity for its operations. Additional funding requirements may be obtained from related parties.</i></p>
Equity price risk	<p><i>Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The change in equity indices will likely change the fair value of the Available-for-sale equity instruments.</i></p> <p><i>The measure of risk used in the equity markets is typically the standard deviation of a security's price over a number of periods. The standard deviation will delineate the normal fluctuations one can expect in that particular security above and below the mean, or average.</i></p>	<p><i>Price risk associated with equities could be systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the latter is associated with price volatility that is determined by firm specific characteristics. The general market risk of equity cannot be eliminated through portfolio diversification but the specific risk/unsystematic can be diversified away.</i></p>
Operational risk – 1.) People risk – *internal fraud, external fraud, incompetency, work force interruption, wrongful termination 2.)Process risk- *valuation/model risk, failure of internal process,	<p><i>Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.</i></p> <p><i>Measurement of operational risk could be done by systematically tracking and recording frequency, severity and other information on individual loss events.</i></p> <p><i>Assessment of the feasibility of alternative risk limitation and control</i></p>	<p><i>The extent and nature of the controls adopted by the company encompasses such measures like orientation about Code of Conduct, proper delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training, dealing with customers,</i></p>

<p>exceeding limits, project overruns, inadequate project plan, failure to adhere internal &amp; external compliance procedure, security risk</p> <p>3.) systems and technology risk – network failure, external security breaches, failure to integrate or migrate with/from existing systems,</p> <p>4.) external risk – legal risk, regulatory risk, political risk</p>	<p>strategies as well as adjustment to operational risk profile using appropriate strategies, in light of the company's overall risk appetite and profile.</p>	<p>complaint handling, record keeping, MIS, physical controls, others.</p> <p>Appropriate controls should be in place to avoid misappropriation of assets: Defalcation can be avoided through cash counts and bank reconciliation of accounts. Past due accounts receivable can be reviewed through aging of accounts, Conduct periodic inventory counts and use computerized system. Independent checking should be done to check accurateness of the computation and use of passwords and firewalls as well as anti-virus and anti-malwares for any unauthorized access of data and the threat of loss of data due to viruses and malwares. Likewise, the company is enjoined to comply to employment or labor laws, regular monitoring of changes or updates to relevant laws and regulations and close coordination with regulatory agencies. The company prepares disaster recovery and business continuity plans to ensure its ability to operate as a going concern and minimize losses in the event of severe business disruption.</p>
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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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Credit risk	Credit risk refers to the risk that a counter-party will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The credit risk exposure of the financial assets includes: cash & cash equivalents, accounts receivable, notes receivable and refundable deposits.	The Group assesses the credit risk of clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment

	<p><i>The credit risk measurement methods make it possible to reflect the credit risk in the price of products, determine the optimum cut-off levels and determine impairment allowances.</i></p> <p><i>Impairment allowances are based on the classification of credit quality as past due but not impaired and those impaired.</i></p> <p><i>Credit risk is measured using the five “Cs” of credit expert system; and internal rating system.</i></p>	<p><i>involves scoring and evaluating the client’s credit history obtained from external sources during credit investigation.</i></p> <p><i>The Group reviews the methods used credit risk assessment, recognizing provisions and allowances, controlling and monitoring credit risk during the lending process and determining the quality and efficiency of restructuring and enforcement of the amounts receivable from clients.</i></p> <p><i>The Group only transacts with recognized and creditworthy counterparties, follows strict credit policies and procedures in granting of credit to customers which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Group likewise monitors exposures through continuing assessment of creditworthiness of customers and monitoring of the aged schedules of receivables. Real estate buyers are subjected to standard credit check procedures which are calibrated based on payment scheme offered prior to sale. Transfer of ownership or title of real estate sold can only be done upon full payment of the agreed total contract price. The credit risk arising from counterparty defaults are monitored by classifying the quality per class as neither past due nor impaired, past due but not impaired and impaired.</i></p>
<p><i>Interest rate risk</i></p>	<p><i>Interest rate risk is the significant movements in interest rates that expose the firm to high borrowing costs, lower investment yields or decreased asset values. Cash in bank and cash equivalents, contract receivables for the financial assets and short-term and long-term debt for the financial liabilities are</i></p>	<p><i>The Group established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.</i></p>

	<p><i>exposed to interest rate fluctuations.</i></p> <p><i>The impact of changing interest rates on a portfolio consisting of various assets and liabilities can be measured by gap analysis and duration analysis.</i></p>	<p><i>To manage the interest rate risks on its interest income, the Group places the cash balances reputable banks and financial institutions on varying maturities and interest rate terms.</i></p>
Liquidity risk	<p><i>Liquidity risk refers to the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk can be measured by using liquidity gap analysis by comparing the company's liquid assets from its volatile liabilities.</i></p>	<p><i>The Group ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Group manages liquidity by maintaining adequate reserve and invests in short- term money market instruments. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects. Furthermore, long-term debts are used for financing when the business requirement calls for it to ensure adequate liquidity for its operations. Additional funding requirements may be obtained from related parties.</i></p>
Equity price risk	<p><i>Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The change in equity indices will likely change the fair value of the Available-for-sale equity instruments.</i></p> <p><i>The measure of risk used in the equity markets is typically the standard deviation of a security's price over a number of periods. The standard deviation will delineate the normal fluctuations one can expect in that particular security above and below the mean, or average.</i></p>	<p><i>Price risk associated with equities could be systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the latter is associated with price volatility that is determined by firm specific characteristics. The general market risk of equity cannot be eliminated through portfolio diversification but the specific risk/unsystematic can be diversified away.</i></p>
Operational risk – 1.) People risk – *internal fraud, external fraud, incompetency, work force interruption, wrongful termination 2.)Process risk- *valuation/model risk,	<p><i>Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.</i></p> <p><i>Measurement of operational risk could be done by systematically tracking and recording frequency, severity and other information on individual loss events.</i></p>	<p><i>The extent and nature of the controls adopted by the Group encompasses such measures like orientation about Code of Conduct, proper delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training,</i></p>

<p>failure of internal process, exceeding limits, project overruns, inadequate project plan, failure to adhere internal &amp; external compliance procedure, security risk</p> <p>3.) systems and technology risk – network failure, external security breaches, failure to integrate or migrate with/from existing systems,</p> <p>4.) external risk – legal risk, regulatory risk, political risk</p>	<p>Assessment of the feasibility of alternative risk limitation and control strategies as well as adjustment to operational risk profile using appropriate strategies, in light of the company's overall risk appetite and profile.</p>	<p>dealing with customers, complaint handling, record keeping, MIS, physical controls, others.</p> <p>Appropriate controls should be in place to avoid misappropriation of assets: Defalcation can be avoided through cash counts and bank reconciliation of accounts. Past due accounts receivable can be reviewed through aging of accounts, Conduct periodic inventory counts and use computerized system. Independent checking should be done to check accurateness of the computation and use of passwords and firewalls as well as anti-virus and anti-malwares for any unauthorized access of data and the threat of loss of data due to viruses and malwares. Likewise, the Group is enjoined to comply to employment or labor laws, regular monitoring of changes or updates to relevant laws and regulations and close coordination with regulatory agencies. The company prepares disaster recovery and business continuity plans to ensure its ability to operate as a going concern and minimize losses in the event of severe business disruption.</p>
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(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:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
<i>Internal Audit</i>	<i>Provide objective assurance that major business risks are being managed appropriately and that risk management and internal control framework is operating effectively.</i>	<i>The internal audit functions include examination and evaluation of the adequacy and effectiveness of internal control; provide assurances that the risk management processes both their design and how well they are working; management of those risks classified as “key” and reliable and appropriate assessment of risks and reporting of risk and control status. Internal audit function is expected to provide value to the organization through improved operational effectiveness in addition to traditional responsibilities such as reviewing the reliability and integrity of information, ensuring compliance with policies and regulations and safeguarding assets.</i>
<i>Audit and Risk Committee</i>	<i>The Audit Committee has general oversight of the company’s accounting and financial reporting processes, audits of the financial statements and internal and audit functions. The Committee takes the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices and ethical behaviour. The Risk Committee is in-charge of overseeing the company’s practices and processes relating to enterprise-wide risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The Risk Committee will assist in providing framework to identify, assess, monitor and manage the risks associated with the company’s business.</i>	<i>The Audit Committee shall review with management and the independent directors (a) major issues regarding the adequacy of internal controls and steps taken in light of material deficiencies and (c) the effects of alternative accounting methods and regulatory and accounting initiatives on the financial statements. The Audit Committee will review and discuss with management the Company’s major financial risk exposures and the steps taken management has taken to monitor and control such exposures. The Risk Committee are tasked to develop formal risk management policy that guides the company’s risk management and compliance processes and procedures; design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks; discuss and review policies with respect to enterprise-wide risk</i>

		<p><i>assessment and risk management including the company's major financial and business risk exposures and actions that management has undertaken to control them; set the tone and influence the culture of risk management which includes determining the appropriate risk appetite or level of exposure as a whole or on any relevant individual issue and determining that type of risk are acceptable and which are not; monitor the management of significant risk to reduce the likelihood of unwelcome surprises.</i></p>
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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 is defined as a process, effected by an entity's board of directors, management, and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.*

*The Company's internal control system is defined and communicated through its policies and procedures manual and inter-office memoranda. These are also tackled during exit conference meetings with the internal auditors and in-house seminars.*

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

*The directors through the audit committee have reviewed the effectiveness of the internal control and consider it effective and adequate. The issues discussed during the audit committee meetings are being addressed and corrective action plans are formulated.*

(c) Period covered by the review;

*The period covered by the review covered is on a quarter and annual basis.*

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

*Internal controls are reviewed regularly through the Company's internal auditors. Risk areas are being identified at the beginning of the year where an audit plan is formulated and approved by the Audit Committee. The audit timetable is based on the approved audit plan and the findings/issues are brought up to the Audit Committee's attention for corrective actions. In assessing the effectiveness of the internal control system, the following factors/criteria are considered: level of risk involved, materiality, compliance with existing policies and procedures, industry best practices, Company strategic plans and objectives, and other factors that may affect the Company's control environment.*



- (e) Where no review was conducted during the year, an explanation why not.  
*Internal audit activities are conducted regularly.*

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
<i>Internal auditors</i>	<i>Conducts audit on a regular basis and performs risk assessments and internal control reviews.</i>	<i>Outsourced</i>	<i>Ms. Lindy C. Patriana/ Bacong Patriana &amp; Company, Certified Public Accountant</i>	<i>Audit findings are discussed with the concerned department heads and staff. The final audit reports with the actions taken by the department are forwarded to the Audit Committee, Chief Executive Officer, Chief Finance Officer and Controller. Meeting with the audit committee are done on a quarterly basis.</i>

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

*Yes, the appointment and/or removal of the accounting firm to which the internal audit function is outsourced require the approval of the audit committee.*

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

*The internal auditors are reporting to the audit committee on a quarterly basis or as frequent as the circumstances requires. Moreover, they have unfettered access to all the records, properties and personnel.*

(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.

<b>Name of Audit Staff</b>	<b>Reason</b>

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

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

<b>Progress Against Plans</b>	<i>The areas under audit are based on the plan and as requested. All areas in the audit plan were covered during the plan period. In some areas, however, audit work was extended to the following period when an item requires further analysis and examination.</i>
<b>Issues<sup>6</sup></b>	<i>Issues and findings are summarized at the end of the year together with the appropriate action plans. Outstanding issues and findings are subject to follow-up in the next audit year.</i>
<b>Findings<sup>7</sup></b>	<i>Issues and findings are summarized at the end of the year together with the appropriate action plans. Outstanding issues and findings are subject to follow-up in the next audit year.</i>
<b>Examination Trends</b>	<i>Audit findings are grouped based on the areas under audit. Past examinations are used as reference for the current year examinations.</i>

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

<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.

(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."

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<i>Procurement of materials, supplies, etc.</i>	<i>Implemented</i>
<i>Bidding process</i>	<i>Implemented</i>
<i>Warehousing of materials, supplies, etc.</i>	<i>Implemented</i>
<i>Capital Assets</i>	<i>Implemented</i>
<i>Property control</i>	<i>Implemented</i>
<i>Vehicle control</i>	<i>Implemented</i>
<i>Safekeeping of TCTs</i>	<i>Implemented</i>
<i>Petty cash fund transactions</i>	<i>Implemented</i>
<i>Cash handling</i>	<i>Implemented</i>
<i>Check requests and disbursements</i>	<i>Implemented</i>
<i>Cash advances and other receivables</i>	<i>Implemented</i>
<i>Sales documentations</i>	<i>Implemented</i>
<i>Broker's commission</i>	<i>Implemented</i>
<i>Credit and collections</i>	<i>Implemented</i>

<i>Payroll transactions</i>	<i>Implemented</i>
<i>HR related transactions</i>	<i>Implemented</i>

(g) Mechanism and Safeguards

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

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<p><i>Internal audit function is outsourced. The internal audit team institutes controls and policies which includes the following:</i></p> <p><i>Review of related parties (auditor and auditee relationships)</i></p> <p><i>Direct reporting of circumstances where based on the internal auditor's judgment might impair his/her independence.</i></p> <p><i>Rotation of internal audit staffs.</i></p>	<p><i>The Company will not engage any activities that would put pressure on financial analysts, investment banks and rating agencies or anything that would impair their independence.</i></p>		
<p><i>The independence of the external audit function is safeguarded by limiting the non-audit services that an external auditor may provide to the company.</i></p>			

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

*The company's Corporate Governance Compliance Officer (duly countersigned by the President) submitted the Certification of Compliance with its Revised Manual on Corporate Governance for Year 2012 to the SEC on January 29, 2013 and to the PSE on February 4, 2013 confirming that ABCI together with its directors, officer and employees has conformed to and substantially complied all the provisions and leading practices and principles on good corporate governance as set forth in the Corporation's Manual and SEC Code of Corporate Governance, as amended. The submission of the Certification of Compliance has been discontinued pursuant to SEC Memorandum Circular No. 5, Series of 2013.*

*In the preparation of this SEC Form – Annual Corporate Governance Report, the Executive Chairman, President, Independent Directors and Compliance Officer will have to attest to the company's substantial compliance with the SEC Code of Corporate Governance. Such attestation includes 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.

**H. ROLE OF STAKEHOLDERS**

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	<p><i>We are dedicated to satisfying our customers, listening to their requests and understanding their expectations. We strive to meet their expectations in affordability, quality and on-time delivery.</i></p> <p><i>We expect our customers to select our products because of quality, service and price. We conduct our business in an open and above-board manner and we do not seek any improper influence.</i></p> <p><i>All products must be exactly as specified by the customer in the contract and all quality assurance steps must be followed. Any change to a contract must have prior written approval of the parties involved and company's authorized sales personnel.</i></p> <p><i>As a general rule, business courtesies such as gifts, entertainment, services must demonstrate good business judgment and be reasonable (not frequent and lavish), legal and offered in a manner that could not hurt the company's reputation for impartiality and fair dealing.</i></p> <p><i>The company adheres also to the laws protecting our lot buyers in settlement of their obligations especially under installment terms.</i></p>	<p><i>The customers have undergone briefing/orientation about the business of the company and its subsidiaries, its products and services -- the real estate projects, oil palm milling, and energy projects; discussion on available payment scheme for financing, tripping or site visits, grant of requests for extension of payments or restructuring of the accounts.</i></p>
Supplier/contractor selection practice	<p><i>We regard our suppliers as essential team members and we owe our suppliers the same respect that we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance and delivery. We consider our suppliers' needs in conducting all aspects of our business.</i></p> <p><i>Helpful, friendly, professional relationships are essential to any business. While cultivating such relationships with our suppliers, we must also maintain an honest, objective and efficient procurement process. The purchase of materials and services must be in accordance with the company's procurement policies and</i></p>	<p><i>Step 1 - The Technical Group prepares the Agency Estimates and proforma Cost Estimates and forwards the same to the Assistant to the President and Construction Department Head for recommendation of approval by the President.</i></p> <p><i>Step 2 - The Bidding Committee sends out invitation to bid and schedules a pre-bid conference.</i></p> <p><i>Step 3 - The Technical Group conducts Pre-bid conference with the bidders and explains details of the project. At this point, the scope of the work is discussed and each bidder is given a plan of the project and the cost estimate form which they will fill-up</i></p>

	<p><i>procedures.</i></p> <p><i>The company's officers and employees may not solicit or accept gifts, payment or gratuities from our suppliers. (Promotional items of nominal value may be accepted.) Any financial interests in a company's supplier or someone seeking to become a supplier must be reported to the company.</i></p> <p><i>The company's policies in this area go beyond the law of prohibiting kickbacks. We must avoid even the appearance of improper conduct in all our business dealings.</i></p> <p><i>The Policies and Procedure Manual on procurement especially the bidding process are the following:</i></p> <ol style="list-style-type: none"> <li><i>1) All personnel involved in the bidding process including the Bidding Committee, Technical Group, and the Contractors shall observe the highest standard of ethics during the procurement and execution of contracts. Thus, corrupt, fraudulent, collusive and coercive practices are strictly not followed.</i></li> <li><i>2) ABCI will have the right to reject a proposal for award or even if the contract has already been awarded if it determines that the awarded Bidder or Bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the Contract. ABCI may then take out such firm in the list of accredited contractors either indefinitely or for a stated period of time. Further, ABCI may seek to impose the maximum penalties for civil and criminal liability available under the applicable law on individuals and organizations deemed to be involved with corrupt, fraudulent, collusive or coercive practices.</i></li> <li><i>3) Late bidders who arrived or submitted their bid at least 30 minutes from the scheduled time shall be disqualified to bid.</i></li> </ol>	<p><i>and submit together with their bid during the dropping of bids.</i></p> <p><i>On-site inspection is conducted when necessary.</i></p> <p><i>Step 4 - Bidders will drop their sealed bids on designated dropping area. Bids after the official cut-off time will not be received.</i></p> <p><i>Step 5-Bidding Committee will conduct the opening of bid (without the bidders) during the scheduled time and evaluates the following as to:</i></p> <ul style="list-style-type: none"> <li><i>- Specifications and agreement with the detailed cost estimates prepared by the Technical Group.</i></li> <li><i>- Responsiveness of bid amount based on the predetermined agency estimates.</i></li> <li><i>- Background and historical performance of the bidder taking into consideration the quality of work, timeliness of completion, etc.</i></li> <li><i>- Other factors that the Committee will foresee that might affect the performance of the bidders and the project.</i></li> </ul> <p><i>Step 6 - After evaluating the bids, the qualified bidders are segregated and again evaluated by the Bidding Committee to determine which among qualified bidders has the highest bid.</i></p> <p><i>Step 7 - After thorough evaluation, the Bidding Committee will finalize their findings and recommendations by completing the Dropping and Opening of Bids form.</i></p> <p><i>Step 8 - The President evaluates the results of bidding and if approved, signs in the dropping and opening of bid form.</i></p> <p><i>Step 9 - Preparation of letter of award signed by the President.</i></p> <p><i>Step 10 - Contract signing.</i></p>
<p><b>Environmentally friendly value-chain</b></p>	<p><i>The company has been long committed to minimizing our environmental impact by complying with all the laws and regulations relating to environmental protection in the communities we operate: developing land into residential communities, from planting to milling of</i></p>	<p><i>The company will conduct its business consistent with its environmental policy by: complying with relevant legislative requirements and regulations through securing Environmental Compliance Certificate (ECC) for all its real estate projects,</i></p>

	<p><i>the agricultural produce and building essential energy infrastructure.</i></p> <p><i>Facilities must have policies and procedures in place to ensure environmental impacts are minimized with respect to energy, air emission, water, waste, hazardous materials and other significant environmental risks. Facilities should make sustainable improvements in environmental performance.</i></p> <p><i>The company is committed to managing environmental matters as an integral part of our business. It is our policy to assure the environmental integrity of our processes and facilities at all times and in places where the milling and refining operate. We will strive that our goals to be aligned in the philosophy of legal compliance, product stewardship, on-going improvement and involvement and communication to environmental responsibility.</i></p>	<p><i>agri-business manufacturing products of oil palm and energy infrastructure projects as well as continued compliance to ECC provisions; striving to prevent the release of substances that cause environmental harm to the air, water and land; conserving natural resources through careful planning and efficient use; minimizing waste through source reduction and recycling; handling and disposing of wastes through safe, environmentally responsible methods and conserving energy through the efficiency of its use in our operations.</i></p>
<p><b>Community interaction</b></p>	<p><i>In the communities where we operate, the company works to make a positive and lasting difference in people's lives. We do so by building homes for happier families, by producing basic products sustainably for the world, by energizing the country's development and by providing financial support on improving its road networks, rehabilitation of its utility systems, promoting and preserving the cultural beliefs, customs and education of indigenous people and by protecting the environment.</i></p> <p><i>To ensure that our philanthropic activities are strategic and impactful, the Company identifies partner organizations whose skills and contributions complement our strengths and expertise, and then we carefully measure the impact of our programs and share what we learn with others.</i></p>	<p><i>While we produce products and provide services to the communities we serve, we recognize that the company has social responsibility in giving back to the communities their constituents need.</i></p> <p><i>Acting to the request of community and initiatives that the company perceived, the company activities for the year include:</i></p> <ul style="list-style-type: none"> <li><i>*collaborated with PMAP and Habitat for Humanity the building homes for the victims of typhoon Sendong</i></li> <li><i>*initiated mass wedding for couples belonged to the manpower services and service providers of the company</i></li> <li><i>*participated in the blood-letting activity in partnership with the Philippine Red Cross</i></li> <li><i>*scholarship program to the students belonging to Higaonon tribes</i></li> </ul>
<p><b>Anti-corruption programmes and procedures?</b></p>	<p><i>Under the Employee Code of Conduct Article III - Offenses Against Company Interest and Policy, seeks a behaviour that manifests Love for Truth. This includes the practice of such virtues as honesty, concern and loyalty towards our company which should go beyond self-interest. This hopes to instill a true spirit of service with a high sense of responsibility.</i></p>	<p><i>In order for the company to promote its corporate values to its officers and employees, the human resource department conducts re-orientation seminar for the employees discussing the company's vision, mission and core value, the employee code of conduct and manual on corporate governance. The HRD initiates the seminar on</i></p>

		<p><i>AVID I to VI with topics about Attitude, Values, Insights and Development; virtues talk every Monday during flag ceremony, and monthly talk with religious flavour.</i></p> <p><i>The company also sponsors employees' who need retreat and recollection for them to have time for renewal and regeneration of spirit, mind and body, looking closely and reflect on their thoughts, feelings, beliefs, and motivations.</i></p>
Safeguarding creditors' rights	<p><i>The company acknowledges the creditors' rights to transparency or full disclosure of financial and key performance information, compliance to the loan covenants and their rights of possession of the collateral and reorganization and liquidation rights. Their rights shall be protected and shall hold appropriate means of redress for infringement of right. The corporation shall notify beforehand the creditors concerned for matters that may bring changes in the creditors' priority or may have material influence on the possibility of collecting credit.</i></p>	<p><i>The company discloses information about the credit availed by the company from financing institutions in the quarterly and annual report, seeks clearance from the creditors as required by loan covenants like dividend declaration and notifies the creditors concerning matters as provided for in the covenant.</i></p>

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

*ABCI believes in the fundamental principle of loving and caring. Corporate Social Responsibility (CSR) is basically part of ABCI's corporate culture by practicing responsibility and accountability. As a socially responsible corporate citizen, ABCI follows these four pillars of CSR:*

- 1. **Promotes responsible leadership** – one that exemplifies integrity, values, spirituality and genuine concern of all the company's business partners and stakeholders.*
- 2. **Heralds stewardship**—one that improves the condition of not only the company but also of the community it serves.*
- 3. **Improves industrial peace in the work place**– one that ensures employees decent work environment, and provides customers with quality products and services.*
- 4. **Builds relevance to society** – one that understands the force that is driving the society or the community by being relevant to issues and concerns of general interest.*

*There is a report about the company's corporate social responsibility (CSR) activities in SEC Form 17-A (Annual Report); SEC Form 20-IS (Information Statement) and hard-bound Annual Report.*

3) Performance-enhancing mechanisms for employee participation.

*Quality is important to our business because we value our customers. We strive to provide our customers with products and services which meet and even exceed their expectations.*

*We are committed to continuous improvement and have established a Quality Circle and Productivity Programs to improve quality:*

*We have the following systems and procedures in place to support us in our aim of total customer satisfaction, productivity & continuous improvement throughout our business:*

- 1. Regular Quality Circle Meetings*
- 2. Regular gathering and monitoring of customer feedback*
- 3. A customer complaints procedure*
- 4. Selection and performance monitoring of suppliers against set criteria*
- 5. Training and development for our employees*
- 6. Regular audit of our internal processes*
- 7. Measurable quality objectives which reflect our business aims*
- 8. Management reviews of audit results, customer feedback and complaints*

*Our internal procedures are reviewed regularly and are held in a Manual which is made available to all employees.*

*Though the Management has ultimate responsibility for Quality, all employees are empowered through these Quality Circle and Productivity programs mechanism to have a responsibility within their own areas of work so helping to ensure that Quality is embedded within the whole of the company.*

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

*Occupational safety, health and welfare are top priority at the Company. We will strive to ensure safe working conditions, equipment and work sites. The Company promotes Employee involvement and accountability in identifying, preventing and eliminating hazardous conditions and the risks of Employee injury.*

*Safety, Health and Welfare in the working environment, product quality and operating efficiency are inseparable.*

*The Company will ensure continuous improvement in health and safety performance through close cooperation among management, Employees and unions, which will contribute to the health and safety of Employees and the success of the organization.*

*The Company is committed to:*

- make Employee health and safety a priority in all aspects of management practices;*
- establish, communicate and enforce, with the Employees' involvement, work site-specific rules and safe work methods;*
- promote and develop the awareness, leadership and accountability of Employees in health and safety through their involvement in continuous improvement processes;*
- measure its health and safety performance in accordance with established standards, and communicate the results to the Employees; and*
- conduct health and safety seminars and audits to confirm that its management practices meet policy objectives, legislation and the principles of sound management.*

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

*The following programs were organized and were conducted for employees' health, safety and welfare:*

- 1. Safety Re-Orientation for Construction Workers, Plantation, and Mill Employees*
- 2. Wellness Seminar*
- 3. Basic Training Course for Pollution Control*
- 4. Basic Occupational Safety and Health Seminar*
- 5. Seminar on Pollution Control & Hazardous Waste Management*
- 6. Employees' Re-Orientation Seminar*



A health and safety program is also given to each company. The safety manual contains the health and safety elements of the organization, objectives which make it possible for the company to achieve its goal in the protection of its workers at the work place. Each company has its own separate safety manual that corresponds to safety and health needs of the workers.

A Safety and Health Committee is also organized in each project and for the whole company in order to protect every working man against the dangers of injury, sickness or death through safe and healthful working conditions. The committee also assures the conservation of valuable manpower resources and the prevention of loss or damage to lives and properties.

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

The training and development program implemented by the company and its subsidiaries are identified through the Seminar/ Training Need form, which is accomplished by the department heads and through interview. The trainings and seminars are then classified based on the following criteria: Knowledge, Skills, Behavioral/Attitude and Safety & Health.

<u>DATE</u>	<u>TITLE</u>	<u>CLASSIFICATION</u>	<u>NUMBER OF PARTICIPANTS</u>
<u>January 3, 2014</u>	<u>Safety Orientation, Standard Site Working Procedure Seminar &amp; SPI Policy</u>	<u>Safety &amp; Health</u>	<u>4</u>
<u>January 27-31, 2014</u>	<u>Basic Occupational Safety &amp; Health Seminar (BOSH)</u>	<u>Safety &amp; Health</u>	<u>1</u>
<u>February 6, 2014</u>	<u>Web Writing Workshop</u>	<u>Skills</u>	<u>20</u>
<u>February 10, 2014</u>	<u>7 Habits of Highly Effective People</u>	<u>Attitude</u>	<u>15</u>
<u>February 17, 2014</u>	<u>7 Habits of Highly Effective People</u>	<u>Attitude</u>	<u>15</u>
<u>February 22, 2014</u>	<u>7 Habits of Highly Effective People</u>	<u>Attitude</u>	<u>11</u>
<u>March 3, 2014</u>	<u>1st Quarter Employee Re-Orientation Seminar</u>	<u>Knowledge</u>	<u>22</u>
<u>March 7, 2014</u>	<u>Basic Safety Orientation for Construction Workers</u>	<u>Safety &amp; Health</u>	<u>1</u>
<u>March 10, 2014</u>	<u>7 Habits of Highly Effective People</u>	<u>Attitude</u>	<u>7</u>
<u>March 10-11, 2014</u>	<u>Basic Supervisory Skills Training</u>	<u>Skills</u>	<u>34</u>
<u>March 18, 2014</u>	<u>Tax Update Seminar on ITR Filing &amp; Latest Revenue Issuances</u>	<u>Knowledge</u>	<u>2</u>
<u>March 24, 2014</u>	<u>Orientation on Old &amp; New Applicable Policy on Retirement Benefit</u>	<u>Knowledge</u>	<u>33</u>
<u>March 24, 2014</u>	<u>7 Habits of Highly Effective People</u>	<u>Attitude</u>	<u>12</u>
<u>March 24-25, 2014</u>	<u>Fire Safety Seminar</u>	<u>Safety &amp; Health</u>	<u>1</u>
<u>March 25, 2014</u>	<u>Orientation on Old &amp; New Applicable Policy on Retirement Benefit</u>	<u>Knowledge</u>	<u>46</u>
<u>March 29, 2014</u>	<u>Learning Session on Performance Management and Employee Discipline</u>	<u>Knowledge</u>	<u>3</u>
<u>April 3, 2014</u>	<u>Learning Session on Work Life Harmony</u>	<u>Knowledge</u>	<u>2</u>
<u>April 7, 2014</u>	<u>Effective Time Management</u>	<u>Knowledge</u>	<u>24</u>

<a href="#"><u>April 10-11, 2014</u></a>	<a href="#"><u>Seminar on Groundwater Development and Integrated Water Resources Management</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>April 23, 2014</u></a>	<a href="#"><u>Learning Session on Performance Management &amp; Employee Discipline</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>21</u></a>
<a href="#"><u>April 23, 2014</u></a>	<a href="#"><u>WILO Pump Training &amp; Presentation Seminar</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>April 29, 2014</u></a>	<a href="#"><u>Fire Safety Lecture &amp; Fire Drill Seminar</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>24</u></a>
<a href="#"><u>April 30, 2014</u></a>	<a href="#"><u>Learning Session: Job Contracting/ Subcontracting of Workers</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>12</u></a>
<a href="#"><u>May 5-6, 2014</u></a>	<a href="#"><u>Good Manufacturing Practices Seminar for Mill &amp; RBD employees</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>11</u></a>
<a href="#"><u>May 7, 2014</u></a>	<a href="#"><u>Learning Session on Financial Wellness</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>21</u></a>
<a href="#"><u>May 20, 2014</u></a>	<a href="#"><u>2nd Quarter Employee Re-Orientation Seminar</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>May 23, 2014</u></a>	<a href="#"><u>Leading &amp; Managing People Through Employee Discipline</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>7</u></a>
<a href="#"><u>June 13, 2014</u></a>	<a href="#"><u>Business Communication Skills Seminar</u></a>	<a href="#"><u>Skills</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>June 25-27, 2014</u></a>	<a href="#"><u>Basic Training Course for Pollution Control Officers</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>June 19-20, 2014</u></a>	<a href="#"><u>16th PMAP Summit Gearing Up for ASEAN Integration</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>8</u></a>
<a href="#"><u>June 28, 2014</u></a>	<a href="#"><u>Basic Road Rules &amp; Regulations</u></a>	<a href="#"><u>Skills</u></a>	<a href="#"><u>18</u></a>
<a href="#"><u>July 3, 2014</u></a>	<a href="#"><u>Economic Briefing "Priming Up for the ASEAN Integration"</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>60</u></a>
<a href="#"><u>August 19, 2014</u></a>	<a href="#"><u>3rd Quarter Reorientation Seminar</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>12</u></a>
<a href="#"><u>August 20, 2014</u></a>	<a href="#"><u>8th Regular Meeting of Mindanao Association for Quality (MAQ) Inc.</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>September 2, 2014</u></a>	<a href="#"><u>Quality Circle &amp; Easy Kaizen Refresher</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>24</u></a>
<a href="#"><u>September 4, 2014</u></a>	<a href="#"><u>Orientation on the Philippine Quality Award and Philippine Quality Challenge &amp; Sharing of Best Practices in CDO</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>September 11, 2014</u></a>	<a href="#"><u>Orientation About Cacao Production (Kennemer Food International, Inc.(KFI)</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>8</u></a>
<a href="#"><u>Oct. 1, 2014</u></a>	<a href="#"><u>Purchasing and Supply Chain Management: Fundamentals of Purchasing for New Buyer</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>Oct. 3, 2014</u></a>	<a href="#"><u>"Maximizing Productivity- A Breakfast Session with Francis J. Kong"</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>7</u></a>
<a href="#"><u>Oct. 3, 2014</u></a>	<a href="#"><u>Make Your Expenses Work For You: An Expenditures Taxation Seminar</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>Oct. 20, 2014</u></a>	<a href="#"><u>Virtue Talk "What it means to be a Woman"</u></a>	<a href="#"><u>Attitude</u></a>	<a href="#"><u>26</u></a>
<a href="#"><u>November 13, 14, 2014</u></a>	<a href="#"><u>"The Exceptional Executive Assistant" Seminar Workshop</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>November 25-26, 2014</u></a>	<a href="#"><u>First Aid Training for Plantation Workers</u></a>	<a href="#"><u>Skills</u></a>	<a href="#"><u>15</u></a>
<a href="#"><u>December 2, 2014</u></a>	<a href="#"><u>Current Good Manufacturing Practices</u></a>	<a href="#"><u>Safety &amp; Health</u></a>	<a href="#"><u>33</u></a>
<a href="#"><u>December 3, 2014</u></a>	<a href="#"><u>Sanitary Standard Operating Procedure</u></a>	<a href="#"><u>Safety &amp; Health</u></a>	<a href="#"><u>33</u></a>
<a href="#"><u>December 9-10, 2014</u></a>	<a href="#"><u>Hazard Critical Control Point Seminar</u></a>	<a href="#"><u>Safety &amp; Health</u></a>	<a href="#"><u>32</u></a>
<a href="#"><u>December 11, 2014</u></a>	<a href="#"><u>Orientation on Basic Microbiology</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>December 13, 2014</u></a>	<a href="#"><u>5S of Good Housekeeping</u></a>	<a href="#"><u>Knowledge</u></a>	<a href="#"><u>14</u></a>

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

*BONUS- The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or*

*preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.*

*A performance evaluation is given twice a year, every semester. The allowable increase given to an employee will be based on the Adjectival Rating of the direct supervisor or head. The following are the corresponding allowable increase for each adjectival rating:*

<i>Excellent-</i>	<i>15 %</i>
<i>Above Average-</i>	<i>12%</i>
<i>Average-</i>	<i>10%</i>

- 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.

*The Employee Code of Conduct provides the procedures for handling complaints by employees concerning illegal and unethical behavior.*

#### *Procedure in Handling Administrative Cases*

- 1. All administrative cases must be reported formally to the employee's immediate superior*
- 2. The immediate superior of the reported employee will review, study and validate the report submitted to him within forty eight (48) hours.*

*NOTE: In checking the validity of the report submitted, the 5 Ws (Who, What, Where, When, Why) and 1 H (How) fact finding method is a proven effective guide.*

- 3. After establishing the validity of the submitted report, the immediate superior must determine whether or not the case merits preventive suspension. If so, the immediate superior must issue the same. Preventive suspension must not exceed 30 working days. However, should the company decide to extend beyond 30 working days because more time is needed for investigation, extension can be made but with pay.*
- 4. Immediate superior must issue a Notice to Explain (NTE) to the reported employee stating clearly the charges, purpose, reason and basis of such.*
- 5. The employee must receive and submit his response to his immediate superior within the allowable time provided as stated in NTE.*
- 6. Upon receipt of the employee's explanation, the immediate superior studies it and makes his recommendation to the department manager either to excuse or impose Disciplinary Action (DA) on the reported employee. The basis of his recommendation must always be in consonance with the Code and the Philippine Labor Laws.*
- 7. Where the immediate superior recommends the imposition of the DA and such recommendation is approved by the department manager, the decision will be issued to the reported employee, and explained to him or her.*
- 8. Where the immediate superior recommends to excuse the impositions of the DA and the same is approved by the department manager, the employee will receive a copy of the decision.*
- 9. In case where the recommendation of the immediate superior is disapproved, the decision of the department manager shall prevail.*
- 10. The employee, after receiving the copy of the decision approving the imposition of disciplinary action imposed upon him must review his or her stand about the matter. Should he or she feel aggrieved about the decision, he or she may appeal and elevate the matter to the Division head. The Division head may opt to consult the HRD in reviewing the case. The decision of the Division head will be final and executor. However, offenses that will impose dismissal may be appealed to the President.*

## Reporting of any Illegal or Unethical Behavior

Any Employee who is aware of any illegal or unethical behavior or who believes that an applicable law, rule or regulation or the Code has been violated, must promptly report the matter as follows:

- To the Chief Compliance Officer of the Company, or
- In accordance with the Company's Policy and Procedures for the Submission of Complaints Pertaining to Accounting, Internal Accounting Controls, Auditing and Other Matters (Whistleblower Protection Policy).

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure (As of December 31, 2014)

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

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corp.*</i>	<u>609,924,843</u>	<u>35.20%</u>	<i>Various shareholders</i>
<i>Walter W. Brown</i>	<u>543,374,699</u>	<u>31.36%</u>	<i>Direct and Indirect</i>
<i>Annabelle P. Brown</i>	<u>325,866,870</u>	<u>18.81%</u>	<i>Direct and Indirect</i>
<i>Philippine Realty &amp; Holdings Corp. (PRHC)</i>	<u>123,715,000</u>	<u>7.14%</u>	<i>Direct</i>
<b>TOTAL</b>	<b><u>1,602,881,412</u></b>	<b><u>92.50%</u></b>	
* PCD Nominee Corporation has a total shares of <u>1,240,727,283</u> or <u>71.60%</u> of the outstanding capital stock including clients – beneficial owners owning 5% or more as enumerated below: *The following are the PCD participants with shareholdings of 5% or more:			
<i>COL Financial Group, Inc.</i>	<u>324,999,352</u>	<u>18.76%</u>	
<i>Campos, Lanuza &amp; Company, Inc.</i>	<u>464,447,999</u>	<u>26.80%</u>	
<i>Maybank ATR Kim Eng Securities</i>	<u>127,059,128</u>	<u>7.33%</u>	
*The following are the clients- beneficial owners owning 5% or more:			
<i>Walter W. Brown (direct &amp; indirect)</i>	<u>445,253,188</u>	<u>25.69%</u>	
<i>Annabelle P. Brown (direct &amp; indirect)</i>	<u>75,115,502</u>	<u>4.33%</u>	
<i>Philippine Realty &amp; Holdings Corp. (PRHC)</i>	<u>110,433,750</u>	<u>6.37%</u>	
* PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold shares on their behalf or in behalf of their clients. PCD is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines.			

The following is the shareholdings (direct and indirect) of Senior Management Officers:

Name of Senior Management	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Walter W. Brown</i>	<u>311,903,537</u>	<i>Walter W. Brown and Annabelle P. Brown – <u>3,821,418</u></i>	<u>31.357%</u>
		<i>Walter W. Brown (Special Fund) – <u>797,895</u></i>	
		<i>North Kitanglad Agri. Corp. – <u>13,937,344</u></i>	
		<i>Pine Mountain Properties, Inc. – <u>54,945,295</u></i>	
		<i>Bendaña Brown Holdings Corp. – <u>102,626,710</u></i>	
		<i>Cogon Corp. – <u>55,342,500</u></i>	
<i>Robertino E. Pizarro</i>	<u>1,060,613</u>	<i>Ma. Cristina P. Pizarro – <u>76,247</u></i>	<u>0.137%</u>
		<i>Kevin Pizarro – <u>100,359</u></i>	
		<i>Kristina Pizarro – <u>66</u></i>	
		<i>Ma. Cristina &amp;/or Juan Paolo Pizarro – <u>100,174</u></i>	
		<i>Ma. Cristina &amp;/or Jonathan Robert Pizarro – <u>36,657</u></i>	
		<i>Marie Danielle Pizarro – <u>102,284</u></i>	

		<i>Ma. Cristina &amp;/or Ma. Isabel Pizarro</i>	–	<u>102,284</u>	
		<i>Jonathan Robert Pizarro</i>	–	<u>132,031</u>	
		<i>Kristina Pizarro</i>	–	<u>132,031</u>	
		<i>Juan Paolo Pizarro</i>	–	<u>132,031</u>	
		<i>Ma. Isabel Pizarro</i>	–	<u>132,031</u>	
		<i>Kevin Pizarro</i>	–	<u>132,031</u>	
		<i>Marie Danielle Pizarro</i>	–	<u>132,031</u>	
<i>Rosa Anna Duavit-Santiago</i>	<u>1,250</u>				0.000%
<i>Roel Z. Castro</i>	<u>1,250</u>				0.000%
<b>TOTAL</b>	<b><u>312,966,650</u></b>			<b><u>232,781,419</u></b>	

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

*[The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.](#)*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>Constantino Guadalquiver &amp; Co.</i>	<u>2014 – Php 414,400</u>	<u>2014 - None</u>
	<u>2013 – Php 380,800</u>	<u>2013 - None</u>

*The external auditor's fee on the independent examination of the parent company's financial statements amounted to [Php 414,400](#) and [Php 380,800](#) for [2014](#) and [2013](#), respectively. There was no payment for non-audit engagement covering [2014](#) and [2013](#).*

*The [2014](#) and [2013](#) audit fee of the parent's [nine \(9\)](#) subsidiaries was [Php 337,120](#) and [Php 274,400](#), respectively.*

*All payments of external auditor's fees are inclusive of VAT.*

4) Medium of Communication

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

*Aside from submitting the disclosures to the Philippine Stock Exchange through its Online Disclosure System (ODiSy) and to the Securities and Exchange Commission, the company disseminates information through posting to the company's website, printing of annual report (hard copy) and press releases. Starting December 27, 2013, all company disclosures are submitted through PSE EDGE, the new online disclosure system of PSE.*

5) Date of release of audited financial report:

*The SEC Form 17-A (Annual Report) for the year ended December 31, 2012 which included the audited financial report was received by the Securities and Exchange Commission (SEC) on April 15, 2013 and approved for posting on PSE website on April 15, 2013.*

*The SEC Form 17-A (Annual Report) for the year ended December 31, 2013 which included the audited financial report was received by the Securities and Exchange Commission (SEC) on April 2, 2014 and approved for posting on PSE website on April 2, 2014.*

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.

*For the year 2014, there were no analysts briefing conducted and press releases to the media, although we have clarified news articles as requested by the Philippine Stock Exchange and the Securities and Exchange Commission.*

7) **Disclosure of RPT**

<b>RPT</b>	<b>Relationship</b>	<b>Nature</b>	<b>Value</b>
<i>Receipt of loan from the family of Dr. Walter W. Brown for ABCI and ABCI's subsidiary, BRC duly supported by promissory notes.</i>	<i>Contractual Interest</i>	<i>Receipt of loan from the family of Dr. Walter W. Brown for ABCI and ABCI's subsidiary, BRC</i>	<i>ABCI obtained Php 107,280,000 and ABCI's subsidiary, BRC received Php 22,000,000.</i>
<u><i>Receipt of loan from the family of Dr. Walter W. Brown for ABCI duly supported by promissory notes.</i></u>	<u><i>Contractual Interest</i></u>	<u><i>Receipt of loan from the family of Dr. Walter W. Brown for ABCI</i></u>	<u><i>ABCI obtained a total of Php 60,000,000 loan</i></u>

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?

*When related party transactions are involved, directors who have direct or indirect material interest will inhibit themselves in the approval of the transaction. The two independent directors should be present together with other directors who have no direct or indirect interest to approve the related party transaction. The Audit Committee will review and have prior-approval authority for related party transactions.*

*The Revised Manual on Corporate Governance provides that one of the duties and responsibilities of the director is to conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the Corporation. The director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of the director, he should fully and immediately disclose it and should not participate in the decision-making process.*

*The company, being a parent company, in its course of trade or business, enters into transactions with its subsidiaries consisting of reimbursement of expenses, purchase of other assets, construction and development contracts, management, marketing and service agreements. Sales and purchases of goods and services to and from related parties are made at arms-length transaction.*

*All related party transactions are disclosed to the public through SEC Form 17-C and SEC Form 17-A as well as in the notes to the financial statements.*

**J. RIGHTS OF STOCKHOLDERS**

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

(a) Quorum

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

<b>Quorum Required</b>	<i>A quorum for any meeting of stockholders shall consist of a majority of the voting stock of the Corporation, and a majority of such quorum shall decide any question at the meeting save and except in those matters where the Corporation Code of the Philippines requires the affirmative vote of a greater proportion. In the presence of a quorum, the stockholders attending or represented at the time and place at which it may have been adjourned, or any officer entitled to preside at such meeting or to act as Secretary thereof, may adjourn such meeting for any period.</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	
Description	

**Vote Required:** *The vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote is required except in those matters where the Corporation Code of the Philippines requires the affirmative vote of a greater proportion.*

**Method of Voting:** *Straight and Cumulative Voting*

*The procedure to be followed will be in accordance with the By-Laws (Article 1, Section 5) VOTING:  
 “At every meeting of stockholders, every stockholder with voting privileges shall be entitled to one vote for each share of stock standing in his name on the books of the Company, provided, however, that in case of the election of directors, every stockholder with voting privileges shall be entitled to accumulate his votes in the manner provided by law.....”*

*For motions on other corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present or represented by proxy at the meeting is necessary for their approval. Voting shall be done viva voce or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary.”*

(c) Stockholders' Rights

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



The following are the stockholders' rights concerning Annual/Special Stockholders' Meeting:

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights not in The Corporation Code</b>
<i>Right to attend and vote in person or by proxy</i>	
<i>Right to elect and remove directors</i>	
<i>Right to adopt and amend or repeal the by-laws or adopt new by-laws</i>	
<i>Right to approve certain corporate acts</i>	
<i>Right to compel the calling of meetings of stockholders when for any cause there is no person authorized to call a meeting</i>	
<i>Right to be furnished the most recent financial statement and to receive a financial report of corporation's operations</i>	

The company's Revised Manual on Corporate Governance listed the following shareholders' rights: Voting Right, Pre-emptive Right, Power of Inspection, Right to Information, Right to Dividends and Appraisal Right among others.

The Seventh Article of the Amended Articles of Incorporation provided that, "shareholders have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors as provided for in Section 39 of the Corporation Code of the Philippines.

#### Dividends

Declaration Date	Record Date	Payment Date
<i>25% Stock Dividend – June 7, 2013</i>	<i>September 12, 2013</i>	<i>On or before October 8, 2013</i>

#### (d) Stockholders' Participation

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

<b>2. Measures Adopted</b>	<b>3. Communication Procedure</b>
4.	5.
6.	7.

To promote stockholders participation in the Annual/Special Stockholders' Meeting, SEC Form 20-IS (Information Statement) was sent out to shareholders of record. During the Annual Stockholders' Meeting, shareholders are given the chance to ask questions to the Executive Chairman and the President as well as the members of the Board of Directors. Should there be any queries outside the stockholders' meeting the Investor Relations Office is welcome to answer. They can email their questions through the "Contact Us" portion of the company's website.

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

*The corporate governance framework should protect and facilitate the exercise of shareholders' rights. Shareholder should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorization of additional shares and 3.) extraordinary transactions including the transfer of all or substantially all assets, that in effect result in the sale of the company.*

*The company's Revised Manual on Corporate Governance provides that:*

*"It shall be the duty of the Board (directors) to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.*

*The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the company. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. Stockholders should be encouraged to personally attend such meetings and they should be apprised ahead of time of their right to appoint a proxy in case they could not personally attend such meeting. The exercise of that right should not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor, subject to the requirements of applicable laws, regulations and the By-laws.*

*The Board shall be instrumental in removing excessive or unnecessary costs and other administrative or practical impediments to shareholders' participation in meetings and/or voting in person or by proxy. Relevant and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints, and subject to the financial capability of the corporation."*

*During the May 9, 2014 Annual Stockholders' Meeting, the amendment of the Articles of Incorporation - Increase in Authorized Capital Stock was approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.*

*During the June 7, 2013 Annual Stockholders' Meeting, the amendment of the Articles of Incorporation - Increase in Authorized Capital Stock and the stock dividend declaration were approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. In addition to the amendment of the Articles of Incorporation- Authorized Capital Stock, the shareholders approved the increase in the number of directors from seven to nine and extension of the corporate term during the Jun 1, 2012 Annual Stockholders' Meeting.*

9. 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?

a. Date of sending out notices: April 15, 2014

b. Date of the Annual/Special Stockholders' Meeting: May 9, 2014

*Under paragraph (3) (C) of SRC Rule 20, copies of the said reports shall be given to the security holders at least fifteen (15) business days prior to the meeting date. In 2013, the notices were sent out on May 17, 2013 with the date of the annual stockholders' meeting on June 7, 2013.*

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

*After the President and Vice President – Business Development presented the report on the Corporation's operations and the highlights for the year ended December 31, 2013 during the May 9, 2014 Annual Stockholders' Meeting, the Chairman asked if there are queries that the shareholders wanted to raise. However, no questions were asked.*

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16. Approval of the Minutes of the Previous Meeting of Stockholders	17. Unanimous	18. None	19. None
20. President's Report and Presentation of Audited Financial Statements	21. Unanimous	22. None	23. None
Ratification of All Acts of the Board of Directors and Officers	Unanimous	None	None
Increase in Authorized Capital Stock	Unanimous	None	None
Appointment of External Auditor	Unanimous	None	None

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

A disclosure dated May 9, 2014 was submitted to PSE and SEC about the result of the Annual Stockholders' Meeting: re: election of directors, election of two (2) independent directors in accordance with the requirements of the SRC, the approval of the 2013 Audited Financial Statements, reappointment of the external auditor and the approval of the shareholders on the amendment of the Articles of Incorporation on the increase in Authorized Capital Stock.

A disclosure dated June 7, 2013 was submitted to PSE and SEC about the result of the Annual Stockholders' Meeting: re: election of directors, election of two (2) independent directors in accordance with the requirements of the SRC, the approval of the 2012 Audited Financial Statements, reappointment of the external auditor, the approval of the shareholders on the amendment of the Articles of Incorporation on the increase in Authorized Capital Stock, and stock dividend declaration.

(e) Modifications

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

Modifications	Reason for Modification
None	n/a

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Walter W. Brown	<u>05/09/14</u>	Show of Hands	<u>46.844%</u>	<u>32.156%</u>	<u>79.00%</u>
	Annabelle P. Brown					
	Robertino E. Pizarro					
	Antonio S. Soriano					
	Elpidio M. Paras					
	Rosa Anna Duavit-Santiago					
	Roel Z. Castro					
	Jason C. Nalupta					
Special	n/a					

*During the June 7, 2013 Annual Stockholders Meeting, 46.639% were attending in person while 24.244% were attending in proxy for a total percentage of 70.88% of shareholders in attendance. The members of the Board who are not present were: Gerardo Domenico Antonio V. Lanuza; Elpidio M. Paras and Roel Z. Castro.*

*During the May 9, 2014 Annual Stockholders' Meeting, 46.844% were attending in person while 32.156% were attending in proxy for a total percentage of 79.00% of shareholders in attendance. The members of the Board who are not present were: Gerardo Domenico Antonio V. Lanuza and Thomas G. Aquino.*

*Note: The % of SH attending in person and in proxy and the total % are based on the number of shares represented and not on the number of stockholders present.*

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

*The validation of the proxy is conducted by the Corporate Secretary (or his authorized representative), the external auditor and management representative as inspectors.*

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

*At every meeting of stockholders, every stockholder with voting privilege shall be entitled to one vote for each share of stock outstanding in his name on the books of the Company, provided, however, that in the case of the election of Directors, every stockholder with voting privilege shall be entitled to accumulate his votes in the manner provided by law.*

(g) Proxy Voting Policies

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

	<b>Company's Policies</b>
Execution and acceptance of proxies	<i>Every stockholder entitled to vote at any meeting may vote by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself, or by his duly authorized attorney.</i>
Notary	<i>The proxy need not be notarized.</i>
Submission of Proxy	<i>Proxies shall be submitted to the Corporate Secretary at least two (2) business days prior to the date of the meeting of stockholders or prior to the date set by the Board of Directors for the submission thereof.</i>
Several Proxies	<i>Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all former proxies. Thus, when two proxies are offered bearing the same proxy giver, then the proxy that appears from the evidence to have been last executed will be accepted and counted.</i>  <i>Where the corporation receives more than one (1) proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is</i>

	<i>considered. That which is presented last will be recognized.</i>
Validity of Proxy	<p><i>Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time. If the proxy provides the duration of its validity, the proxy shall be valid for that period but not to exceed five (5) years from the date of its execution unless revoked or withdrawn by the shareholder through notice in writing delivered to the Corporate Secretary at least two (2) business days before any scheduled meeting but shall not apply in instances where the shareholder personally attend the meeting.</i></p> <p><i>Failure to affix documentary stamps shall not affect the validity of the proxy. The only adverse effect of such failure is that the same cannot be recorded as a public document and cannot be admitted or used as evidence in Court until the required documentary stamp is affixed and cancelled.</i></p>
Proxies executed abroad	<i>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</i>
Invalidated Proxy	<i>A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting and election.</i>
Validation of Proxy	<i>All proxies shall be validated on the day prior to the shareholders' meeting at the Corporation's principal office by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11 (b) of the SRC Rule 20 .</i>
Violation of Proxy	<i>Any violation of the Rule on Proxy shall be subject to the administrative sanctions provided for under the Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.</i>

(h) Sending of Notices

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

<b>Policies</b>	<b>Procedure</b>
<i>Notices of the time and place of holding any annual meeting, or any special meeting, of stockholders, shall be given by the Secretary of the Corporation either by posting the same enclosed in a postage envelope addressed to each stockholders on record at his last known address or be delivering the same to him in</i>	<i>After obtaining the clearance from the Securities and Exchange Commission (SEC), the SEC Form 20-IS Definitive Information Statement together with its Annexes and the Management Report (Annual Report) is printed and/or reproduced (CD-ROM) by accredited replicator duly authorized by the Optical</i>

<p><i>person, at least fifteen (15) business days prior to the meeting date. The notice of every special meeting shall state briefly the objects of the meeting and no other business shall be transacted at such meeting except by consent of all the stockholders with voting privilege.</i></p> <p><i>No notice of any meeting need be published in any newspaper or in any other medium.</i></p> <p><i>Failure to give or any defect or irregularity in giving the notice of any regular meeting shall not affect nor invalidate any action taken at such meeting.</i></p> <p><i>If all stockholders with voting privilege shall, in person, or by attorney or proxy appointed in writing, be present at or waive notice of any meeting, either annual or special, no notice of such meeting shall be required and any action taken at such meeting shall be valid and binding.</i></p>	<p><i>Media Board (OMB). The compact discs which are enclosed on a CD case with printed notice are then grouped based on the stockholders of record's address with provinces to be mailed through post office; Metro Manila to be distributed through courier services and those within the vicinity of the liaison office are personally delivered.</i></p>
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(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<u><a href="#">2,129</a></u>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<u><a href="#">April 15, 2014</a></u>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	<u><a href="#">April 15, 2014</a></u>
<b>State whether CD format or hard copies were distributed</b>	<i>The compact disc (CD) format was distributed to the shareholders.</i>
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	<i>The requesting stockholders were provided hard copies of the Definitive Information Statement and Management Report.</i>

*For 2013, there were 2,133 stockholders who are entitled to receive definitive information statements and management report and other materials. May 17, 2013 was the date of actual distribution of definitive information statement and management report held by market participants/certain beneficial owners and by the stockholders.*

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

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

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

*The SEC Form 20-IS (Information Statement) which includes the Notice of Annual/Special Stockholders' Meeting discussed the above items. There is still an explanation of the dividend policy in the information statement even if there's no dividend to be declared.*

2) Treatment of Minority Stockholders

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

*The company recognizes that good corporate governance should be visible to its shareholders. The Revised Manual on Corporate Governance includes provisions as guidance of all internal and external parties concerned as governance covenant between the company and its shareholders.*

*The Manual provides that the Board shall be committed to respect the rights of the shareholders as provided for in the Corporation Code as well as the Articles of Incorporation, By-laws and all resolutions adopted by the Board.*

*Specific provisions of the Manual about the rights of minority shareholders are as follows:*

<b>Policies</b>	<b>Implementation</b>
<b>Voting Right</b> – A director shall not be removed without cause if it will deny minority shareholders representation in the Board.	Implemented
<b>Right to Information</b> - The minority shareholders shall have reasonable access to information relating to matters for which the management is accountable for, provided that such information shall not include details of corporate strategy, proprietary formulations, or similar matters, which if revealed to competitors would cause the company harm.  <i>Minority shareholders shall also have the right to request certain items to be placed on the agenda of the shareholders meeting. Such requests shall be addressed to the Chairman who shall agenda the request for the next board meeting. As in the request for information, the Board shall act on the request and if it does not grant the same, it shall inform the shareholder and the SEC of its action.</i>	Implemented

*In addition, the company's Revised Manual on Corporate Governance provides that:*

*"It shall be the duty of the Board (directors) to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.*

*The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the company. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. Stockholders should be encouraged to personally attend such meetings and they should be apprised ahead of time of their right to appoint a proxy in case they could not personally attend such meeting. The exercise of that right should not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor, subject to the requirements of applicable laws, regulations and the By-laws.*

*The Board shall be instrumental in removing excessive or unnecessary costs and other administrative or practical impediments to shareholders' participation in meetings and/or voting in person or by proxy. Relevant and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints, and subject to the financial capability of the corporation."*

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

*Yes, the minority stockholders have the right to nominate candidates for board of directors.*

## **K. INVESTORS RELATIONS PROGRAM**

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

*The reports or disclosures are prepared by the responsible officer of the Department from which the information emanates (e.g. business development, finance, investor relations) and submitted to the SEC and PSE by investor relations office. The information contained is reviewed by executive officers as well as the Corporation's Compliance Officer who is also the Corporate Secretary. Corporate disclosures are submitted to PSE through its Online Disclosure System (ODiSy) by designated Corporate Information Officers. Starting December 27, 2013, all company disclosures are submitted through PSE EDGE, the new online disclosure system of PSE.*

*All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e. anything that could potentially affect share price are publicly disclosed within ten (10) minutes from the occurrence of the event as required by PSE and within five (5) calendar days from its occurrence to the SEC. The same shall be posted to the Company's website.*

*The Audit Committee shall review the interim and annual financial statements, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management prior to the filing of the Company's Quarterly Report on SEC Form 17-Q and SEC Form 17-A.*

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.



	<b>Details</b>
(1) Objectives	<p><i>The company's investor relations aims to comply with regulations, create a favorable relationship with key financial audiences (retail and institutional investors, analysts, brokerage firms and the financial community) and contribute to building and maintaining the company's image and reputation.</i></p> <p><i>The investor relations office strives to service shareholders and potential investors by providing information regularly and consistently with essential, correct, sufficient and up-to-date information used to determine the share value. It also accommodates certain basic needs which are information-oriented such as changing of address, transferring shares, receiving dividend payments and finding and/or resolving lost certificates.</i></p> <p><i>Foremost, it should help facilitate the acquisition of capital at lower cost, raise stock price to its warranted value and keep an even pace of share flow and volume in the market. This will only be achieved by providing information on the value drivers and their impact on valuation as determined by corporate performance and prospects and measured using investing models.</i></p> <p><i>The investor relations should be involved in creating higher investor awareness and better understanding of the company, building investor loyalty and attract new investors, increasing analyst coverage, bolstering stockholdings by institutions (to buy and hold shares), and fashioning a stronger retail base and broker following.</i></p> <p><i>The investor relations should provide analysts the numbers in detail and its interpretation; institutional portfolio managers the relevant statistics in comparing companies against their investing criteria and brokers of the company's salable strengths and assurance .</i></p>
(2) Principles	<p><i>Information is the lifeblood of investor relations. As an integrative communication structure linking stakeholders to the organization as information resource, it takes the form of the factual, numbers-oriented information (quantitative) that analysts and investors need to complete their data buildup, conduct their analyses and make their investment decisions based on formulas or judgment and the qualitative inputs that enable analysts and investors to make those numbers and their recommendations more incisive and meaningful. Adjunct to its commitment of full disclosure is its compliance to laws, rules and regulations.</i></p> <p><i>The goal of ABCI's investor relations is to provide sufficient, accurate and consistent information to the various players of capital markets in a timely manner proactively seek to give all details required by investors and analysts for them to be able to build a correct picture of the Company's true financial situation and risks and opportunities. The commitment will be evenly fulfilled</i></p>

	<p><i>irrespective of whether the information is positive or negative for the Company.</i></p> <p><i>Believing that the hallmarks of an effective investor relations program are candor, openness, integrity, equality, accuracy and timeliness, the Management of ABCI is strongly committed to serving the capital markets with transparency and impartiality. The company's President &amp; Executive Chairman and CFO are the main parties dealing with and answering questions from analysts and investors.</i></p>
(3) Modes of Communications	<p><i>The company has multiple channels that shareholders, other stakeholders and the public in general can access information about the company. Multiple channels include publication of Annual Report; issuance of Press Releases to media firms and posting of disclosures, shareholding structures, quarterly and annual reports as well as information statements on the company's website. Clarifications and additional information asked by journalists from the disclosures are answered through phone call and/or electronic mail.</i></p> <p><i>The principal communication vehicles for the message and information flow utilize the print, verbal, audio-visual and electronic formats.</i></p>
(4) Investors Relations Officer	<p><i>Investor Relations Officer</i>  <i>Tel.: (02) 638-6832</i>  <i>Telefax: (02) 633-3135</i></p> <p><i>ALLAN ACE R. MAGDALUYO</i>  <i>Senior Finance Manager</i>  <a href="mailto:aarmagdaluyo@abrown.ph"><i>aarmagdaluyo@abrown.ph</i></a></p> <p><i>ATTY. ROSA ANNA DUAVIT-SANTIAGO</i>  <i>Vice President/ Chief Finance Officer/ Treasurer</i>  <a href="mailto:rdsantiago@abrown.ph"><i>rdsantiago@abrown.ph</i></a></p>

- 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?

*After thorough evaluation of the risks and benefits with regard to acquisition of corporate control, extraordinary transactions such as mergers and sale of substantial portions of corporate assets as well as the opportunities for synergy and growth of pursuing these transactions, the Revised Manual on Corporate Governance is explicit that the Board shall be committed to respect, protect and facilitate the exercise of shareholders' rights. Apart from shareholders' right to actively participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes, shareholders have right to dissent and demand payment of the fair value of his shares.*

*In manner provided for under Section 82 of the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:*

- 1.) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;*
- 2.) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and*
- 3.) In case of merger or consolidation.*

Rules and Procedures in the Exercise of Appraisal Right

The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action by making a written demand on ABCI within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his share: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, ABCI shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. The withdrawing stockholder shall submit his shares to the corporation for notation of being a dissenting stockholder within ten (10) days from written demand.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and ABCI cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by ABCI within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless ABCI has unrestricted retained earnings in its books to cover such payment; Provided, further, That upon payment by ABCI of the agreed or awarded price, the stockholder shall forthwith transfer his shares to ABCI.

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

The company shall appoint an independent party duly accredited by SEC if required to provide opinion as to the fairness of the valuation or transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

The following are initiatives taken by the company and its subsidiaries to the communities within the areas where the businesses operate and serve:

<b>Initiative</b>	<b>Beneficiary</b>
1.) <u>Book Donation - November 2014</u>	<u>College textbooks worth Php500,000 were turned over by ABCI through its community relations program to Opol Community College (OCC) in Opol, Misamis Oriental last November 17, 2014. The assorted books and chairs were donated by Millersville University (of Millersville, Pennsylvania, USA) Professor Dr. James Cosentino, project director of Books for International Development and personal friend of ABCI ComRel Manager Ruffy Magbanua. The turn-over ceremony held at Opol Community College was attended by Opol Mayor Maximino Seno, Vice Mayor Charina Ortigosa, members of the Sangguniang Bayan, school officials and students. OCC has 2,000 population.</u>
2.) <u>Christmas Gift For Typhoon Sendong Victims- December 2014</u>	<u>ABCI donated 1 million pesos worth of packed ham and queso de bola to more than 2,000 victims of Typhoon Sendong in barangays Puntod, Macasandig and Indahag, Cagayan de Oro City last December 22, 2014.</u>

<p>3.) <u>Medical-Dental-Ortho-Legal Mission in Coastal Barangays of Opol, Misamis Oriental - December, 2014</u></p>	<p><u>Medical-Dental-Ortho-Legal Mission conducted jointly by local government of Opol, A Brown Company, Inc. and Rotary Club of Opol on December 30, 2014. The free outreach has served 1,546 local residents including evacuees of typhoon Seniang of Coastal Barangays (Igpit, Barra, Tabok, Poblacion) of Opol, Misamis Oriental led by Opol Mayor Maxi Seno. The medical team were composed of 10 doctors, 5 dentists, 3 eye specialists, 5 lawyers and 20 members of Rotary Club of Opol.</u></p>
<p>4.) <u>ABCI Scholarship Program - on going since 2011</u></p>	<p><u>Six (6) college students belonging to the Higaonon tribe from Kalabugao, Impasug-ong, Bukidnon are recipients of the ABCI scholarship program. They are currently enrolled at Bukidnon State University in Malaybalay City, Bukidnon. Of the six ABCI scholars, one already graduated and now employed with ABCI. Three of the remaining five scholars are due for graduation on March 2015.</u></p>
<p>5.) <u>Medical Assistance</u></p>	<p><u>ABCI has extended financial assistance last October 21, 2014 to former ABERDI contractual worker in oil palm plantation in Brgy Tingalan, Opol, Misamis Oriental for the removal of implanted stainless steel due to vehicular accident in 2011.</u></p>

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

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

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

*In evaluating the company's Board of Directors' performance, an annual self-assessment is conducted to allow the Board and its members to identify strengths and areas for improvement and helping set goals and manage expectations for better performance.*

*In making the assessment, the Board will rate each questions covering board functions (30%), board structure (20%), board process (20% and board performance (30%) by answering in a scale of 1 to 5 with the following criteria:*

- 1 – No, I strongly disagree. This is not a practice.*
- 2 – No, but this is practiced once in a while/ there are efforts to do so.*
- 3 – Undecided. Mechanisms are in place but it is not executed satisfactorily or consistently.*
- 4 – Yes, I agree but there is some room for improvement.*
- 5 – Yes, I strongly agree.*

*The Audit Committee is evaluated using its charter. Other Board Committees will be assessed also using the provisions of each Board Committee charters.*

*The Executive Chairman and the President's performance are evaluated informally at this time. The Company will adopt the formal structure in the future.*

## 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

Violations	Sanctions

*The Compliance Officer shall establish an evaluation system to determine and measure compliance with the Revised Manual on Corporate Governance. Any violation thereof shall be subject the responsible officer or employee to the penalty provided under Part 9 of the Manual.*

### “9 – PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

9.1 *To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company’s directors, officers, staff, subsidiaries and affiliates and their respective director, officers and staff in case of violation of any of the provision of this Manual:*

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

9.2 *The commission of a **third violation** of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.*

9.3 *The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the penalty for such violation, for further review and approval of the Board.”*

*In addition, the Employee Code of Conduct provides the sanctions for violations or offenses committed against person; against property; against company interest and policy; against safety, health, security and public order; against decency, good custom, honor and morality; against administration; against authority (insubordination) after due process and following the procedure in handling administrative cases.*

Type of Offense	Level of Offence	Disciplinary Action
A	1 <sup>st</sup>	Written Warning
	2 <sup>nd</sup>	Stern Written Reprimand with Warning for Suspension
	3 <sup>rd</sup>	2 Working Day Suspension
	4 <sup>th</sup>	4 Working Day Suspension
	5 <sup>th</sup>	6 Working Day Suspension
	6 <sup>th</sup>	15 Working Day Suspension with Warning for Dismissal
B	7 <sup>th</sup>	Dismissal
	1 <sup>st</sup>	Stern Written Reprimand with Warning for Suspension
	2 <sup>nd</sup>	4 Working Day Suspension
	3 <sup>rd</sup>	6 Working Day Suspension
	4 <sup>th</sup>	15 Working Day Suspension with Warning for

		<i>Dismissal</i>
<i>C</i>	<i>5<sup>th</sup></i>	<i>Dismissal</i>
	<i>1<sup>st</sup></i>	<i>6 Working Day Suspension</i>
	<i>2<sup>nd</sup></i>	<i>15 Working Day Suspension with Warning for Dismissal</i>
<i>D</i>	<i>3<sup>rd</sup></i>	<i>Dismissal</i>
	<i>1<sup>st</sup></i>	<i>30 Working Day Suspension with Warning for Dismissal</i>
<i>E</i>	<i>2<sup>nd</sup></i>	<i>Dismissal</i>
	<i>1<sup>st</sup></i>	<i>Dismissal (included in type E offenses are those covered by law as just causes for termination of employment)</i>

*The aforesaid penalties, after being served in whatever level of offenses, shall be stricken out from company records based on following periods:*

- Type A Offenses – One (1) year after serving of penalty*
- Type B Offenses - Two (2) years after serving of penalty*
- Type C Offenses – Three (3) years after serving of penalty*
- Type D Offenses – Four (4) years after serving of penalty*

*Despite the schedule of penalties, penalty of dismissal may be commuted by the President to suspension of 30 days depending on the mitigating circumstances present in each case.*

*In case the penalty for a Type E offense is commuted to suspension, record of offense will be stricken out of the company's records four (4) years after serving the penalty.*