



## A. SORIANO CORPORATION

July 1, 2013

Philippine Stock Exchange  
PSE Center, One Exchange Road  
Ortigas Center, Pasig City

Attention: **Ms. Janet A. Encarnacion**  
**Head, Disclosure Department**

Gentlemen:

Attached herewith is A. Soriano Corporation's ("Anscor") Annual Corporate Governance Report which we submitted to SEC.

Very truly yours,

**JOSHUA L. CASTRO**  
Corporate Information Officer

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM – ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**  
**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2012
2. Exact Name of Registrant as Specified in its Charter A. SORIANO CORPORATION
3. 7<sup>TH</sup> FLOOR, PACIFIC STAR BLDG., MAKATI AVENUE, MAKATI CITY 1209  
Address of Principal Office Postal Code
4. SEC Identification Number PW-2.
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number .000-103-216
7. (02) 819-0251 to 60  
Issuer's Telephone number, including area code
8. N.A.  
Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

1) Board of Directors

Number of Directors per Articles of Incorporation: Seven (7)

Actual number of Directors for the year: Seven (7)

(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))	Nominee (Identify the principal)	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of Years served as director
Andres Soriano III	ED		Eduardo J. Soriano	1983	2013	April 17, 2013	30
Eduardo J. Soriano	ED		Eduardo J. Soriano	1980	2013	April 17, 2013	33
Ernest K. Cuyegkeng	ED		Eduardo J. Soriano	2009	2013	April 17, 2013	4
John Gokongwei, Jr.	NED		Eduardo J. Soriano	1980	2013	April 17, 2013	33
Oscar J. Hilado	ID		Eduardo J. Soriano, no relationship	1998	2013	April 17, 2013	15
Jose C. Ibazeta	NED		Eduardo J. Soriano	1981	2013	April 17, 2013	27*
Roberto R. Romulo	ID		Eduardo J. Soriano, no relationship	1998	2013	April 17, 2013	15

\* Mr. Ibazeta served as Director from 1981 to 1998. He was elected again from 2004 to 2009. He resigned in March 21, 2010 in view of his appointment as Acting Secretary of the Department of Energy and after his term has ended, was re-elected again as Director on July 26, 2010.

(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.

*Corporate Governance Policy*

The corporate governance policy of A. Soriano Corporation (the "Company") is set forth in its Manual on Corporate Governance, which serves as guide for the Company, its Board of Directors as well as officers and employees. The Manual contains basic policies, procedures and practices towards the following:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management,
- d. Reliability and integrity of financial and operational information,
- e. Cost effective and profitable business operations,
- f. Compliance with laws, rules, regulations and contracts, and
- g. Enhancing the value of the Company.

*Board Responsibilities*

The Board of Directors is primarily responsible for the governance of the Company. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

To ensure a high standard of best practice for the Company and its stockholders, the Board should conduct itself with honesty and integrity in the performance of its duties and functions –

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

- (a) Implement a process for the selection of directors who can add value to the formulation of corporate strategies and policies;
- (b) Provide sound strategic policies and guidelines to the Company on major capital expenditures;
- (c) Ensure the Company's compliance with all applicable laws, regulations and best business practices;
- (d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company;
- (e) Identify the sectors in the community in which the Company operates and formulate policy of accurate, timely and effective communication with them,
- (f) Adopt a system of check and balance within the Board;
- (g) Identify and monitor key risk areas and performance indicators to enable the Corporation to anticipate and prepare for threats to its operational and financial viability;
- (h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions;
- (i) Constitute an Audit Committee and other committees necessary to assist the Board in the performance of its duties and responsibilities;
- (j) Establish and maintain an alternative dispute resolution system;
- (k) Meet at such times or frequency as may be needed;
- (l) Keep the activities and decisions of the Board within its authority; and
- (m) Appoint a Compliance Officer, among others.

***Board Accountability and Audit***

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

***Stockholders' Rights and Protection of Minority Stockholders' Interests***

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- a. Right to vote on all matters that require their consent or approval;
- b. Pre-emptive right to all stock issuances of the Company;
- c. Right to inspect corporate books and records;
- d. Right to information;
- e. Right to dividends; and
- f. Appraisal right.

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

It is the duty of the Board to promote the right of the stockholders, remove impediments to the exercise of those rights and provide avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate 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.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders an avenue to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company

*Disclosure and Transparency*

The essence of corporate governance is transparency. The more transparent the internal workings of the Company are, the more difficult it is for Management and dominant stockholders to mismanage the Company or misappropriate its assets.

It is therefore essential that all material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

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

No fix schedule, on as needed basis.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group/Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andres Soriano III	Anscor Consolidated Corp.	ED - Chairman
	Anscor Property Holdings, Inc.	NED
	Seven Seas Resorts and Leisure, Inc.	NED – Chairman
	Pamalican Resort, Inc.	NED - Chairman
	Phelps Dodge International Philippines, Inc.	NED – Chairman
	Phelps Dodge Philippines Energy Products Corporation	NED – Chairman
	A. Soriano Air Corporation	NED
Eduardo J. Soriano	Cirrus Global, Inc.	Chairman
	Anscor Property Holdings, Inc.	NED – Chairman
	A. Soriano Air Corporation	NED – Chairman
	Phelps Dodge International Philippines, Inc.	NED

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

	Phelps Dodge Philippines Energy Products Corporation	NED
Ernest K. Cuyegkeng	Anscor Property Holdings, Inc. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation A. Soriano Air Corporation Cirrus Global, Inc.	ED NED NED ED ED ED ED
Oscar J. Hilado	Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc.	NED NED
Jose C. Ibazeta	Anscor Consolidated Corp. Seven Seas Resorts and Leisure, Inc. Pamalican Resort, Inc. Phelps Dodge International Philippines, Inc. Phelps Dodge Philippines Energy Products Corporation Island Aviation, Inc. Anscor Property Holdings, Inc.	NED ED ED NED NED NED - Chairman NED

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent): Indicate if director is also the Chairman
Andres Soriano III	International Container Terminal Services, Inc.	NED
Ernest K. Cuyegkeng	Arthaland Corporation	ID – Chairman
John L. Gokongwei, Jr.	JG Summit Holdings, Inc. Universal Robina Corporation Robinsons Land Corporation Cebu Air, Inc.	NED NED NED NED
Oscar J. Hilado	PHINMA Corporation Holcim Philippines, Inc. Trans-Asia Oil and Energy Development Corporation First Philippine Holdings Corporation Philex Mining Corporation	NED – Chairman NED – Chairman NED – Chairman ID ID
Jose C. Ibazeta	International Container Terminal Services, Inc.	NED

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Andres Soriano III	Anscor Consolidated Corp.	Chairman

(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:

Category	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None.	None.
Non-Executive Director	None.	None.
CEO	None.	None.

(c) Shareholding in the Company

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

Name of Director	Number of Direct share	Number of Indirect shares / Through (name of record owner)	Capital Stock
Andres Soriano III	25,000	50,465,265	2.020%
Eduardo J. Soriano	20,000	18,649,614	0.767%
Ernest K. Cuyegkeng	20,000	-	0.001%
John L. Gokongwei, Jr.	130,960	214,974	0.014%
Oscar J. Hilado	20,000	6,000,000	0.241%
Jose C. Ibazeta	32,951	-	0.001%
Roberto R. Romulo	20,000	-	0.001%
<b>TOTAL</b>	<b>268,911</b>	<b>75,329,853</b>	<b>3.045%</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

The existence of the various Board Committees, namely, Executive Committee, Compensation Committee, Audit Committee and Investment Committee and the presence of Independent Directors in the Board of Directors provide the checks and balances.

Identify the Chair and CEO:

Chairman of the Board	Andres Soriano III
CEO/President	Andres Soriano III

(b) Roles, Accountabilities and Deliverables

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

	Chairman / CEO	President
Role	<p>Preside at the meetings of the Board of Directors and of the Stockholders</p> <p>Carry out the resolutions of the Board of Directors</p> <p>Have general supervision and administration of the affairs of the Company.</p> <p>To represent the Company at all functions and proceedings and, unless otherwise directed by the Board, to attend and/or vote (in person or by proxy) at any meeting of shareholders of corporations in which the Company may hold stock and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present.</p> <p>To execute on behalf of the Company all contracts, agreements and other instruments affecting the interests of the Company, which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors.</p> <p>To sign certificates of stock.</p> <p>To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</p> <p>Ensure that the meetings of the Board are held in accordance with the Bylaws.</p> <p>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestion of Management and other directors.</p> <p>Maintain qualitative and timely lines of communication and information between the Board and Management.</p>	<p>To supervise and direct the day-to-day business affairs of the Company.</p> <p>Subject to guidelines prescribed by law or by the Chairman of the Board and Chief Executive Officer, to appoint, remove, suspend or discipline employees of the Company, prescribe their duties, determine their salaries.</p> <p>To exercise such powers and perform such duties as the Chairman of the Board and Chief Executive Officer may from time to time assign to him.</p> <p>Unless otherwise directed by the Board of Directors or by the Chairman of the Board and Chief Executive Officer, to exercise the latter's functions in the event or absence or temporary disability of the Chairman of the Board and Chief Executive Officer and the Vice Chairman of the Board.</p>
Accountabilities	To make reports to the Directors and Stockholders	To ensure that the administration and operational policies of the Company are carried out under the

		direction and control of the Chairman of the Board and Chief Executive Officer.
Deliverables	Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors	<p>To recommend to the Chairman of the Board and Chief Executive Officer specific projects for the attainment of corporate objectives and policies.</p> <p>To oversee the preparation of the budgets and the statements of accounts of the Company.</p> <p>To prepare such statements and reports of the Company as may be required by law.</p>

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

The Board of Directors is in the process of formulating the plan for succession for the Company.

- 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.

The Company promotes the election of a mix of executive and non-executive directors, that would allow a healthy balance of ideas, opinion, wisdom and experience on the management and business of the Company and in order that no director or small group of directors can dominate the decision-making process.

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

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. This necessarily means that a director has some experience in the sector or industry to which the Company belongs. Moreover, the Board may provide for additional qualifications for directors which may include, among others, the following:

- a. College education or equivalent academic degree;
- b. Practical understanding of the business of the Company;
- c. Membership in good standing in relevant industry, business or professional organization; and
- d. Previous business experience.

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

	Executive	Non-Executive	Independent Director
Role	Foster the long-term success of the Company, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.	Same role.	Same role.

Accountabilities	<p>Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>Observe confidentiality.</p>	Same accountabilities.	Same accountabilities.
Deliverables	Formulate the Company's vision, mission, strategic or objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.	Same deliverables.	Same deliverables.

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

The Company's By-Laws provide for the definition of an independent director in conformity with the definition of an independent director as provided for in the Securities Regulations Code and its implementing rules and regulations. As defined, an "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 in any covered company and includes, among others, any person who:

- A. Is not a director or officer of the covered 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 covered company and/or its related companies or any of its substantial shareholders;
- C. Is not related to any director, officer or substantial shareholder of the covered 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;
- E. Is not acting as a nominee or representative of any director or substantial shareholder of the covered 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;
- F. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
- G. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

- H. Has not engaged and does not engage in any transaction with the covered 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.

The Company ensures that its independent directors comply with the above definition for an independent director. Further, the Company's independent directors are required to submit annually a certification that they possess all the qualifications and none of the disqualifications to serve as independent directors, listing therewith all their affiliations with other companies.

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

The Company adheres to the provision of SEC Memorandum Circular No. 09-11 dated December 5, 2011, which prescribes a term limit of five consecutive years for independent directors (reckoned from the effectivity date of the Circular.)

After the lapse of the five-year service period, the independent director shall be ineligible for election unless he/she has undergone a "cooling off" period of two years, provided that the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director of the Company. After the "cooling off" period, the independent director may serve for another five consecutive years. After serving as independent director for ten years, he or she shall no longer qualify for election as an independent director of the Company.

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

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	None	None	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	<p>Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Company), on March 1 of every year or at such earlier or later date as the Board of Directors may fix.</p> <p>Each nomination under the preceding paragraph shall set forth (i)</p>	<p>A director must have at least twenty thousand (20,000) shares of stock of the Company in his name in the books of the Company.</p> <p>The Board may provide for additional qualifications which may include, among others, the following:</p> <p>a. College education or equivalent academic degree;</p>

	<p>the name, age, business address, if known, address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee, and (iv) interests and positions held by each nominee in other Company's. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Company.</p> <p>The Board, by a majority vote may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine the defective nomination and the nomination of a disqualified person shall be disregarded.</p>	<p>b. Practical understanding of the business of the Company;</p> <p>c. Membership in good standing in relevant industry, business or professional organization; and</p> <p>d. Previous business experience.</p> <p>Majority of the directors shall be citizens of the Philippines. Majority of the directors shall also be residents of the Philippines.</p>
(ii) Non-Executive Directors	Same process as the election of executive directors.	<p>Same criteria as election of executive directors.</p> <p>Further, the non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.</p>
(iii) Independent Directors	Same process as the election of executive directors.	<p>Same criteria as election of executive directors.</p> <p>Further, he or she must comply with the definition of an independent director and possess all the qualifications and none of the disqualifications for serving as independent director as provided for in the Company's By-Laws and the provisions of the Securities Regulation Code and its</p>

		implementing rules and regulations.
<b>b. Re-appointment</b>		
(i) Executive Directors	Same process for nomination and election of executive directors set forth above.	Same criteria for nomination and election of executive directors set forth above.
(ii) Non-Executive Directors	Same process for nomination and election of non-executive directors set forth above.	Same criteria for nomination and election of non-executive directors set forth above.
(iii) Independent Directors	Same process for nomination and election of independent directors set forth above.	Same criteria for nomination and election of independent directors set forth above.  Further, the re-election of independent directors must observe the term limit prescribed in SEC Memorandum Circular No. 09-11.
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The following are the grounds for permanent disqualification of a director:</p> <p>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. 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: (i) acting as underwriter,</p>	Same as grounds for permanent disqualification of a director.

	<p>broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Company 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 of BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c. Any person convicted by final judgment or order of 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;</p>	
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	<p>d. 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 Company Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>e. Any person judicially declared as insolvent;</p> <p>f. 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 above.</p> <p>g. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Company Code committed within five (5) years prior to date of his election or appointment.</p>	
(ii) Non-Executive Directors	Same as grounds for permanent disqualification of an executive director.	Same as grounds for permanent disqualification of non-executive directors.
(iii) Independent Directors	<p>Same as grounds for permanent disqualification of an executive director.</p> <p>Further, an independent director may also be permanently disqualified as independent director if he or she becomes an officer, employee or consultant of the Company. Provided, however, that the said independent director may continue to serve as a director if the Company still complies with the</p>	Same as grounds for permanent disqualification of independent directors.

	<p>requirement on the number of independent director(s) as required by the By-Laws.</p>	
<p><b>d. Temporary Disqualification</b></p>		
<p>(i) Executive Directors</p>	<p>The Board may provide for the temporary disqualification of a director for any of the following reasons:</p> <p>a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless that absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>c. Dismissal or termination for cause as director of any Company 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.</p> <p>d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>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</p>	<p>Same as grounds for temporary disqualifications of executive directors.</p>

	reasons, the disqualification shall become permanent.	
(ii) Non-Executive Directors	Same as grounds for temporary disqualification of executive directors.	Same as grounds for temporary disqualifications of non-executive directors.
(iii) Independent Directors	<p>Same as grounds for temporary disqualification of executive directors.</p> <p>In addition, if the beneficial equity ownership of an independent director in the Company 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.</p>	Same as grounds for temporary disqualifications of independent directors.
<b>e. Removal</b>		
(i) Executive Directors	<p>The Company adheres to the provision of the Corporation Code on removal of directors. Section 28 of the Corporation Code, as amended, provides that any director may be removed from office by a vote of the stockholders holding or representing two-thirds of the outstanding capital stock, provided, that such removal shall take place either at a regular meeting of the Company or at special meeting called for the purpose, and in either case, after previous notice to stockholders of the Company of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of directors must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be</p>	<p>Removal may be with or without cause provided that removal without cause may not be used to deprived minority stockholders or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code, as amended.</p>

	addressed directly to the stockholders by any stockholder of the Company signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal must be given by publication or by written notice.	
(ii) Non-Executive Directors	Same as process for removal of executive directors.	Same criteria for removal of executive directors.
(iii) Independent Directors	Same as process for removal of independent directors.	Same criteria for removal of executive directors.
<b>f. Re-Instatement</b>		
(i) Executive Directors	A director may only be re-instated through election during annual stockholders meeting or by majority vote of the directors to fill a vacancy in the Board in case where a director resigns due to a disqualification (e.g., appointment to a Cabinet position) and after cessation of such disqualification.	Same as process for re-instatement of executive directors.
(ii) Non-Executive Directors	Same as re-instatement of executive directors.	Same as process for re-instatement of non-executive directors.
(iii) Independent Directors	Same as re-instatement of independent directors.	Same as process for re-instatement of independent directors.
<b>g. Suspension</b>		
(i) Executive Directors	The Company's By-Laws or Manual on Corporate Governance does not provide for grounds for suspension of Directors. However, Directors of the Company are expected to observe the highest standard of business conduct or ethics and as such are expected to fully inform the Board of Directors of any potential issue in exercising his or her functions and duties as Director.	No criteria but Directors are expected to exercise prudence and sound independent judgment.
(ii) Non-Executive Directors	Same as above.	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

Voting Result of the last Annual General Meeting

Name of Director	Notes Received
Andres Soriano III	2,197,074,355
Eduardo J. Soriano	2,197,074,355
Ernest K. Cuyegkeng	2,197,074,355
John L. Gokongwei, Jr.	2,197,074,355
Oscar J. Hilado	2,197,074,355
Jose C. Ibazeta	2,197,074,355
Roberto R. Romulo	2,197,074,355

6) Orientation and Education Program

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

The Company requires that a new director, before assuming office attend a seminar on corporate governance conducted by a duly recognized private or government institution.

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

None as the Company's Directors and Senior Management have considerable expertise in their respective fields. However, Directors and Senior Management regularly attend briefings and conferences and avail themselves of publications to update their knowledge and skills in their field of expertise.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Eduardo J. Soriano	December 5, 2012	JCS Forum	Sofitel Philippine Plaza
Oscar J. Hilado	June 20, 2013	Business Continuity Management Training	SGV & Co.
Roberto R. Romulo	November 19, 2012	Navigating the New World of Business	PLDT Corporate Governance Session

**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>A director should ensure that his personal interest does not conflict with the interests of the Company.</p> <p>He should avoid situations that</p>	<p>The Company has a long-standing policy to require the highest standards of ethics and morality for the Company and its employees.</p> <p>An employee has a duty of loyalty to the</p>	<p>Same with Senior Management.</p>

<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.

	<p>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.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p>	<p>Company. An employee shall not have conflicting interests in any competitor of the Company or in any organization with which the Company does business. Such interest creates an unfavorable impression and raises an implication of impropriety.</p>	
(b) Conduct of Business and Fair Dealings	<p>A director should conduct fair business transactions with the Company.</p> <p>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.</p>	<p>Same with Directors.</p>	<p>An employee on a full-time employment with the Company is expected to devote his full regular working time to the Company.</p> <p>The Company and its representatives are expected to transact business on an ethical basis.</p>
(c) Receipt of gifts from third parties	<p>Gifts of nominal value and if given on special occasions, e.g., birthdays, Christmas, etc., may be permissible.</p>	<p>Same with Directors.</p>	<p>Relationship with commercial customers or suppliers may occasionally present circumstances when gifts or favors are exchanged as an accepted practice. Such practice is considered proper under the following guidelines:</p> <p>a. Certain business courtesies, such as payment for a modest lunch or dinner in connection with a business meeting, normally would not be a gift within the context of the general policy. Employees concerned should endeavor to keep such courtesies on a</p>

			<p>reciprocal basis, to the extent practicable, in order to demonstrate that no gift is sought or granted.</p> <p>b. Advertising novelties would not be inappropriate to give or receive, provided the item is of no appreciable value, and is widely distributed to others under essentially the same business relationship with the donor.</p> <p>c. Company products, models, and pictures made available under customer and public relations program would not be in violation of the general policy.</p> <p>d. Offers by present or potential suppliers to provide expense-paid trips for pleasure must be declined. Offers of suppliers to provide expense-paid trips to suppliers' facility or other destination for business must be referred to Management before being considered.</p>
(d) Compliance with Laws & Regulations	A Director should ensure that he or she and the Company comply with all laws and rules and regulations.	Senior Management should ensure that he or she and the Company comply with all laws and rules and regulations.	All employees should ensure that they and the Company comply with all laws and rules and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	A director should keep secure and confidential all non-public information he may require or learn by reason of his position as director. He should not reveal confidential information without the authority of the Board.	Same policy as in case of Directors.	All employees have the duty to keep all sensitive information confidential and in case of doubt they should elevate the matter to superior officers for clarification and guidance.
(f) Use of Company Funds, Assets and Information	Use of Company funds, assets and information for personal benefit is not permissible. Company equipment may be	Same policy applicable to Directors.	Same policy applicable to - Directors.

	borrowed under justifiable conditions subject to Company guidelines.		
(g) Employment & Labor Laws & Policies	A Director should ensure that the Company complies with all employment and labor laws and rules and regulations.	Senior Management should ensure that the Company complies with all employment and labor laws and rules and regulations.	All employees should ensure that the Company complies with all employment and labor laws and rules and regulations.
(h) Disciplinary action	No specific policy but Directors are expected to act based on highest standard of conduct and if a situation will arise that will result to a potential issue with the Company, a Director is expected to fully inform the Board and if necessary voluntarily refrain from exercising his functions as Director until such time that the potential issue is resolved.	Based on decision of Chairman of the Board and CEO.	<p>The Company believes that the most effective discipline is that which is self-motivated. The individual's views, dignity, as well as their need for security are recognized by the organization. Effort is exerted to promote effective employee-management relations, to prevent situations requiring disciplinary actions.</p> <p>The objective of disciplinary action is corrective rather than punitive. When clearly warranted however, disciplinary action is to be initiated promptly, and in accordance with Company's policy and procedure.</p> <p>Due process shall be observed at all times. Action must be timely and prudent. Impartiality and open-mindedness should characterize the investigation of cases. In the application of penalties/sanctions, uniformity and fairness should be exercised.</p>
(i) Whistle Blower	It is the Company's policy to investigate complaints fairly and protect the identity of complainant.	Same policy applicable to Directors.	Same policy applicable to directors.
(j) Conflict Resolution	Through amicable settlement acting with utmost professionalism with Independent Directors as impartial arbiters.	Same policy applicable to Directors.	Conflict resolution is handled by the Company's Labor-Management Council.

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

Yes.

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

With respect to the Board of Directors, the Chairman monitors compliance with code of ethics or conduct. For Company employees, monitoring of compliance is through Personnel Department.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	Only inter-company receivables and payables are permissible.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	The Company does not allow related party transactions with substantial stockholders, officers and their family and directors and their family.
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None.
Name of Officer/s	None.
Name of Significant Shareholders	None.

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Through open dialogue conducted with utmost professionalism with the Chairman and the Independent Directors as impartial arbiters.
Group	Same as above.

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:

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

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

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

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

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

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	No conflict or differences for the last three years.
Corporation & Third Parties	No conflict or differences for the last three years.
Corporation & Regulatory Authorities	No conflict or differences for the last three years.

C. BOARD MEETINGS & ATTENDANCE

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

Per By-Laws, meetings of the Board of Directors must be held quarterly. In practice, meetings of the Board of Directors are held at least five times a year.

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

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andres Soriano III	April 11, 2012	5	5	100%
Member	Eduardo J. Soriano	April 11, 2012	5	4	80%
Member	Ernest K. Cuyegkeng	April 11, 2012	5	5	100
Member	John L. Gokongwei, Jr.	April 11, 2012	5	5	100
Member	Jose C. Ibazeta	April 11, 2012	5	5	100
Independent	Oscar J. Hilado	April 11, 2012	5	4	80%
Independent	Roberto R. Romulo	April 11, 2012	5	4	80%

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

None.

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

Per By-Laws, a majority of the entire membership of the Board shall constitute a quorum for the transaction of any business.

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?

At least two to three days in advance.

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

Yes.

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

Yes. Specifically, the Corporate Secretary should –

- a. 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;
- b. Be loyal to the mission, vision and objectives of the Company;
- c. Work fairly and objectively with the Board, Management and stockholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the Company;

<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.

- g. 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;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.
- k. Issue a Certification every January 30<sup>th</sup> of the year on the attendance of directors in meetings of the board of directors countersigned by the Chairman of the Board.

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

Yes.

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	The Directors are provided with materials in advance.
Audit	The Directors are provided with materials in advance.
Nomination	Not applicable.
Remuneration	The Directors are provided with materials in advance.
Investment	The Directors are provided with materials in advance.

6) External Advice

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

Procedures	Details
For investments in financial assets, Directors may seek external advice from Maybank ATR Kim Eng Securities. For accounting and tax, with SGV & Co. For legal matters, with law firm of Picazo Buyco Tan Fider and Santos.	Same.

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
None.	None.	None.
None.	None.	None.
None.	None.	None.

## D. REMUNERATION MATTERS

### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined by the Compensation Committee using benchmarking based on industry standards.	Same process applicable to CEO.
(2) Variable remuneration	Not applicable.	Not applicable.
(3) Per diem allowance	Not applicable.	Not applicable.
(4) Bonus	Bonus of not more than 3% of the preceding year's net income is approved by the Compensation Committee and the Board of Directors.	Same process for CEO.
(5) Stock Options and other financial instruments	Not applicable.	Not applicable.
(6) Others (specify)	Not applicable.	Not applicable.

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Entitled to per diem allowance of P20,000 for every Board meeting attended.	Entitled to fixed per diem allowance based on Board meeting attendance and annual director's bonus as may be approved by the Board within Company policy.	Per diem allowance is fixed at P20,000 while annual director's bonus as may be approved by the Compensation Committee and the Board of Directors should not exceed 1% of the net income after tax during the preceding year.
Non-Executive Directors	Same per diem allowance as mentioned above.	Same compensation structure as mentioned above.	Same as above.

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

Remuneration Scheme	Date of Stockholders' Approval
Per diem allowance and annual bonus not exceeding 1% of the net income after tax of the preceding year.	<p>This was formally approved by the stockholders as a standing policy during the Annual Stockholders on April 21, 2004.</p> <p>Annually, the Company requests the stockholders during the Annual Stockholders Meeting to ratify all acts and resolutions of the Board of Directors. Part of such acts and resolutions is approval of directors' bonus, latest approval of which from stockholders was made during the Annual Stockholders' Meeting held on April 17, 2013.</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 and Independent Directors
(a) Fixed Remuneration	P48,877,524.00	
(b) Variable Remuneration		
(c) Per diem Allowance		
(d) Bonuses	P33,697,500.00	
(e) Stock Options and/or other financial instruments		
(f) Others (Specify)	P2,022,411.00	
<b>Total</b>	<b>P84,597,435.00*</b>	<b>P10,648,906.00</b>

\* Includes compensation for two executive officers who are not directors.

Other Benefits	Executive Directors	Non-Executive Director (other than Independent directors)	Independent Directors
1) Advances	Not applicable.	Not applicable.	Not applicable.
2) Credit granted	Not applicable.	Not applicable.	Not applicable.
3) Pension Plan/s Contributions	P6,800,000.00	Not applicable.	Not applicable.
(d) Pension Plans, Obligations incurred	Not applicable.	Not applicable.	Not applicable.
(e) Life Insurance Premium	Not applicable.	Not applicable.	Not applicable.
(f) Hospitalization Plan	Annual medical benefit of P500,000.00 per ED.	Not applicable.	Not applicable.
(g) Car Plan	Car Plan with	Not applicable.	Not applicable.

	vehicle cost equivalent to P3M – P5 M. May be availed every 5 years.		
(h) Others (Specify)	Not applicable.	Not applicable.	Not applicable.
<b>Total</b>	Not applicable.	Not applicable.	Not applicable.

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:

Directors Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders’ Approval
None.	None.	None.

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Narcisa M. Villafior – Vice President and Comptroller	P84,597,435.00*
Joshua L. Castro – Assistant Vice President and Assistant	

*\*Includes compensation of the three Executive Directors of the Company.*

**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	3	1	1	Based on By-Laws	The Executive Committee may act on matters within the competence of the Board, except as specifically limited by law or by the Board Directors.
Audit	1	1	1	Audit Committee Charter	<p>The Audit Committee is formed to assist the Board in the performance of its oversight responsibility for (1) financial reporting process of the company; (2) risk management and system of internal controls; (3) audit process; (4) monitoring the compliance with applicable laws, rules and regulatory requirements; and (5) the independence and performance of the company's internal and external audits.</p> <p>The Audit Committee shall:</p> <ol style="list-style-type: none"> <li>a. Review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board for approval.</li> <li>b. Provide oversight of financial reporting and disclosures which include the following: <ul style="list-style-type: none"> <li>-appropriateness of accounting policies adopted by Management</li> <li>- reasonableness of estimates, assumptions, and judgments used in the FS preparation</li> <li>- identification of material errors and fraud, and sufficiency of risk controls</li> <li>- actions or measures in case of finding of error or fraud in financial reporting</li> <li>- review of unusual or complex transactions including all related party trans actions</li> <li>- assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures</li> <li>- review and approval of mgt representation letter before submission to external auditor</li> <li>- communication with legal counsel covering litigation, claims, contingencies or other significant legal issues</li> </ul> </li> </ol>

					<ul style="list-style-type: none"> <li>- assessment of the correspondence between the company and regulators re FS filings and disclosures</li> <li>- setting a framework for fraud prevention and detection</li> <li>- Business Continuity Plan</li> <li>- evaluation of compliance with the Code of Conduct</li> <li>- qualifications of an internal auditor</li> <li>- review internal audit reports</li> </ul> <p>c. Review the annual audited financial statements with the CFO and comptroller, including major issues regarding accounting and auditing principles and practices as well as adequacy of internal controls on asset/fund management.</p> <p>d. Review an analysis made by the CFO and comptroller of financial reporting issues and judgments made in connection with the preparation of the Company's quarterly and yearend financial statements. These issues may include, among others, compliance with existing Philippine Financial Reporting Standards (PFRS).</p> <p>e. Review with the CFO and comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group.</p> <p>f. Review with the CFO and Comptroller exposure drafts by Philippine Financial Reporting Standards Council as they materially impact on the Company's financial statements.</p> <p>g. Review with the CFO on a quarterly basis the investment operating results and with the CFO and Comptroller the quarterly financial reports prior to submission to the SEC and PSE.</p> <p>h. Recommend the fees to be paid to the external auditors for audit services as well as fees to other firms for internal audit-related work, if any.</p> <p>i. Evaluate and determine the non-audit</p>
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					<p>work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A.</p> <p>j. Meet with the external auditors prior to the audit to review planning and scope of audit work.</p> <p>k. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary.</p> <p>l. Review with the Company's lawyers legal matters that may have a material impact on the financial statements, the Company's compliance with laws, rules and requirements of regulatory agencies and any material reports or inquiries received from regulators or government agencies.</p> <p>m. Organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement.</p> <p>n. Review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company.</p> <p>o. Evaluate the adequacy and effectiveness of the company's internal control system, including controls related to financial reporting and information technology security.</p> <p>p. Assess the Audit Committee performance annually through a self assessment worksheet as shown in Annex "A".</p> <p>In rating its overall level of compliance, the following shall apply:</p> <table> <tr> <td>Poor</td> <td>1 to 3</td> </tr> <tr> <td>Satisfactory</td> <td>4 to 6</td> </tr> <tr> <td>Very Satisfactory</td> <td>7 to 8</td> </tr> <tr> <td>Outstanding</td> <td>9 to 10</td> </tr> </table>	Poor	1 to 3	Satisfactory	4 to 6	Very Satisfactory	7 to 8	Outstanding	9 to 10
Poor	1 to 3												
Satisfactory	4 to 6												
Very Satisfactory	7 to 8												
Outstanding	9 to 10												

					<p>The results of such assessment will be validated by the Company's compliance officer. The Committee will receive comments from management, internal auditor, general counsel and external auditors, with the end view of improving the Committee's performance.</p> <p>The entire assessment process should be documented and forms part of the Company's records.</p>
Nomination	None.				Not applicable.
Remuneration	2		1	No Charter.	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment in which it operates.
Investment Committee	3	1		Investment Policy Charter for Liquid Funds	Review and approve investments of the Company in financial assets.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2012	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 1999	4	4	100%	14 years
Member (ED)	Eduardo J. Soriano	April 1999	4	4	100%	14 years
Member (NED)	Ernest K. Cuyegkeng	April 2007	4	4	100%	6 years
Member (ID)	Oscar J. Hilado	April 1999	4	2	50%	14 years
Member (ED)	Jose C. Ibazeta	April 2006	4	4	100%	7 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2012	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Oscar J. Hilado	April 2003	2	2	100%	10 years
Member (ED)	Eduardo J. Soriano	April 2003	2	2	100%	10 years
Member (NED)	Jose C. Ibazeta	April 2004	2	2	100%	9 years

Disclose the profile or qualifications of the Audit Committee members.

OSCAR J. HILADO, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of Holcim Phils., Inc.; Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Trans Asia Power Generation Corporation (1996 to present); Chairman of Trans Asia Oil & Energy Development Corporation (April 2008 to present); Director of Manila Cordage Corporation (1986 to present); Director of Seven Seas Resorts & Leisure, Inc., Pamalican Resort, Inc. (May 2011 to present), First Philippine Holdings Corporation (November 1996 to present), Philex Mining Corporation (December 2009 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce, (1958) Masters Degree in Business Administration, Harvard Graduate School of Business, (1962).

EDUARDO J. SORIANO, Director of the Company since 21 May 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.) (2004 to present); Chairman and President of Anscor Property Holdings, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

JOSE C. IBAZETA, Director of the Company from 1981 to 1998, 2004 to present; Director of International Container Terminal Services, Inc. (1987 to present), Anscor Consolidated Corporation (1980 to present), Anscor Property Holdings, Inc. (1982 to present), A. Soriano Air Corporation (1988 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), NewCo, Inc. (1997 to present), ICTSI Ltd, ICTHI. President of Seven Seas Resorts & Leisure, Inc. (2008 to present) and Pamalican Resort, Inc. (May 2011 to present); Member, Finance Committee of Ateneo de Manila University (1997 to present); Board of Trustees of Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (March 2007 to March 2010) and Acting Secretary of Energy (April –June 2010); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), Masters Degree in Business Administration, University of San Francisco, (1968).

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

In relation to the external auditor, the Audit Committee shall:

- a. Review with the CFO and Comptroller problems that the external auditors may have encountered and management letter prepared by the external auditors that arise from the yearly-concluded audit engagement for the Group.
- b. Recommend the fees to be paid to the external auditors for audit services as well as fees to other firms for internal audit-related work, if any.
- c. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically the non audit fee paid to external auditors. The Committee shall disallow any non-audit work that will conflict with the duties of external auditors or may pose a threat to external auditors' independence. The non-audit work, if allowed should be disclosed in the Company's SEC Report 17-A.
- d. Meet with the external auditors prior to the audit to review planning and scope of audit work.
- e. Recommend to the Board either to replace the engagement partner from the same auditing firm as prescribed on a rotation basis by the SEC or to replace the external auditors, if necessary.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (ED)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (NED)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member (ID)	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.
Member	None.	Not applicable.	Not applicable.	Not applicable.		Not applicable.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held for 2012	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar J. Hilado	April 2003	1	1	100%	10 years
Member (ED)	Andres Soriano III	April 2003	1	1	100%	10 years
Member (ED)	Eduardo J. Soriano	April 2003	1	1	100%	10 years

(e) Others (Specify) – Investment Committee

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

Office	Name	Date of Appointment	No. of Meetings Held for 2012	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andres Soriano III	April 2003	4	4	100%	10 years
Member (ED)	Eduardo J. Soriano	April 2003	4	4	100%	10 years
Member (ED)	Ernest K. Cuyegkeng	April 2003	4	4	100%	10 years
Member (NED)	Jose C. Ibazeta	April 2004	4	4	100%	9 years

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	None.	None.
Audit	None.	None.
Nomination	Not applicable.	Not applicable.
Remuneration	None.	None.
Investment Committee	None.	None.

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Not applicable.	Not applicable.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.
Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review and approval of investments in operating companies.	Favorable returns to the Company.
Audit	Review of Accounting, Tax and Internal Control Issues.	No material issues.
Nomination	Not applicable.	Not applicable.
Remuneration	Review and approve salary increase and bonus distribution based on industry standards.	Comparability with industry standards.
Investment	Review and approval of investments in financial assets.	Favorable returns to the Company and reaction to Philippine stock market conditions.

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

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

The Company's investment objectives consist mainly of:

- i. maintaining a bond portfolio that earns adequate cash yields, and
- ii. maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk. These risks are monitored by the Company's Investment Committee.

The Investment Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

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

The BOD reviews and approves the Company's risk management policies.

(c) Period covered by the review;

Review would cover the period January to December.

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

The review is conducted annually and based on main risks identified, i.e., credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk.

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

Not applicable.

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Credit risk	The Company transacts only with recognized and creditworthy counterparties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign equity funds are made in mutual funds and/or hedge funds with investments in A-rated companies with good dividend track record as well as capital appreciation.	Preservation of capital.
Liquidity risk	Invest in highly liquid investments yielding good returns. Where applicable, long-term debt or equity are used for financing when the business requirement call for it to ensure adequate liquidity in the subsidiaries and affiliates' operations.	Ensure that the Company will always have sufficient liquidity to meet its liabilities when they are due.
Market risks (interest rate risk, foreign currency risk, equity price risk)	To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies including Philippine peso and other major currencies such as the US dollar and the Euro. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.	Manage and minimize market risks.

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Same as Company risks.	Same as Company policy.	Same as Company objectives.

(c) Minority Shareholders

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

Risk to Minority Shareholders
Minimal.

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit risk	Carrying amounts of assets represent maximum credit exposure. Credit quality is monitored and managed using internal credit ratings. Credit quality is evaluated on the basis of the credit strength of the security and/or counterparty issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty, realizability is thus assured. Standard grade assets are considered moderately realizable.	Capital risk is reviewed and monitored by the Investment Committee.
Liquidity risk	This involves monitoring the maturity profile of the Company's financial liabilities and financial assets used for liquidity management.	The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liability when they are due. This is done by primarily investing in highly liquid investments. Liquidity risk is reviewed and monitored by the Investment Committee.
Market risks (interest rate risk, foreign currency risk, equity price risk)	Market risks are monitored and measured through sensitivity analyses.	Market risks are reviewed and monitored by the Investment Committee.

(b) Group

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Owing to the nature of business and the size of the Company in terms of number of employees limited internal audit function is included in the audit scope of the external auditor.	Review for breakdown or possible non-compliance.	Outsourced.	SGV & Co.	Findings are reported to Chairman and/or President and Heads of the Audit Committee of the Company and its subsidiaries.

(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. Based on the Audit Committee Charter, the Audit Committee may organize an internal audit department or consider the appointment of an independent internal auditor, if necessary, and the terms and conditions of its engagement. Further, one of the functions of the Audit Committee is to review the annual internal audit plan (scope, resources and budgetary cost) to ensure its conformity with the objectives of the Company.

(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?

Findings are reported directly to the Chairman and/or President and Heads of the Audit Committee of the Company and its respective subsidiaries. Yes, the external auditor performing internal audit have direct and unfettered access to the board of directors and the Audit Committee and all record, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
None.	Not applicable.
None.	Not applicable.
None.	Not applicable.

(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>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Same as risk exposure for Company.	Same as risk assessment for Company.	Same as risk management and control for Company.

(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>
CFO	Monitor and review risks based on Company's monitoring and measurement process.	Make initial recommendation to the Investment Committee.
Investment Committee	Monitor and review risks based on Company's monitoring and measurement process.	Report findings and recommendations to the Board of Directors.
Board of Directors	Evaluate findings and recommendations of the Investment Committee.	Review risk management policies of the Company.

## 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;

In line with the nature of business and size of the Company, internal control is included in the audit scope of external auditor's review of the internal control processes of the Company.

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

The Board through the Audit Committee reviews the effectiveness of the internal control system and considers them as adequate and effective. The external auditors provide the Chairman or President and Head of Audit Committee of the Company and its subsidiaries with any internal control breakdown or possible non-compliance with internal control procedures. The Audit Committee report its findings to the Board of Directors.

(c) Period covered by the review;

One year.

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

The review is conducted annually and criteria used would include materiality and frequency of internal control breakdown or possible non-compliance with internal control procedures.

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

Not applicable.

<b>Progress Against Plans</b>	Internal audit review is included in the audit scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries and reviewed by the Audit Committee.
<b>Issues</b>	
<b>Findings</b>	
<b>Examination Trends</b>	

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

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

(f) Audit Control Policies and Procedures

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Internal audit review is included in the audit scope of the external auditor in reviewing the internal control processes of the Company and its subsidiaries.	Same.

(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>
The Company only engages reputable external auditors with proven track record.	The Company only engages reputable financial analysts with proven track record.	The Company only engages reputable investment banks with proven track record.	The Company only engages reputable rating agencies with proven track record.

(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.

Signatories to the Certificate on Compliance with the SEC Code of Corporate Governance are the Chairman and CEO and the Compliance Officer.

<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.

**H. ROLE OF STAKEHOLDERS**

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Supplier/contractor selection practice	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Environmentally friendly value-chain	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Community interaction	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
Anti-corruption programmes and procedures?	The Company does not engage in corrupt practices.	
Safeguarding creditors' rights	It is the Company's policy to fully settle all its liabilities when they become due.	Long and short term loans with banks.

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

Yes, the Company has a separate corporate responsibility report by its Foundation, the Andres Soriano Foundation.

3) Performance-enhancing mechanisms for employee participation.

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

The Company gives paramount importance to its employees' safety, health and welfare. As such, the Company maintains a safe working environment and reasonable working hours to all its employees. Above average health and medical benefits are provided. Recreational activities to promote camaraderie and employees welfare are also conducted.

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

So far, no major health, safety and welfare issues concerning employees.

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

Conducted on as needed basis. Further, Finance and Legal personnel attend regular seminars on updates and new developments in their respective fields.

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

The Company provides vacation and sick leave entitlements, group accident insurance, medical and hospitalization benefits, bereavement benefit, paternity leave, rice subsidy, educational assistance, Christmas gift certificates, eyeglasses reimbursement, death benefit, loan facilities, retirement benefits, and salary increases/bonuses depending on results of operations to all employees.

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Supplier/contractor selection practice	Not applicable due to nature of business of the Company, i.e., holding company.	Not applicable.
Environmentally friendly value-chain	Handled by the Company's separate social responsibility arm, Andres Soriano Foundation.	The Andres Soriano Foundation has a separate Annual Report.
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Conducted on as needed basis. Further, Finance and Legal personnel attend regular seminars on updates and new developments in their respective fields.

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

The Company provides vacation and sick leave entitlements, group accident insurance, medical and hospitalization benefits, bereavement benefit, paternity leave, rice subsidy, educational assistance, Christmas gift certificates, eyeglasses reimbursement, death benefit, loan facilities, retirement benefits, and salary increases/bonuses depending on results of operations to all employees.

- 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 Company has a Labor-Management Council which handles employee complaints. These complaints are treated confidentially. As an alternative, employees may directly file complaints to Management. These are also treated confidentially.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

**(a) Holding 5% shareholding or more (as of February 28, 2013)**

Shareholder	Number of Shares	Percent	Beneficial Owner
Anscor Consolidated Corp.	1,241,717,039	49.669%	Anscor Consolidated Corp.
PCD Nominee Corp. (Non-Filipino)*	466,946,432	18.678%	PCD Nominee Corp. (Non-Filipino)
A-Z Asia Limited Phils. ,Inc. **	176,646,329	7.066%	A-Z Asia Limited Phils. ,Inc.
PCD Nominee Corp. (Filipino)	148,030,434	5.920%	PCD Nominee Corp. (Filipino)

\*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 the shares on their behalf or in behalf of their clients of which MayBank ATR Kim Eng Securities, Inc., represented by Nilaida Enriquez, is the sole owner of more than 5%, specifically 33.315%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

\*\*A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines on April 25, 2003 represented by Mr. Raul Balaquiao as its Corporate Secretary.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andres Soriano III	25,000	50,465,265	2.020%
Eduardo J. Soriano	20,000	18,649,614	0.747%
Ernest K. Cuyegkeng	20,000	-	0.001%

- 2) Does the Annual Report disclose the following:

Key risks	Yes.
Corporate objectives	Yes.
Financial performance indicators	Yes.
Non-financial performance indicators	Yes.
Dividend policy	Yes.
Details of whistle-blowing policy	No, but incorporated in the function of the Audit Committee.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes.
Training and/or continuing education programme attended by each director/commissioner	No, as this not one of the information required to be included in the Annual Report. However, a newly appointed Director separately submits to the SEC his attendance to a corporate governance seminar.

Number of board of directors/commissioners meetings held during the year	No, as this not one of the information required to be included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Attendance details of each director/commissioner in respect of meetings held	No, as this not one of the information required to be included in the Annual Report. However, a certification on the attendance of directors is submitted annually by the Company to the SEC.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes.

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

3) External Auditor's fee (Year 2012)

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	P1,037,925.00	None.

4) Medium of Communication

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

- Printed copies of Annual Report and Information Statement provided to all stockholders of record.
- The Company maintains a website which includes downloadable Company reports.
- Timely disclosures to PSE which can be accessed through the PSE website.
- The Company has a Stock Relations Manager who handles stockholder inquiries.

5) Date of release of audited financial report:

March 21, 2013

6) Company Website

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

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

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

7) Disclosure of Related Party Transaction (RPT)

RPT	Relationship	Nature	Value
None.	Not applicable.	Not applicable.	Not applicable.
None.	Not applicable.	Not applicable.	Not applicable.

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?

As reported in the Company's Information Statement duly filed with the SEC, the Company does not have any related party transaction except to the extent that inter-company receivables and payables are permissible.

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	50% plus one share of the outstanding stock.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Stockholders approval during Annual Stockholders Meeting
Description	The Company secures Stockholders' approval for all matters required to be approved by the Stockholders under the Corporation Code, as amended. Further, as a matter of policy, the Company secures ratification of all acts and resolutions of the Board of Directors by the Stockholders.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
No difference from those laid down in the Corporation Code.	No difference from those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
February 17, 2012 (P0.25 per share)	March 5, 2012	March 27, 2012
October 4, 2012 (P0.25 per share)	October 18, 2012	November 12, 2012
December 6, 2012 (P0.50 per share)	December 21, 2012	January 18, 2013

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Notices of Agenda of the Stockholders' Meeting are provided to all stockholders in advance.	There is an open forum, where any stockholder is free to ask questions to the Board of Directors.
Copies of Annual Report and Information Statement are provided to all stockholders in advance.	Stockholder may ask during open forum any matter concerning the Annual Report and/or Information Statement.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution - The Company secures approval from the Stockholders in case of amendments to the Articles of Incorporation and By-Laws. Advance notice of the amendments is provided to the Stockholders.
  - b. Authorization of additional shares – Not applicable but if this happens the Company will follow the procedure for securing stockholders' approval for amendment of Articles of Incorporation.
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company – Not applicable as the Company is an on-going concern and does not have any plan to transfer all or substantially all of its assets.
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**
  - a. Date of sending out notices: **March 14, 2013**
  - b. Date of the Annual/Special Stockholders' Meeting: **April 17, 2013**
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. - There are only minimal questions by stockholders during Annual Stockholders Meeting. But in addition to the open forum, some stockholders do take the opportunity to ask questions privately to Company officials after the Stockholders' Meeting.

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

Resolution	Approving	Dissenting	Abstaining
Election of Directors	Unanimous.	None.	None.
Appointment of External Auditor	Unanimous.	None.	None.
Ratification of all acts, contracts and resolutions of Management and the Board of Directors since the last annual meeting of the Corporation.	Unanimous.	None.	None.

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

Results of the Annual Stockholders' Meeting are immediately disclosed to the PSE and SEC.

(e) Modifications

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

Modifications	Reason for Modification
None.	
None.	
None.	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Andres Soriano III Eduardo J. Soriano Ernest K. Cuyegkeng John Gokongwei, Jr. Oscar J. Hilado Jose C. Ibazeta Roberto R. Romulo	April 17, 2013	Unanimous consent.	0.01%	87.87%	87.88%
Special	None.	None.	None.	None.	None.	None.

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

There is no need to appoint an independent party to count and/or validate votes since the number of directors nominated are equal to the numbers of directors to be elected.

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

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	The proxies must be properly dated and executed (signed).
Notary	Proxies need not be notarized.
Submission of Proxy	Must be submitted not less than 10 working days prior to the date of the Annual Stockholders' Meeting.
Several Proxies	A stockholder giving a proxy has the power to revoke it at any time prior to the Annual Meeting or by giving a subsequent proxy which must be received on the deadline for submission of proxy.
Validity of Proxy	Proxies are valid until revoked.

Proxies executed abroad	All proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	An invalidated proxy is not counted for purposes of quorum and voting.
Validation of Proxy	Validation of proxies is conducted not less than 5 days prior to the scheduled Annual Meeting.
Violation of Proxy	All valid proxies are counted for purposes of quorum and voting while all invalid proxies are not considered.

(h) Sending of Notices

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

Policies	Procedure
Notices of Annual Stockholders' Meeting are sent to stockholders of record at least 21 business days prior to the scheduled Annual Meeting.	Notices are sent to stockholders by courier/mail.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	11,544
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 21, 2013
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 21, 2012
State whether CD format or hard copies were distributed	CD format were distributed but during the Annual Meeting, stockholders attending in person were also provided with the hard copies in addition to the CD sent to them by mail.
If yes, indicate whether requesting stockholders were provided hard copies	Yes, stockholders are provided with hard copies upon request.

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

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes.
The auditors to be appointed or re-appointed.	Yes.
An explanation of the dividend policy, if any dividend is to be declared.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.

The amount payable for final dividends.	No, because dividends are not announced in advance but in a separate disclosure to the PSE and SEC.
Documents required for proxy vote.	Yes.

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
Dissenter's Right of Appraisal	Dissenter's Right of Appraisal is communicated to all stockholders as this is specifically included in the Information Statement distributed to all stockholders.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes, every stockholder has a right to nominate candidates for 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.

Major announcement of the Company and press releases need approval of the CFO and the Chairman & CEO.

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

	Details
(1) Objectives	To fully inform stockholders of the financial status of the Company.
(2) Principles	The Company promotes transparency to stockholders.
(3) Modes of Communications	The Company maintains a website with up to date information. Moreover, stockholders may freely call during office hours the Company's Stock Relations Manager for any inquiries.
(4) Investors Relations Officer	Ma. Rosario F. Locsin, Tel No. 819-0251, Fax No. 811-5068, srg@anscor.com.ph

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

The Investment Committee and/or the Executive Committee reviews all planned acquisition of the Company following the investment policy of the Company. Investments of the Company are approved by the Board of Directors.

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

The Company engages advisors on the basis of their expertise and depends on the nature of the industry where the investment is to be made. The determination of which advisor to engage is made at the time that the investment is proposed and not in advance. Prior to approval by the Board, the proposed transaction is presented to the Independent Directors for evaluation.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
<p>The Company has a separate social responsibility arm, specifically, the Andres Soriano Foundation. The Foundation maintains a separate website where all its initiatives are reported.</p> <p>Main initiatives are:</p> <p>1. Area-Based/Community Development and Management Program.</p> <p style="padding-left: 40px;">a. Small Island Sustainable Development Program (SISDEP)</p> <p style="padding-left: 40px;">b. Cancer Abatement and Rehabilitation Efforts (CARE)</p> <p style="padding-left: 40px;">c. Disaster Response Assistance</p> <p>2. Corporate Development Initiatives (CDI)</p> <p style="padding-left: 40px;">a. Program Development Assistance to Principal's members/affiliates</p> <p style="padding-left: 40px;">b. Corporate Volunteer Program</p>	<p>Local communities in Palawan</p> <p>General public</p> <p>Disaster-affected areas</p> <p>Members in need</p> <p>Depends on nature of program</p>

Specifically, in its 44<sup>th</sup> year, the Andres Soriano Foundation extended the reach of its Small Islands Sustainable Development Program (SISDEP) in Northeastern Palawan, marked another milestone in cancer care, and lent a helping hand to Typhoon Pablo victims in Compostela Valley.

SISDEP's highlights for 2012:

- After the annual Health Caravan attracted 1,927 patients (up from 1,693 in 2011) and supplementary feeding benefited 581 children, the Palawan Provincial Health Office declared Agutaya town second lowest in malnutrition prevalence, from having the highest malnutrition rate in 2010.
- The Coastal Resource Management Program increased live coral cover in 11 fish sanctuaries (up from last year's 10); added 9,550 mangrove seedlings to last year's 11,000 planted in denuded areas; and assured conservation of two lagoons as reef fish spawning areas.
- The Solid Waste Management Program added a new material recovery facility in an island village, similar to last year's installation on Manamoc Island. Both elementary and high schools in Agutaya practice waste segregation within their campuses, and have integrated solid waste management into the science curriculum.
- ASF sourced funding from Share Foundation in Portugal for solar panels producing 1-kw off-grid power for a local health center.

- ASF's adopt-a-school program constructed four kindergarten classroom buildings, supported two academic scholars, and with funding from PDP, Anscor, AG&P and ASF trustee Ernest Cuyegkeng, enrolled eight out-of-school youth in a vocational course offered by AG&P.
- A P3.13 million Level 2 Potable Water System Project partially funded by Aus-Aid's Philippine-Australia Community Development Program was completed in 2012 and now serves 104 households in Poblacion, Agutaya.

The Cancer Care Program launched the country's first run of a six-month specialized oncology nursing course in partnership with cancer support organization FACES and La Salle Bacolod School of Nursing.

With donations from Anscor, ASF distributed food packages to 2,700 victims of typhoon Pablo in Compostela Province.

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

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

	Process	Criteria
<b>Board of Directors</b>	Self-assessment.	Attendance and participation in the deliberations during Board meetings.
<b>Board Committees</b>	Assessment by Board of Directors	Attendance and participation in the deliberations during Board meetings.
<b>Individual Directors</b>	Assessment by the Chairman.	Attendance and participation in the deliberations during Board meetings.
<b>CEO/President</b>	Assessment by the Board of Directors.	Policy direction and financial performance of the Company.

**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
<p>Minor – If the offense involves an infraction of a rule/procedure rather than of a moral precept, or represents more of an omission or an oversight than a positive wrongdoing; or represents a mistake rather than a malicious intent.</p> <p>Moderate – If the offense implies an act of negligence or a disregard for established rules of conduct or involves either repeated violations within a relatively short time of what otherwise would be classified as minor offenses.</p> <p>Major – If the offense involves gross negligence or what is generally regarded as a substantial matter (e.g., sums of money, confidential information, etc.) or if it will result to public scandal and consequent loss of confidence (e.g., dishonesty, habitual drunkenness, immorality) or is maliciously intended or deliberately planned (whether the intended harm is achieved or not); or results in financial loss, embarrassment for the Company, or seriously undermines duly constituted authority.</p>	<p>Action taken by Labor-Management Council may include the following in order of severity:</p> <ol style="list-style-type: none"> <li>1. Admonishment/Verbal Reprimand</li> <li>2. Written Reprimand</li> <li>3. Suspension</li> <li>4. Involuntary Separation</li> </ol>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 28 JUN 2013 2013.

**SIGNATURES**

  
**ANDRES SORIANO III**  
 Chairman of the Board & Chief Executive Officer

  
**OSCAR J. HILADO**  
 Independent Director

  
**ROBERTO R. ROMULO**  
 Independent Director

  
**ATTY. JOSHUA L. CASTRO**  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this 28 JUN 2013 day of \_\_\_\_\_ 2013, affiant(s) exhibiting to me their passport details, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
ANDRES SORIANO III	711786600	AUGUST 11, 2005	U. S. A.
OSCAR J. HILADO	XX4476833	SEPTEMBER 17, 2009	MANILA
ROBERTO R. ROMULO	EB7472105	FEBRUARY 25, 2013	MANILA
JOSHUA L. CASTRO	XX5562947	FEBRUARY 19, 2010	MANILA

  
**REGINALDO L. HERNANDEZ**  
 Notary Public for and in the City of Makati  
 Appointment No. M-292; Roll No. 20642  
 Commission Expires on 12-31-14  
 PTR No. 3673104; 1-04-13; Makati City  
 IBP No. 920701; 1-04-13; Pasig City  
 TIN No. 100-364-501

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