



# PrimeOrion Philippines, Inc.

21 March 2017

**SECURITIES AND EXCHANGE COMMISSION**

SEC Bldg., EDSA, Greenhills  
Mandaluyong City

Attention : **ATTY. JUSTINA F. CALLANGAN**  
Director  
Corporate Governance and Finance Department

Re : **Prime Orion Philippines, Inc. (POPI)**  
- Advisement Letter on Updates to the Annual Corporate Governance Report

Gentlemen:

In compliance with *Securities and Exchange Commission Memorandum Circular No. 1, Series of 2014*, please find below the updates to POPI’s Annual Corporate Governance Report (ACGR):

- 1. Part B- Code of Business Conduct and Ethics
  - a. Item 1 – Company’s Policies on Business Conduct or Ethics Affecting Directors, Senior Management and Employees
    - (i) Item a –Conflict of Interest
      - The provisions (which have been underscored below) of the Company’s amended Related Party Transaction Policy (approved by the Board on 16 March 2017) were included:

| <b>Business Conduct &amp; Ethics</b> | <b>Directors</b>  | <b>Senior Management</b>  | <b>Employees</b>  |
|--------------------------------------|---|---|---|
| (a) Conflict of Interest             | 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. A director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest is considered material if the director’s personal or business interest is antagonistic to that of the Company, or stands to acquire or | The Corporation’s Employees’ Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest may arise.<br><br>The Company has adopted a Full Business Interest Disclosure Form to be accomplished by incoming officers as part of pre-employment requirements which includes, among others, a declaration | The Corporation’s Employees’ Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where a potential conflict of interest may arise.<br><br><u>In dealings of employees,</u> an employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty or in compliance with the law. He shall not use his position to profit or |

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|  | <p>gain financial advantage at the expense of the Company. (Sec. 4.2.1.8 (i) of the Manual; Sec. 2.1, Conflict of Interest Policy)</p> <p>The Company has adopted a Full Business Interest Disclosure Form which the directors have to accomplish upon election.</p> <p><u>All directors and employees of the Corporation and its subsidiaries are required to promptly disclose any business-and-family-related transaction to the Corporation and/or its subsidiaries to ensure that potential conflicts of interest are surfaced and brought to the attention of management.</u></p> <p><u>All employees are required to complete the mandatory form on “Business Interest/Related Party Disclosure” in January of each year. (Sec. 4.1, Related Party Transaction Policy (as revised/ approved by the Board on 16 March 2017)</u></p> <p><u>Directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted. (Sec. 4.3, Related</u></p> | <p>under the penalty of perjury of all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. (Sec. 4.2.2.2.2 of the Manual)</p> <p>An officer should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations which may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of an officer, he should immediately disclose it and should not participate in the decision-making process. An officer who has a continuing material conflict of interest should consider resigning from his position. (Sec. 2.1, Conflict of Interest Policy)</p> <p><u>All employees are required to complete the mandatory form on “Business Interest/Related Party Disclosure” in January of each year. (Sec. 4.1, Related Party Transaction Policy approved by the Board on 16 March 2017)</u></p> <p><u>In dealings of employees, an employee is expected to exercise corporate citizenship and protect corporate interest by</u></p> | <p>gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. (Sec. 2.2, Conflict of Interest Policy; Sec. 4.4 Related Party Transactions Policy, as amended and approved by the Board on 16 March 2017)</p> <p><u>All employees are required to complete the mandatory form on “Business Interest/Related Party Disclosure” in January of each year. (Sec. 4.1, Related Party Transaction Policy approved by the Board on 16 March 2017)</u></p> |
|--|---|---|--|

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|  | <p><u>Party Transaction Policy approved by the Board on 16 March 2017)</u></p> <p><u>Independent directors are required to submit to the Corporate Secretary a letter of confirmation that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation at the time of their election or appointment and/or re-election.</u><br/><u>(Sec. 4.2, Related Party Transaction Policy approved on 16 March 2017)</u></p> | <p><u>conducting business affairs in fairness, honesty and in compliance with the law. He should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. (Sec. 2.2 Conflict of Interest Policy; Sec. 4.4, Related Party Transaction Policy)</u></p> |  |
|--|--|---|--|

(ii) Item b – Conduct of Business and Fair Dealings

- The following provisions of the Company's Related Party Transaction Policy (approved by the Board on 16 March 2017) were included:

|  |   |   |   |
|--|---|---|---|
| <p>(b) Conduct of Business and Fair Dealings</p> | <p>A director should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. (Sec. 4.2.1.8 (i) of the Manual)</p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/><u>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</u></p> | <p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/><u>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</u></p> | <p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/><u>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</u></p> |
|--|---|---|---|

- (iii) Item 4 – Related Party Transactions
  - 1. In (a) – Policies and Procedures
    - The Board of Directors ratified the amendment of the Related Party Transaction Policy of the company which was approved by the Audit and Risk Committee last 13 February 2017.
  - 2. In a (7) - Directors including spouse/children/siblings/spouse
    - Notice of the RPTs are to be given to the Audit and Risk Committee for review and approval. However, material or significant related party transactions will have to be endorsed by the Audit and Risk Committee to the Board for approval.
  - 3. In a (8) – Interlocking director relationship of Board of Directors
    - Notice of the RPTs are to be given to the Audit and Risk Committee for review and approval. However, material or significant related party transactions will have to be endorsed by the Audit and Risk Committee to the Board for approval.
    - Reference to Sections 32 and 33 of the Corporation Code as provisions of the Related Party Transaction Policy of the Company has been deleted.
- 3. Part C – Board meetings and Attendance
  - a. Item 1 – Schedule of Board meetings for the year
    - The schedule of the Board meetings for CY 2017 was updated.
  - b. Item 2
    - The table on the attendance of the directors in Board meetings held during the period 1 July 2016 to 16 March 2017 was updated.
  - c. Item 7 – Changes in existing policies
    - On 16 March 2017, the Board of Directors approved the amendment of the Related Party Transaction Policy, and Audit and Risk Committee Charter. The Internal Audit Charter was also approved on 16 March 2017.
- 4. Part E – Board Committees
  - a. Item 1 – Number of Members, Functions and Responsibilities
    - The Audit Committee Charter (revised as of 16 March 2017) discussed further the policies, responsibilities and authority of the Audit and Risk Committee and included the risk oversight function of the Audit and Risk Committee.
  - b. Item 2- Committee Members
    - In (a) (b) and (c)
      - The periods of the meetings of the Audit and Risk Management, Nomination and Compensation and Remuneration Committees were updated to until 16 March 2017.
- 5. Part F – Risk Management Program
  - a. Item 2 (c) – Risk Policy – Minority Shareholders
    - The principal risk of the exercise of the controlling stockholders' voting power may deprive representation of the minority in the Board.
- 6. Part G – Internal Audit and Control
  - a. Item 1 (a) - Compliance
    - The Company's corporate compliance is managed by the Internal Audit Group instead of the Compliance Department.
  - a. Item 1 (d) - Review of internal controls
    - The Company's Audit and Risk Committee Charter and Related Party Transaction Policy (as amended) were approved by the Board of Directors on 16 March 2017. The Internal Audit Charter was also approved by the Board of Directors on 16 March 2017.

7. Part I- Disclosure and Transparency

a. Item 1 – Ownership Structure

- The list of stockholders with 5% or more shareholding as of 28 February 2017 was updated based on the report of the stock and transfer agent as of said date.

8. Part K – Investors Relations Program

a. Item 2

- (i) The appointment of an Investor Relations Officer was reported.
- (ii) The Company's email address was updated.

The updated ACGR may be accessed or viewed at our website: <http://www.primeorion.com/corporate-governance/annual-corporate-governance-report-acgr/>. (The changes have been underscored for easy reference.)

Very truly yours,

  
ATTY. JUNE VEE D. MONTECLARO-NAVARRO  
Corporate Secretary

  
RHODORA ESTRELLA B. REVILLA  
Compliance Officer

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)**

1. Report is Filed for the Year : Updated as of 16 March 2017
  
2. Exact Name of Registrant as Specified in its Charter : PRIME ORION PHILIPPINES, INC.
  
3. 20/F LKG Tower, 6801 Ayala Avenue, Makati City 1226  
Address of Principal Office Postal Code
  
4. SEC Identification Number : 163671 5. [REDACTED] (SEC Use Only)  
Industry Classification Code
  
6. BIR Tax Identification Number : 000-804-342-000
  
7. (632) 884-1106  
Issuer’s Telephone number, including area code
  
8. None  
Former Name or former address, if changed from the last report

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**A. BOARD MATTERS**

1) *Board of Directors*

|   |      |
|---|------|
| <i>Number of Directors per Articles of Incorporation:</i> | Nine |
|---|------|

|  |       |
|--|-------|
| <i>Actual Number of Directors for the Year</i> | Nine* |
|--|-------|

\*elected during the annual stockholders' meeting on 13 January 2017

(a) *Composition of the Board*

| <b>Director's Name</b>     | <b>Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]</b> | <b>If nominee, identify the principal</b> | <b>Nominator in the last election (If ID, state the relationship with the nominator.)</b> | <b>Date first elected</b> | <b>Date last elected (If ID, state the number of years served as ID)</b> | <b>Elected when (Annual/Special Meeting)</b> | <b>No. of Years served as director</b> |
|----------------------------|--|---|---|---------------------------|--|--|--|
| Bernard Vincent O. Dy      | NED  | Ayala Land, Inc. (ALI)                    | ALI   | 24 Feb. 2016              | 13 January 2017  | Annual Stockholders' Meeting (ASM)           | 0                                      |
| Felipe U. Yap              | NED  | N/A                                       | Lepanto Consolidated Mining Co.   | 23 Nov. 1993              | 13 January 2017  | ASM  | 23                                     |
| Jose Emmanuel H. Jalandoni | ED   | ALI                                       | ALI   | 24 Feb. 2016              | 13 January 2017  | ASM  | 0                                      |
| Maria Rowena M. Tomeldan   | NED  | ALI                                       | ALI   | 26 Feb. 2016              | 13 January 2017  | ASM  | 0                                      |
| Victor C. Say              | NED  | N/A                                       | Vichelli Say  | 30 Aug. 1989              | 13 January 2017<br>(served as ID from Oct. 2009 to 26 Feb. 2016)         | ASM  | 27                                     |
| Nathanael C. Go            | NED  | N/A                                       | David C. Go   | 13 January 2017           | 13 January 2017  | ASM  | 0                                      |
| Tsang Cho Tai              | NED  | Guoco Assets (Philippines), Inc. (GAPI)   | GAPI  | 13 January 2017           | 13 January 2017  | ASM  | 0                                      |
| Rex Ma. A. Mendoza         | ID   | N/A                                       | ALI (former SVP of Corporate Marketing and Sales of ALI; resigned from ALI in May 2011)   | 26 Feb. 2016              | 13 January 2017  | ASM  | 0                                      |
| Renato O. Marzan           | ID   | N/A                                       | ALI   | 13 January 2017           | 13 January 2017  | ASM  | 0                                      |

- (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.*

Section 3 of Prime Orion Philippines, Inc.'s (the "Company" or "Corporation") Revised Manual on Corporate Governance (amended as of March 2016) (the "Manual") provides:

*"The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.*

*All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation."*

Pursuant to the foregoing, Section 4.2.1.7 of the Manual mandates the Board of Directors to, among others, "formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board" and "establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation".

In line with the policy on transparency, Section 7.2 of the Manual states:

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

*All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership."*

Further, Section 4.2.1.8 of the Manual mandates directors to immediately disclose an actual or potential conflict of interest and to refrain from the decision-making process thereon.

The Manual likewise reflects the Corporation's policy of recognizing and respecting the rights of its minority shareholders, as it provides for cumulative voting, power of inspection of corporate books and records, the right to periodic reports, dividends, and the right of appraisal. In addition, Section 8.1.8 of the Manual states:

*"Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders' meetings."*

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

The Board reviews and approves the Corporation's vision and mission as may be necessary in response to the changing business environment. The Corporation's vision and mission was last reviewed in 2010.

(d) Directorships in Other Companies

(i) Directorship in the Company's Group

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

| Director's Name            | Company Name of the Group Company  | Type of Directorship (Executive (E), Non-Executive (NE), Independent (ID)) |
|----------------------------|------------------------------------|--|
| Felipe U. Yap              | FLT Prime Insurance Corporation    | NE   |
|                            | Orion Land Inc.                    | NE   |
|                            | Tutuban Properties, Inc.           | NE   |
| Jose Emmanuel H. Jalandoni | Orion Land Inc.                    | NE   |
|                            | Tutuban Properties, Inc.           | NE   |
| Maria Rowena M. Tomeldan   | Orion I Holdings Philippines, Inc. | E  |
|                            | FLT Prime Insurance Corporation    | E  |
|                            | ZHI Holdings, Inc.                 | E  |
|                            | Orion Solutions, Inc.              | E  |
|                            | Orion Land Inc.                    | E  |
|                            | Tutuban Properties, Inc.           | E  |
|                            | Orion Property Development, Inc.   | E  |
|                            | TPI Holdings Corporation           | E  |
|                            | OE Holdings, Inc                   | E  |
|                            | Orion Maxis Inc                    | E  |
|                            | Orion Beverage, Inc.               | E  |
|                            | Luck Hock Venture Holdings, Inc.   | E  |
| Lepanto Ceramics, Inc.     | E                                  |  |
| Rex Ma. A. Mendoza         | FLT Prime Insurance Corporation    | ID   |

(ii) Directorship in Other Listed Companies

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

| Director's Name          | Name of Listed Company                                | Type of Directorship (Executive (ED), Non-Executive (NED), Independent (ID)). Indicate if director is also Chairman |
|--------------------------|---|---|
| 1. Felipe U. Yap         | a. Lepanto Consolidated Mining Company                | NED – Chairman  |
|                          | b. Manila Mining Corporation                          | NED – Chairman  |
|                          | c. Zeus Holdings, Inc.                                | NED – Chairman  |
| 2. Bernard Vincent O. Dy | a. Cebu Holdings, Inc.                                | NED-Chairman  |
|                          | b. Cebu Property Ventures and Development Corporation | NED-Chairman  |
|                          | c. ALI  | ED  |

(iii) Relationship within the Company and its Group

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

| Director's Name            | Name of the Significant Shareholder | Description of the relationship |
|----------------------------|-------------------------------------|---------------------------------|
| Bernard Vincent O. Dy      | ALI*                                | President of ALI                |
| Jose Emmanuel H. Jalandoni | ALI                                 | Senior Vice President of ALI    |
| Maria Rowena M. Tomeldan   | ALI                                 | Vice President of ALI           |

\*On 4 July 2016, the Securities and Exchange Commission approved POPI's increase in authorized capital from P2.4 billion to P7.5 billion divided into 7.5 common shares. Of said increase, ALI subscribed to 2.5 billion common shares equivalent to 51.06% of the outstanding capital stock of POPI

(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.

Section 4.2.1.3 of the Manual provides:

“The Board may consider the adoption of guidelines on the number of directorships that its members can hold. The optimum number of directorships should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.”

Further, Section 4.2.2.1.3 of the Manual provides:

“The CEO and other executive directors may submit themselves to a low indicative limit on membership in other corporate boards. The same low limit may apply to independent, non-executive directors who serve as full time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.”

The members of the Board have not exceeded the limit of five board seats in other publicly-listed companies.

(e) Shareholding in the Company

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

| Name of Director           | Number of Direct Shares | Number of Indirect Shares/Through (name of record owner) | % of capital stock |
|----------------------------|-------------------------|--|--------------------|
| Felipe U. Yap              | 3,010,000               | 3,584,000* (ESOWN Administrator 2015)                    | 0.135%             |
| Bernard Vincent O. Dy      | 2                       | 0  | 0                  |
| Jose Emmanuel H. Jalandoni | 2                       | 0  | 0                  |
| Maria Rowena M. Tomeldan   | 2                       | 0  | 0                  |
| Victor C. Say              | 21,500,000              | 2,000,000  | 0.543%             |

|                    |           |   |        |
|--------------------|-----------|---|--------|
|                    |           | (Cualoping Securities, Inc.)/<br>3,072,000* (ESOWN<br>Administrator 2015) |        |
| Nathanael C. Go    | 1,025,000 | 24,375,000 (David Go<br>Securities Corp.)                                 | 0.519% |
| Tsang Cho Tai      | 1         | 0   | 0      |
| Rex Ma. A. Mendoza | 1         | 0   | 0      |
| Renato O. Marzan   | 1         | 0   | 0      |

\* Common shares of stock subscribed under POPI's Stock Employees Ownership Plan (ESOWN); shares are partially paid and subject to listing

2) *Chairman and CEO*

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

Yes

No

*Identify the Chair and the CEO:*

|                       |                            |
|-----------------------|----------------------------|
| Chairman of the Board | Bernard Vincent O. Dy      |
| CEO/President         | Jose Emmanuel H. Jalandoni |

(b) *Roles, Accountabilities and Deliverables*

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

|                         | <b>Chairman</b>   | <b>Chief Executive Officer</b>  |
|-------------------------|---|---|
| <b>Role</b>             | 1) Preside at all meetings of the stockholders and directors and exercise such other powers and perform such other duties as are incident to his office or assigned to him by the Board of Directors from time to time<br><br>2) Submit an annual report of the operation of the Corporation to the stockholders at the annual meeting, and to the Board of Directors, such statements, reports, memorandum and accounts as the latter may request from time to time, unless the President delivers such annual report himself.<br><br>3) Sign stock certificates<br><br>4) Perform such other duties as may be incident to his office or assigned to him by the Board from time to time. | 1) In the absence or incapacity of both the Chairman and Vice Chairman, preside at meetings of the stockholders or the Board of Directors.<br><br>2) Exercise general management and supervision of the affairs of the Corporation, except as otherwise prescribed by the Board.<br><br>3) In the absence of the Chairman, submit an annual report of the operation of the Corporation to the stockholders at their annual meeting, and to the Board of Directors, such statements, reports, memoranda and accounts as the latter may request from time to time.<br><br>4) Sign stock certificates, as he may be authorized by the Board. |
| <b>Accountabilities</b> | 1) Meetings of the Stockholders and Board of Directors<br><br>2) Dissemination of material  | 1) Meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman   |

|                     |  |  |
|---------------------|--|--|
|                     | <p>information to the Stockholders and the Board of Directors</p> <p>3) Responsible for matters as may be assigned to him by the Board</p> | <p>2) Dissemination to the Stockholders and the Board of Directors of information on the status of the affairs/operations of the Company.</p>  |
| <b>Deliverables</b> | <p>Proper conduct of meetings of the Stockholders and Board of Directors.</p>  | <p>1) Proper conduct of meetings of the Stockholders and Board of Directors in the absence of the Chairman and Vice-Chairman.</p> <p>2) Ensure that the Company is geared towards the attainment of its vision and mission</p> <p>3) Profitable business operations in accordance with policies laid down by the Board of Directors.</p> <p>4) Report to the Board the results of the Company's operations</p> |

*(c) Explain how the Board of Directors plans for the succession of CEO/Managing Director/President and the top key management positions.*

The key officers are chosen based on their qualifications and competencies after due evaluation by the Board. The Corporation has a Management Succession Planning Policy for top key management positions, which is subject to review.

**3) 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's Board of Directors is composed of a diverse mix of individuals – with accounting, legal or business background, consistent with its policy to ensure diversity of experience and background of directors.

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

Yes. Section 4.2.1.5 of the Manual requires the Company's directors to have a practical understanding of the Company or relevant business experience. In addition Section 4.2.1.8 (v) of the Manual requires directors to have a working knowledge of the statutory and regulatory requirements affecting the Company, including its Articles of Incorporation and By-Laws, the requirements of the Commission and other regulatory agencies, to be able to meaningfully contribute to the work of the Board.

The non-executive director, Mr. Victor C. Say is the Chairman of Onetree Holdings, Inc., a holding company with purpose similar to that of the Company. Mr. Say was formerly connected with a securities broker company and is familiar with requirements of listed companies.

The independent director, Mr. Rex Ma. A. Mendoza, is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He currently serves as an Independent Director of Globe Telecom, Inc. (publicly listed company), and a Director of The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group. Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior

to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation.

Independent director, Atty. Renato O. Marzan, is currently the Chairman of the Board of UBS Securities Philippines, Inc. He was formerly with Ayala Corporation from February 1978 to December 2008. At the time of his retirement from Ayala Corporation on December 31, 2008, he was the General Counsel, Managing Director and the Group Head of the Corporate Governance and Legal Affairs group. In such capacity, he exercised direct supervision and oversight over the Legal Division, Office of the Corporate Secretary, the Compliance Unit and the Internal Audit of Ayala Corporation.

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

|                         | <b>Executive</b>  | <b>Non-Executive</b>   | <b>Independent Director</b>   |
|-------------------------|---|--|---|
| <b>Role</b>             | Manage the operations of the Company in accordance with policies and principles laid down by the Board and ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws. | Ensure that the Board lays down policies and makes business decisions that are sound, sustainable, and compliant with the principles of good corporate governance and applicable laws and regulations. | Provide an independent and objective voice in the deliberations of the Board, guided by principles of good corporate governance and applicable laws and regulations.  |
| <b>Accountabilities</b> | Compliance with principles of good governance and formulation of sound business strategies and policies. Wise and profitable use of Company resources, bearing in mind the interest of the Company's stockholders.  | Compliance with principles of good governance and formulation of sound business strategies and policies.   | Compliance with principles of good governance and formulation of sound business strategies and policies.  |
| <b>Deliverables</b>     | Religious attendance in Board meetings and effective participation therein leading to sound, responsive and appropriate business strategies and policies. Profitable operations, and sustained competitiveness.   | Religious attendance in Board meetings and effective participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies.                        | Religious attendance in Board meetings and effective, objective, and independent participation in the deliberations therein, leading to sound, responsive and appropriate business strategies and policies. |



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

Under Article III, Section 2 of the Corporation's By-laws:

"An independent director shall hold no interests or relationships with the company that may hinder his independence from the company or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director."

The current independent directors of the Corporation have no interests or relationships with the Corporation which may hinder their independence or interfere with their exercise of independent judgment. The different views and opinions expressed by the directors during the meetings are considered.

*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 additional four years? Please explain.*

The Corporation follows the Securities and Exchange Commission (SEC) Memorandum Circular No. 9, Series of 2011 (which took effect on 2 January 2012) which set a term limit for independent directors – five years starting 2 January 2012, two years "cooling off" period and re-election for another five years. The Corporation will review the term limit for independent directors to comply with the provisions of the Code of Corporate Governance for Publicly-listed Companies which took effect on 1 January 2017.

4) *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:*

With the entry of ALI as majority stockholder, Messrs. Bernard Vincent O. Dy, Jose Emmanuel H. Jalandoni, Rex Ma. A. Mendoza and Ms. Maria Rowena M. Tomeldan were elected as directors vice Messrs. Yuen Po Seng, David C. Go, Daisy L. Parker and Ronald P. Sugapong who resigned in February 2016. Atty. Ricardo J. Romulo resigned as independent director effective 14 November 2016 due to health concerns.

There was no ASM held in 2015 and 2016.

The following were elected as directors during the ASM on 13 January 2017:

Bernard Vincent O. Dy  
Felipe U. Yap  
Jose Emmanuel H. Jalandoni  
Maria Rowena M. Tomeldan  
Victor C. Say  
Nathanael C. Go  
Tsang Cho Tai  
Rex Ma. A. Mendoza - Independent director  
Renato O. Marzan - Independent director

(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<br>(ii) Non-Executive Directors                                | Candidates for directorships are pre-screened by the Nomination Committee. The directors are elected during the Annual Stockholders' Meeting, and appointed to executive positions, if any, during the Organizational Meeting that immediately follows.   | The Nomination Committee is guided by the Manual and Sec. 27 of the Corporation Code in determining the qualifications and disqualifications (permanent or temporary) of nominees to the Board of Directors.   |
| (iii) Independent Directors  | The Nomination Committee receives the nomination letters for the independent directors from stockholders and pre-screens them.<br>Pursuant to the By-Laws, seven (7) regular directors and two (2) independent directors who receive the highest number of votes from the stockholders present (in person or by proxy) during the annual stockholders' meeting are elected for a period of one year and shall serve until the election and acceptance of their duly qualified successors. | The independent directors may hold office provided they possess all of the qualifications and none of the disqualifications provided in the Corporation's By-Laws and Manual for a period of five consecutive years. Thereafter, he may be re-elected as independent director for another five years after a two-year cooling-off period. (The term of the independent director shall be subject to the provision on the Code of Corporate Governance for Publicly-Listed Companies which took effect on 1 January 2017. Under the new Code, the term of the independent director shall be a cumulative term of nine years.) |
| <b>b. Re-appointment</b>   |   |  |
| (i) Executive Directors  | Same as (a) above   | Same as above  |
| (ii) Non-executive Directors   | The non-executive directors are elected by the stockholders.  |  |
| (iii) Independent Directors  | The independent directors are elected by the stockholders.  |  |
| <b>c. Permanent Disqualification</b>   |   |  |
| (i) Executive Directors<br>(ii) Non-executive Directors<br>(iii) Independent Directors | The Nomination Committee passes upon the qualifications of the directors as provided in the Manual.   | The grounds for disqualification are set forth in the Manual and other applicable issuances of the SEC and provisions of the Corporation Code  |
| <b>d. Temporary Disqualification</b>   |   |  |
| (i) Executive Directors<br>(ii) Non-executive Directors<br>(iii) Independent Directors | Same as (a) above   | Same as above  |

|  |   |   |
|--|---|---|
| <b>e. Removal</b>  |   |   |
| (i) Executive Directors<br>(ii) Non-Executive Directors                                | As provided in the Manual and in accordance with Section 28 of the Corporation Code, any director may be removed from office by the vote of stockholders holding or representing two thirds (2/3) of the stockholders entitled to vote at a regular or special meeting duly called for the purpose, after due notice to the stockholders of the intention to propose such removal at the meeting. | The stockholders may remove directors with or without cause; Provided that removal without cause may not be used to deprive the minority stockholders of the right of representation to which they may be entitled (Section 8.1.2.3 of the Manual and Section 24 of the Corporation Code) |
| (iii) Independent Directors  | In addition to the above, an independent director may be removed if he possesses any of the grounds for disqualification.   | The grounds for disqualification are provided in the Manual and the issuances of the SEC and provisions of the Corporation Code.  |
| <b>f. Re-instatement</b>   |   |   |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | Same as (a) above.  |   |
| <b>g. Suspension</b>   |   |   |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | No definite process for suspension of directors has been set.   | No criteria set for suspension of directors.  |

*Voting Result of the last Annual Stockholders' Meeting (ASM) (cumulative voting)*

| Name of Director           | Votes Received |
|----------------------------|----------------|
| Bernard Vincent O. Dy      | 5,632,737,712  |
| Felipe U. Yap              | 3,354,179,621  |
| Jose Emmanuel H. Jalandoni | 5,632,737,712  |
| Maria Rowena M. Tomeldan   | 5,632,737,712  |
| Tsang Cho Tai              | 4,069,068,341  |
| Nathanael C. Go            | 7,379,148,605  |
| Victor C. Say              | 1,184,121,401  |
| Rex Ma. A. Mendoza         | 7,812,721      |
| Renato O. Marzan           | 7,812,721      |

6) *Orientation and Education Program*

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

As provided in Section 6.2 of the Manual, a director shall, before assuming such position, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

(b) *State any in-house training and external courses attended by Directors and Senior Management\* for the past three years.*

| Director                   | Date             | Forum/Seminar/Course                                     |
|----------------------------|------------------|--|
| Felipe U. Yap              | 29 November 2016 | Annual Corporate Governance Training Program             |
|                            | 10-12 Feb. 2015  | Citi Asia Pacific Investor Conference                    |
| Bernard Vincent O. Dy      | 8 March 2016     | Annual Corporate Governance Training Program             |
|                            | 9 December 2015  | Corporate Governance                                     |
|                            | 19 Oct. 2015     | Quotes and Soundbites                                    |
|                            | 18 Feb. 2015     | Corporate Governance Summit                              |
| Jose Emmanuel H. Jalandoni | 8 March 2016     | Annual Corporate Governance Training Program             |
|                            | 18 Feb. 2015     | Corporate Governance                                     |
|                            | 19 Oct. 2015     | Quotes and Soundbites                                    |
| Maria Rowena M. Tomeldan   | 8 March 2016     | Annual Corporate Governance Training Program             |
|                            | 9 Dec. 2015      | Corporate Governance                                     |
| Victor C. Say              | 6 Oct. 2016      | Annual Corporate Governance Training                     |
| Rex Ma. A. Mendoza         | 8 March 2016     | Annual Corporate Governance Training Program Ayala Group |
|                            | 2015             | Corporate Governance Program Ayala Group                 |
|                            | 2014             | Business Integrity and Leadership                        |
|                            | 2013             | Corporate Governance, Compliance and Business Ethics     |

\*Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

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

| Name of Director/Officer   | Date of Training | Program              | Name of Training Institution           |
|----------------------------|------------------|----------------------|--|
| Bernard Vincent O. Dy      | 8 March 2016     | Corporate Governance | Institute of Corporate Directors (ICD) |
| Felipe U. Yap              | 29 November 2016 | Corporate Governance | Center for Global Best Practices       |
| Jose Emmanuel H. Jalandoni | 8 March 2016     | Corporate Governance | ICD                                    |
| Maria Rowena M. Tomeldan   | 8 March 2016     | Corporate Governance | ICD                                    |
| Victor C. Say              | 7 October 2016   | Corporate Governance | ICD                                    |
| Rex Ma. A. Mendoza         | 8 March 2016     | Corporate Governance | ICD                                    |

## 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  | 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 | The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction | The Corporation's Employees' Policy Manual prohibits an officer or employee from engaging in any activity or entering into any transaction where |

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|  | <p>participate in the decision-making process. A director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest is 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. (Sec. 4.2.1.8 (j) of the Manual; Sec. 2.1, Conflict of Interest Policy)</p> <p>The Company has adopted a Full Business Interest Disclosure Form which the directors have to accomplish upon election.</p> <p><u>All directors and employees of the Corporation and its subsidiaries are required to promptly disclose any business-and-family-related transaction to the Corporation and/or its subsidiaries to ensure that potential conflicts of interest are surfaced and brought to the attention of management.</u></p> <p><u>All employees are required to complete the mandatory form on "Business Interest/Related Party Disclosure" in January of each year. (Sec. 4.1, Related Party Transaction Policy (as revised/ approved by the Board on 16 March 2017)</u></p> | <p>where a potential conflict of interest may arise.</p> <p>The Company has adopted a Full Business Interest Disclosure Form to be accomplished by incoming officers as part of pre-employment requirements which includes, among others, a declaration under the penalty of perjury of all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. (Sec. 4.2.2.2 of the Manual)</p> <p>An officer should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations which may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of an officer, he should immediately disclose it and should not participate in the decision-making process. An officer who has a continuing material conflict of interest should consider resigning from his position. (Sec. 2.1, Conflict of Interest Policy)</p> <p><u>All employees are required to complete the mandatory form on "Business Interest/Related Party Disclosure" in January of each year. (Sec. 4.1, Related Party Transaction</u></p> | <p>a potential conflict of interest may arise.</p> <p><u>In dealings of employees, an employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty or in compliance with the law. He shall not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. (Sec. 2.2, Conflict of Interest Policy; Sec. 4.4 Related Party Transactions Policy (as amended and approved by the Board on 16 March 2017)</u></p> <p><u>All employees are required to complete the mandatory form on "Business Interest/Related Party Disclosure" in January of each year. (Sec. 4.1, Related Party Transaction Policy approved by the Board on 16 March 2017)</u></p> |
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|   | <p><u>Directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.</u><br/> <i>(Sec. 4.3, Related Party Transaction Policy approved by the Board on 16 March 2017)</i></p> <p><u>Independent directors are required to submit to the Corporate Secretary a letter of confirmation that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation at the time of their election or appointment and/or re-election.</u><br/> <i>(Sec. 4.2, Related Party Transaction Policy approved on 16 March 2017)</i></p> | <p><u><i>Policy approved by the Board on 16 March 2017)</i></u></p> <p><u>In dealings of employees, an employee is expected to exercise corporate citizenship and protect corporate interest by conducting business affairs in fairness, honesty and in compliance with the law. He should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality.</u> <i>(Sec. 2.2 Conflict of Interest Policy; Sec. 4.4, Related Party Transaction Policy (as amended and approved by the Board on 16 March 2017)</i></p> |  |
| (b) Conduct of Business and Fair Dealings | <p>A director should not use his position to profit or gain some benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. <i>(Sec. 4.2. 1.8 (i) of the Manual)</i></p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/> <i>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</i></p>  | <p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/> <i>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</i></p>  | <p>The Corporation's Employees' Policy Manual prohibits an officer or employee from using his position to profit or gain benefit or advantage for himself or related interests.</p> <p><u>All related party transactions between the Corporation, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis at normal practice.</u><br/> <i>(Sec. 2, Related Party Transaction Policy (as approved by the Board on 16 March 2017)</i></p> |
| (c) Receipt of gifts                      |   | The Corporation's   | The Corporation's  |

|  |  |  |   |
|--|--|--|---|
| <p>from third parties</p>  |  | <p>Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts.</p> <p>He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. (Sec. 2.2, Conflict of Interest Policy)</p>   | <p>Employees' Policy Manual regulates the receipt of officers and employees of exorbitant gifts.</p> <p>He should exercise utmost discretion in accepting personal favor or gifts from individuals or entities seeking to do business with the Corporation and refuse gifts that may be considered as a form of bribery of any form. (Sec. 2.2, Conflict of Interest Policy)</p>  |
| <p>(d) Compliance with Laws and Regulations</p>                    | <p>The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices. (Sec. 4.2.1.7 (c) of the Manual)</p>  | <p>The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.</p>  | <p>The Corporation's Employees' Policy Manual provides that the officers and employees of the Corporation shall comply with the laws and regulations and codes of business practices.</p>   |
| <p>(e) Respect for Trade Secrets/Use of Non-Public Information</p> | <p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position. He should not reveal confidential information to unauthorized persons without the authority of the Board. (Sec. 4.2.1.8 (vi) of the Manual)</p> <p>Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary</p> | <p>The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information.</p> <p>Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to</p> | <p>The Corporation's Employees' Policy Manual requires officers and employees to respect trade secrets/use of non-public information.</p> <p>Directors, officers and employees of the Company who in the course of their work or relationship with the Company which have not been disclosed to the public, including information likely to affect the market price of the Company's securities, are prohibited from buying or selling the Company's securities. Material Information refer to: (1) such information necessary to enable the Company and general public to appraise their position and standing; (2) such information</p> |

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|---|--|--|--|
|   | to enable the Company and general public to appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI) | appraise their position and standing; (2) such information necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI) | necessary to avoid a false market; and (3) such information which may reasonably be expected to affect market activity and price of the Company's securities. (Secs. 1 and 2.1 (b), Insider Trading Policy of POPI)  |
| (f) Use of Company Funds, Assets, and Information | A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness (Sec. 4.2.1.8 of the Manual.)   | The Management is tasked to formulate, under the supervision of the Audit Committee, a system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company.   | The Corporation's Employees' Policy Manual provides guidelines for the handling of company property. The Employees Handbook prescribes penalties for use of company tools, materials and equipment without authorization, as well as for theft or robbery of company property and funds. |
| (g) Employment & Labor Laws & Policies            | The Board shall ensure that the Company complies with all relevant laws, regulations and codes of business practices, including labor laws.  | Management ensures that Company benefits and employee policies are compliant with the Labor Code and other relevant laws.  | Employee benefits are compliant with the Labor Code  |
| (h) Disciplinary Action                           | Section 4.2.1.6(2) of the Manual provides for grounds for temporary disqualification of directors.   | The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.   | The Corporation's Employees' Policy Manual and Code of Ethics enumerate the grounds for, and nature of, disciplinary action covering officers and employees.   |
| (i) Whistle Blower                                | The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees,   | The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees,   | The Corporation's Policy on Whistle Blowing provides for the grounds and procedure for reporting suspected misconduct or irregularities in the Corporation. The policy aims to encourage directors, officers, employees,   |



|                         |   |   |   |
|-------------------------|---|---|---|
|                         | <p>suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p> | <p>suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p> | <p>suppliers, business partners, contractors and subcontractors to come forward and report serious concerns about any suspected misconduct, malpractice, irregularity or a risk involving the Company.</p> <p>The Whistle-blower will be protected from reprisals, harassment, victimization, or unwarranted disciplinary action, unfair dismissal even if the concerns raised turned out to be unsubstantiated, as long as the report is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</p> <p>The Corporation reserves the right to take appropriate actions against anyone who initiates or threatens to retaliate against those who have raised concerns under this Policy.</p> |
| (j) Conflict Resolution | Conflicts are resolved by the Board as a body in accordance with the voting requirements provided in the Corporation Code and applicable laws.  | Conflicts are resolved through meetings/ discussions of concerned parties.  | Conflicts are resolved through meetings/ discussions of concerned parties. Conflicts are brought to the immediate manager of the parties or to the HRD for resolution.  |

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

The Company's Code of Ethics and Employees' Policy Manual have been disseminated to the senior management and employees to formally adopt a code of ethics. The Corporation's Corporate Governance Manual (revised as of July 2014) has been disseminated to the Board of Directors and at least one hard copy of the Manual has been distributed to each department.

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

The Company's HRD implements and monitors compliance by the senior management and employees with the Code of Ethics. The Company's Compliance Officer implements and monitors compliance by the Board of Directors with the Manual. The Company's Code of Ethics is subject to review.

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.*

Section 4.2.1.7 of the Manual mandates the Board of Directors to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board. In addition, Section 7.2 of the Manual mandates the public disclosure of all material information, including related party transactions. On 2 December 2014, the Board of Directors approved the Related Party Transactions Policy of the Company. On 16 March 2017, the Board ratified the amendment of the Related Party Transaction Policy of the Company which was approved by the Audit and Risk Committee last 13 February 2017.

| <b>Related Party Transactions</b>                        | <b>Policies and Procedures</b>   |
|--|--|
| (1) Parent Company                                       | Transactions with the parent company, ALI, are on an arm's length basis. Transactions are reviewed and approved by the Related Party Transaction Committee of ALI and the Audit and Risk Management Committee of POPI.   |
| (2) Joint Ventures                                       | The Corporation has no joint venture transactions at present.  |
| (3) Subsidiaries   | Transactions with subsidiaries are on arm's length basis similar to those with non-related parties. Transactions are approved by the Management in accordance with the approved limits of authorities. The Audit and Risk Management Committee reviews the transactions with subsidiaries. |
| (4) Entities Under Common Control                        | Transactions with entities under common control are on arm's length basis. Transactions are approved by Management in accordance with the approved limits of authorities and subject to review of the Audit and Risk Management Committee.   |
| (5) Substantial Stockholders                             | Transactions with substantial stockholders are on an arm's length basis similar to those with non-related parties. Transactions are approved by Management in accordance with the approved limits of authorities and subject to review by the Audit and Risk Management Committee.         |
| (6) Officers including spouse/ children/siblings/parents | Transactions with officers are on arm's length basis similar to those with non-related parties. Officers disclose their business interests.  |

|  |   |
|--|---|
| (7) Directors including spouse/ children/siblings/parents    | Transactions with directors are on arm's length basis. Notice of related party transactions are to be given to the Board, which would review the same and decide whether to approve ratify or disapprove the same.  |
| (8) Interlocking director relationship of Board of Directors | <p>Transactions with interlocking directors are to be disclosed and are on an arm's length basis. Notice of related party transactions are to be given to the Board, which would review the same and decide whether to approve, ratify or disapprove the same.</p> <p>Pursuant to Section 33 of the Corporation Code of the Philippines, except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between the Company and another corporation having interlocking directors shall not be invalidated on that ground alone, provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely minimal, he shall be subject to the provisions of Section 32 of the Corporation Code insofar as the latter corporation is concerned. (Stockholdings exceeding 20% of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.)</p> <p>Section 32 of the Corporation Code provides that a contract of the Company with one or more of its directors is voidable, at the option of the Company unless all of the following conditions are present:</p> <ol style="list-style-type: none"> <li>a. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for said meeting;</li> <li>b. The vote of such director was not necessary for the approval of the contract;</li> <li>c. The contract is fair and reasonable under the circumstances;</li> <li>d. In the case of an officer, the contract with the officer has been previously authorized by the Board.</li> </ol> <p>When any of the first two conditions is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing 2/3 of the outstanding capital stock in a meeting called for the purpose; provided that full disclosure of the adverse interest of the directors involved is made at such meeting; provided further, that the contract is fair and reasonable. (Secs. 2.1 and 2.2, Related Party Transactions Policy of the Company)</p> |

(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.*

There is no known actual or probable conflict of interest in which directors/officers and 5% or more shareholders may be involved.

(ii) *Mechanism*

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

|         | <b>Directors/Officers/Significant Shareholders</b> |
|---------|--|
| Company | Full Business Interest Disclosure Form             |
| Group   | Full Business Interest Disclosure Form             |

5) *Family, Commercial and Contractual Relations*

(a) *Indicate, if applicable, any relation of a family, 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.*

There is no known relation of a family, commercial or business nature that exists between the holders of significant equity.

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

There is no known relation of a commercial, contractual or business nature that exists between the holders of significant equity and the Company.

(c) *Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the Company.*

There is no shareholder agreement at this time involving the Company's shares of stock.

6) *Alternative Dispute Resolution*

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

|                                      | <b>Alternative Dispute Resolution (ADR) System</b>  |
|--------------------------------------|---|
| Corporation & Stockholders           | There were no conflicts with stockholders which the Corporation had to settle within the last three years.                        |
| Corporation & Third Parties          | There were no conflicts or differences with third parties which had to be settled by the Corporation within the last three years. |
| Corporation & Regulatory Authorities | There were no conflicts with regulatory agencies which the Corporation had to settle within the last three years.                 |

**C. BOARD MEETINGS AND ATTENDANCE**

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

The Board of Directors' meetings are scheduled at the beginning of the year

For CY 2017, the schedule of Board meetings is as follows: 13 January 2017, 16 March 2017, 28 June 2017 and 6 October 2017.

- 2) *Attendance of Directors*

*Attendance of Directors (for the period 1 July 2016- 16 March 2017)*

| Board         | Name                           | Date of Election               | No. of Meetings Held During the FY <sup>^</sup> | No. of Meetings Attended | %                |
|---------------|--------------------------------|--------------------------------|---|--------------------------|------------------|
| Chairman      | Bernard Vincent O. Dy          | 24 February 2016 <sup>**</sup> | <u>6</u>  | <u>6</u>                 | 100              |
| Vice Chairman | Felipe U. Yap                  | 2 December 2014 <sup>**</sup>  | <u>6</u>  | <u>6</u>                 | 100              |
| Member        | Jose Emmanuel H. Jalandoni     | 24 February 2016 <sup>**</sup> | <u>6</u>  | <u>6</u>                 | 100              |
| Member        | Maria Rowena M. Tomeldan       | 26 February 2016 <sup>**</sup> | <u>6</u>  | <u>6</u>                 | 100              |
| Member        | Victor C. Say                  | 2 December 2014 <sup>**</sup>  | <u>6</u>  | <u>6</u>                 | 100              |
| Independent   | Ricardo P. Romulo <sup>*</sup> | 2 December 2014                | <u>6</u>  | <u>1</u>                 | 33 <sup>^</sup>  |
| Independent   | Rex Ma. A. Mendoza             | 26 February 2016 <sup>**</sup> | <u>6</u>  | <u>6</u>                 | 100              |
| Member        | Nathanael C. Go                | 13 January 2017                | <u>6</u>  | <u>1</u>                 | 50 <sup>^</sup>  |
| Member        | Tsang Cho Tai                  | 13 January 2017                | <u>6</u>  | <u>2</u>                 | 100 <sup>^</sup> |
| Independent   | Renato O. Marzan               | 13 January 2017                | <u>6</u>  | <u>2</u>                 | 100 <sup>^</sup> |

<sup>\*</sup>resigned as director effective 14 November 2016

<sup>\*\*</sup> re-elected on 13 January 2017

<sup>^</sup>meetings attended from date of election or until resignation

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

The non-executive directors did not hold separate meetings during the year.

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

The Company follows Section 25 of the Corporation Code, which sets the minimum quorum requirement at majority of the Board of Directors. The same requirement is provided in the Company's By-Laws.

- 5) *Access to Information*

- (a) *How many days in advance are board papers for Board of Directors meetings provided to the Board?*

As much as practicable, documents and resources needed for Board meetings are given to the directors at least five days prior to the date of the meeting.

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

Yes. Section 4.2.6 of the Manual states in part:

*"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete,*

*adequate and timely information about the matters to be taken in their meetings.*

*Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. **Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary.***” (Emphasis supplied)

- (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?*

Under Section 4.2.3.4 of the Company's Manual, the Company Secretary has the following duties and responsibilities:

- 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 official records of the Corporation;
- Be loyal to the mission, vision, and objectives of the Corporation;
- Work fairly and objectively with the Board, Management and stockholders;
- Have a working knowledge of the operations of the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain records of the meetings;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- Report/give an update on the attendance of the directors in Board meetings each year.

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

Section 4.2.3.3 of the Manual requires the Company Secretary to possess administrative and interpersonal skills, some legal skills (if not the general counsel), and some financial and accounting skills. The Company Secretary, Atty. June Vee D. Monteclaro-Navarro, is a lawyer by profession and has extensive administrative and legal experience in her more than eighteen years as a corporate lawyer.

- (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 Procedure   |
|--|--|
| Executive*   | The Executive Committee has been created but has had no meeting at this time. Materials and agenda shall be given to the Directors at least 3 days prior to the meeting. |
| Audit (renamed as Audit and Risk Management Committee) | Materials and agenda are given to the directors at least 3 days prior to the meeting.  |
| Nomination   | Materials and agenda are given to the directors at least 3 days prior to the meeting.  |
| Compensation and Remuneration                          | Materials and agenda are given to the directors at least 3 days prior to the meeting.  |

\*On 6 October 2016, the Board approved the creation of the Executive Committee as provided in Section 9 of Article III of the Company's By-laws

The Company follows the policy on Directors' access to information found in Section 4.2.6 of the Manual, which states:

*"To enable the members of the Board to properly fulfill their duties and responsibilities, management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.*

*Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members of the Board shall be given independent access to Management and the Corporate Secretary.*

*The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.*

*The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.*

The Corporate Secretary attends meetings of the Board Committees and likewise provides the members thereof with all information and resources needed in preparation for the meetings.

6) *External Advice*

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

Directors are free to secure external advice, if they deem such as necessary. The directors may course their request for external advice through the Corporate Secretary.

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.*

The Board of Directors ratified on 16 March 2017 the amendment of the Related Party Transaction Policy, and Audit and Risk Committee Charter of the Corporation. The Internal Audit Charter was also approved by the Board on 16 March 2017.

The Related Party Transaction Policy as amended, defined related party relationships and transactions and set out the guidelines, categories that will govern the review, approval and

ratification of the these transactions. The Audit and Risk Committee Charter as amended expounds on the policies, responsibilities and authority of the Audit and Risk Committee and the procedures that will guide the Committee in the performance of its functions.

The Internal Audit Charter provides for the creation of the Internal Audit Group and appointment of the Chief Audit Executive of the Company and sets the mission, scope and responsibilities, authority, accountability and standards of the Internal Audit Group and the Chief Audit Executive of the Company, in order to improve the effectiveness of risk management, control and governance.

**D. REMUNERATION MATTERS**

1) *Remuneration Process*

*Disclose the process used for determining the remuneration of the CEO and the four most highly compensated management officers.*

| <b>Process</b>                                   | <b>CEO</b>  | <b>Top 4 Highest Paid Management Officers</b>   |
|--|---|---|
| (1) Fixed remuneration                           | Based on qualifications, tenure, performance and industry practice<br>Yearly merit increase is provided based on the performance of the Group, subject to Board approval. However, remuneration process is subject to review.   | Based on qualifications, tenure, performance and industry practice<br>Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject to Board approval. However, remuneration process is subject to review.  |
| (2) Variable remuneration                        | N/A   | N/A   |
| (3) Per diem allowance                           | Based on Company's performance, industry practice and as approved by the Board  | Based on industry practice  |
| (4) Bonus  | Determined yearly based on the Company's performance and individual performance for the year, as may be recommended by the Compensation and Remuneration Committee and approved by the Board. However, remuneration process is subject to review.   | Determined yearly based on the Company's performance and individual performance for the year, as may be recommended by the Compensation and Remuneration Committee, and approved by the Board. However, the remuneration process is subject to review.  |
| (5) Stock options and other financial instrument | Grant under the approved Stock Ownership Plan (ESOWN) was based on factors such as, but not limited to, grantee's salary, years of service, performance and contribution of grantee to the POPI Group as approved by the Board in consultation with the Compensation and Remuneration Committee | Grant under the approved Stock Ownership Plan (ESOWN) was based on factors such as, but not limited to, grantee's salary, years of service, performance and contribution of grantee to the POPI Group at the sole discretion of the President, upon consultation with the Compensation and Remuneration Committee and approved by the Board |
| (6) Others (specify)                             | Director's Fee as may be recommended by the Compensation and  | Director's Fees for executive directors as may be recommended by the  |



|  |  |   |
|--|--|---|
|  | Remuneration Committee and approved by the Board | Compensation and Remuneration Committee and approved by the Board |
|--|--|---|

- 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.*

The Human Resources Department of the Corporation implements the Corporation's policy on remuneration and structure of compensation package.

|                         | <b>Remuneration Policy</b>  | <b>Structure of Compensation Package</b>                  | <b>How compensation is Calculated</b>   |
|-------------------------|---|---|---|
| Executive Directors     | Based on qualification, tenure, performance and industry practice | Fixed compensation and bonus and Director's Fees          | Yearly merit increase is provided based on the performance of the Group and in accordance with the established annual merit increase, subject to Board approval<br><br>Director's fees are as may be approved by the Board, subject to the By-Laws and industry practice. |
| Non-executive Directors | Based on By-Laws  | Director's Fees and bonus as may be approved by the Board | As may be approved by the Board   |

*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 years.*

The stockholders ratify at the annual stockholders' meeting, all the acts and resolutions of the Management and the Board of Directors, which includes the approval of director's fees.

| <b>Remuneration Scheme</b>   | <b>Date of Stockholders' Approval</b> |
|--|---------------------------------------|
| <p>The stockholders granted authority to the Board of Directors to set per diems each year in accordance with the Company's By-Laws.</p> <p>Subject to the approval of the stockholders, the Board of Directors is authorized to fix the per diems of the directors attending Board meetings, Executive Committee meetings and other committee meetings. The amounts of the per diem shall be guided by reasonableness and industry practice. (Section 10, Article III of the By-Laws)</p> <p>An amount equivalent to five percent of net income before tax in each year shall be paid and distributed at the Board's discretion, to the members of the Board, the Executive Committee and officers of the Corporation (Section 12, Article III of</p> | 14 November 2005                      |

|   |                 |
|---|-----------------|
| the By-Laws).   |                 |
| The stockholders approved the: (i) directors' fees and bonus for FY 2016 in the amount of Php500,000.00 and P500,000.00, respectively; and (ii) per diem allowance of the members of the Board Committees in the amount of Php30,000.00 per committee meeting attended, | 13 January 2017 |
| The stockholders also approved the fixing of the remuneration of the directors and Board Committees starting FY 2017 as follows:  |                 |
| For Directors- Php40,000.00 per meeting<br>For Board Committees – Php30,000.00 per committee meeting.   |                 |

3) *Aggregate Remuneration (Amounts in millions)*

Complete the table on the aggregate remuneration accrued during the most recent year (in millions). (As of 30 June 2016)

| Remuneration Item                                | Executive Directors | Non-Executive Directors (other than Independent Directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed remuneration                           | P23.14              | N/A  | N/A                   |
| (b) Variable remuneration                        | N/A                 | N/A  | N/A                   |
| (c) Per diem allowance                           | P6.21               | P1.59  | P3.24                 |
| (d) Bonuses                                      | P6.00               | P1.5   | P3.0                  |
| (e) Stock options and other financial instrument | N/A                 | N/A  | N/A                   |
| (f) Others (specify)                             | N/A                 | N/A  | N/A                   |
| <b>Total</b>                                     | <b>P35.5</b>        | <b>P3.09</b>   | <b>P6.24</b>          |

| Other Benefits                           | Executive Directors | Non-Executive Directors (other than Independent Directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (1) Advances                             | N/A                 | N/A  | N/A                   |
| (2) Credit granted                       | N/A                 | N/A  | N/A                   |
| (3) Pension Plan/s Contributions         | N/A                 | N/A  | N/A                   |
| (4) Pension Plans., Obligations incurred | N/A                 | N/A  | N/A                   |
| (5) Life Insurance Premium               | P385,386.98         | N/A  | N/A                   |
| (6) Hospitalization Plan                 | P2.4                | N/A  | N/A                   |
| (7) Car Plan                             | N/A*                | N/A  | N/A                   |
| (8) Others (specify)                     | N/A                 | N/A  | N/A                   |
| <b>Total</b>                             | <b>P2.76</b>        |  |                       |

\*The Company provides a company car to the Executive Directors.

4) *Stock Rights, Options and Warrants*

(a) *Board of Directors*

Complete the 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. (as of 31 December 2016)

| Director's Name | Number of Direct Option <sup>^</sup> /Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|-----------------|---|---|-----------------------------|----------------------------|
| Felipe U. Yap   | 3,584,000   | -   | 3,584,000                   | 0.073 %                    |
| Victor C. Say   | 3,072,000   | -   | 3,072,000                   | 0.063                      |

<sup>^</sup>Employees Stock Ownership Plan –Tranche 1

(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 |
|--|--|--------------------------------|
| <p>Except for the Employees' Stock Option Plan which was approved by the stockholders on 14 December 2009, there were no incentive programs introduced, amended or discontinued. The terms and conditions of the 2009 stock option plan have yet to be determined.</p> <p>On 13 August 2015, the Board of Directors approved the Terms and Conditions of the Company's Stock Ownership Plan. A request for exemption from registration of the Plan was filed by the Company on 27 August 2015 with the SEC.</p> <p>The SEC, in its Resolution dated 6 November 2015, granted the request for exemption from registration of the 32 million common shares under the Employees' Stock Ownership Plan (ESOWN) –Tranche 1.</p> | N/A  | N/A                            |
| <p>For ESOWN Tranche 2 covering 218 million shares, amendments to the Terms and Conditions of the ESOWN were approved by the Board of Directors in its meeting on 14 November 2016.</p> <p>POPI will secure SEC confirmation of the exemption from registration requirements of ESOWN Tranche 2.</p>   | <p>The amendments to the Terms and Conditions of the ESOWN pertain to the: (i) grant date, (ii) availment date, (iii) subscription price, and (iv) ESOWN coverage and entitlement.</p> | N/A                            |

5) *Remuneration of Management*

Identify the five members of Management who are not at the same time executive directors and indicate the total remuneration received during the financial year (as of 30 June 2016)

| Name of Officer/Position   | Total Remuneration |
|--|--------------------|
| Ma. Rhodora dela Cuesta**/VP-Legal, Asst. Corp. Sec.               | P7.27 M            |
| Edwin M. Silang/AVP-Group Human Resources                          |                    |
| Victor V. Rafael*/Manager-Corporate and Financial Planning Manager |                    |

\*separated from employment effective 30 October 2016

\*\* separated in October 2016; assigned to another position in 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   |
|---|----------------|----------------|-------------|----------------------------------|--|--|---|
|   | Exec. Dir.     | Non-Exec. Dir. | Indep. Dir. |                                  |  |  |   |
| <b>Audit and Risk Management Committee (“Audit and Risk Committee”)</b> |                | 1              | 2           | Audit and Risk Committee Charter | Assist the Board in the performance of its oversight responsibility over the Company’s financial reporting system, internal control system, audit processes and compliance with applicable laws, rules and regulations<br><br>The <u>Audit and Risk Committee</u> is primarily responsible in providing advice to and assisting the Board in reviewing and recommending the Company’s Risk Appetite, | 1. Financial statements and disclosures<br>2. Evaluation of internal controls and risk including information technology security<br>3. Review of internal and external audit<br>4. Coordinate and monitor compliance with legal and regulatory requirements<br><br>1. Ensure that the overall risk management policies and procedures exist for the Company.<br>2. Review the adequacy of the Company’s risk management framework/ | Access to records, properties and personnel to enable them to perform audit functions<br><br>Access to records, properties and personnel to enable them to review the risk-related issues and to recommend the Risk Appetite and Risk Management Framework of |

|  |  |  |  |  |  |  |                     |
|--|--|--|--|--|--|--|---------------------|
|  |  |  |  |  | <p>the Risk Management Statement and the Risk Management Framework to align with the Company's Risk Appetite and to support business objectives.</p> | <p>process.</p> <p>3. Review the results of the annual risk assessment done by the Chief Risk Officer (CRO)/ Risk Management Officers (RMO), including the risks identified and the risk treatments, their impact on the Company's business.</p> <p>4. Evaluate the risk assessment and treatment report submitted by the CRO on a periodic basis, which may include existing and identified possible risks faced by the Company and/ or its subsidiaries as well as the risk treatment or action plans adopted by Management.</p> <p>5. Monitor the Company's implementation of the various risk management activities and evaluate the effectiveness of the risk treatments and action plans, with the assistance of the internal auditors.</p> <p>6. Meet with Management to discuss the Committee's observations and evaluation on its risk management</p> | <p>the Company.</p> |
|--|--|--|--|--|--|--|---------------------|

|   |   |   |   |   |   |  |   |
|---|---|---|---|---|---|--|---|
|   |   |   |   |   |   | activities.  |   |
| <b>Nomination</b>                                   | 1 | 1 | 1 | Nomination Committee Charter                    | Shortlisting and Evaluation of qualifications of candidates nominated for election to the Board   | Evaluation of candidates to the Board  | Pre-screens and shortlists candidates for directorships based on the qualifications and disqualification for directors          |
| <b>Remuneration</b>                                 | 1 | 1 | 1 | Compensation and Remuneration Committee Charter | Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers, directors and employees  | Develop compensation related policies  | Develops and recommends remuneration policies for officers and employees  |
| <b>Executive Committee *</b>                        | 1 | 2 | - | Section 9, Article III of the By-laws           | Exercise all the power of the Board except in transactions as provided in Section 9, Article III of the By-laws   | Act on all matters presented to it except for the transaction provided in Section 9, Article III of the By-laws  | Act as full Board on matters presented to it except for specific transactions provided in Section 9, Article III of the By-laws |
| <b>Inspectors of Proxies and Ballots Committee*</b> | - | - | - | -   | At least 5 working days prior to date of stockholders' meeting, perform the validation of proxies submitted by the stockholders and prepare a summary of valid and invalidated proxies to be submitted to the office of the Corporate Secretary, together with the proxies. After the stockholders' meeting, count and tabulate the votes | 1. Validation of proxies submitted by the stockholders 5 working days prior to the stockholders' meeting;<br>2. Validation, counting and tabulation of votes cast at the stockholders' meeting | Validates the proxies of the stockholders<br><br>Validates the votes cast at the stockholders' meeting                          |

|                                    |   |   |   |   |  |  |   |
|------------------------------------|---|---|---|---|--|--|---|
|                                    |   |   |   |   | casted and prepare the voting results for posting in the company website.  |  |   |
| <b>Sustainability Committee **</b> | - | 1 | 2 | - | Assist the Board by providing oversight, identification and assessment of significant social, ethical and environmental interdependencies that might impact on the long-term business objective of the Company | 1. Provide oversight, identify and assess significant social, ethical and environmental interdependencies that might impact on the long-term business objective of the Company;<br>2. Regularly monitor new and innovative technologies, processes and practices that will permit the Company to attain sustainable growth;<br>3. Review current and proposed partnerships and relationships with stakeholders that will permit the Company's sustainable growth | Identify and assess significant social, ethical and environmental interdependencies that might impact on the long-term business objective of the Company and propose partnerships and relationships with stakeholders that will assist in the Company's sustainable growth. |

\*created on 6 October 2016

\*\*created on 13 January 2017

2) *Committee Members*

(a) *Audit and Risk Management Committee (from 1 July 2016 to 16 March 2017)*

| Office   | Name                     | Date of Appointment | No. of Meetings Held during FY | No. of Meetings Attended | %    | Length of Service in the Committee |
|----------|--------------------------|---------------------|--------------------------------|--------------------------|------|------------------------------------|
| Chairman | Rex Ma. A. Mendoza       | 1-Mar-2016**        | 4                              | 3                        | 100  | 1 year                             |
| Member   | Ricardo J. Romulo*       | 2 Dec. 2014         | 4                              | 2                        | 100^ | 14 years                           |
| Member   | Maria Rowena M. Tomeldan | 1 Mar-2016**        | 4                              | 3                        | 100  | 1 year                             |
| Member   | Renato O. Marzan         | 13 Jan-2017         | 4                              | 1                        | 100^ | 2 months                           |

\*resigned effective 14 November 2016

\*\*re-appointed on 13 January 2017

^meetings attended since appointed or until resignation

*Disclose the profile or qualifications of the Audit and Risk Committee members.*

**Rex Ma. A. Mendoza**, Filipino, 54, has been an Independent Director of the Company since February 26, 2016. He is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He currently serves as an Independent Director of Globe Telecom, Inc. (publicly listed company), and a Director of The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group. He was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (PhilamLife). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He earned his Master's Degree in Business Management with distinction from the Asian Institute of Management in 1986 and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance in 1983. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

**Maria Rowena Victoria M. Tomeldan**, Filipino, 55, has been a director of the Company since February 26, 2016. She is the Vice President and Head of Ayala Malls Group, Ayala Land, Inc. She is also the President of Laguna TechnoPark, Inc (LTI), an industrial park owned and operated by Ayala Land, Inc. and Mitsubishi Corporation; presently in charge of all industrial park developments of Ayala Land. Her other significant positions include: Chairman and President of AyalaLand Malls Synergies, Inc., Orion Property Development, Inc., Orion I Holdings Philippines, Inc., Lepanto Ceramics, Inc, Orion Maxis, Inc., Orion Solutions, Inc., FLT Prime Insurance Corporation, Orion Beverage Inc., ZHI Holdings, Inc., Luck Hock Venture Holdings, Inc.; Chairman of the Board of Directors of Ayala Land Malls, Inc. (formerly Solerte), Primavera Towncentre, Inc., Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., Cavite Commercial Town Centre Inc., Subic Bay Town Center, Inc., South Innovative Theatre Management, Inc., and North Beacon Commercial Corporation, Westview Commercial Ventures Corporation, North Ventures Commercial Corporation; Vice Chairman of the Board of Directors of Lagoon Development Corporation, AyalaLand Metro North, Inc.; Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, Alabang Commercial Corporation and Asterion Technopod Incorporated; President of ALI Commercial Center Inc., Soltea Commercial Corp, Cagayan De Oro Gateway Corporation, Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Ecozone Power Management, Inc., Arvo Commercial Corporation, Summerhill Commercial Ventures Corp., Tutuban Properties, Inc.. TPI Holdings Corp.; Executive Vice President of Accendo Commercial Corporation; AyalaLand Malls VisMin, Inc. and Governor of the Ayala Center Estate Association, Inc. Presently, she is a board member of the International Council of Shopping Centers (ICSC) - Asia Advisory Board and is a 2015 ICSC Trustees Distinguished Service Awardee. She was a cum laude graduate of Bachelor of Arts in Economics from the University of the Philippines in 1983 and earned her Masters in Business Administration (MBA) degree from the same university in 1988. She finished the Executive Development Program at the Aresty Institute of Executive Education in Wharton University, Pennsylvania, USA in 2005.



**Atty. Renato O. Marzan**, 67, Filipino, was elected as Independent Director of the Company on 13 January 2017. He is currently the Chairman of the Board of Directors of UBS Securities Philippines, Inc. (USPI), a wholly owned subsidiary of UBS AG. He has been an independent director of the USPI since May 2010. In 2011, he served as a member of the Board of Directors of the Zamboanga Economic Zone Authority. He was with Ayala Corporation from February 1978 to December 2008. At the time of his retirement from Ayala Corporation on December 31, 2008, he was the General Counsel, Managing Director and the Group Head of the Corporate Governance and Legal Affairs group. In such capacity, he exercised direct supervision and oversight over the Legal Division, Office of the Corporate Secretary, the Compliance Unit and the Internal Audit of Ayala Corporation. He played a pivotal role in the adoption and implementation of the principles and best practices of good corporate governance in the Ayala group of companies. It was during his watch that the Ayala publicly listed companies were recognized by different organizations/institutions, local and foreign, as “best” in corporate governance. During his career in Ayala, he served as a director and corporate secretary of a number of companies within the Ayala Group. He graduated magna cum laude with a degree of Bachelor of Arts major in Philosophy in 1969, and cum laude with a degree of Bachelor of Laws in 1973, both from San Beda College. Prior to joining Ayala in 1978, he joined the law firm of CJ Valdes and Associates.

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

Under Section 4.2.2.3.2 of the Manual, the Audit and Risk Committee is tasked to perform oversight functions over the Company's external auditor. Pursuant thereto, prior to the commencement of audit, the Audit and Risk Committee discusses with the external audit the nature, scope and expenses of the audit. The Audit Committee reviews the reports submitted by the external auditor.

*(b) Nomination Committee\_ (from 1 July 2016 to 16 March 2017)*

| Office   | Name                       | Date of Appointment | No. of Meetings Held During the FY | No. of Meetings Attended | %   | Length of Service in the Committee |
|----------|----------------------------|---------------------|------------------------------------|--------------------------|-----|------------------------------------|
| Chairman | Jose Emmanuel H. Jalandoni | 1 Mar-2016*         | 4                                  | 4                        | 100 | <u>1</u> year                      |
| Member   | Felipe U. Yap              | 2 Dec. 2014*        | 4                                  | 4                        | 100 | 14 years                           |
| Member   | Rex Ma. A. Mendoza         | 1-Mar-2016*         | 4                                  | 4                        | 100 | <u>1</u> year                      |

\*re-appointed on 13 January 2017

*(c) Compensation and Remuneration Committee (from 1 July 2016 to 16 March 2017)*

| Office   | Name                       | Date of Appointment | No. of Meetings Held During the FY | No. of Meetings Attended | %    | Length of Service in the Committee |
|----------|----------------------------|---------------------|------------------------------------|--------------------------|------|------------------------------------|
| Chairman | Jose Emmanuel H. Jalandoni | 1-Mar-2016***       | 3                                  | 3                        | 100  | <u>1</u> year                      |
| Member   | Felipe U. Yap              | 2 Dec.2014***       | 3                                  | 3                        | 100  | 14 years                           |
| Member   | Ricardo J. Romulo*         | 2-Dec-2014          | 3                                  | 1                        | 100^ | 14 years                           |
| Member   | Rex Ma. A. Mendoza**       | 14-Nov-2016         | 3                                  | 1                        | 100^ | <u>4</u> months                    |

\*resigned effective 14 November 2016;

\*\*appointed to replace Atty. Romulo on 14 November 2016. He was re-appointed as member of the Committee on 13 January 2017.

\*\*\*re-appointed on 13 January 2017

^meetings attended since appointed or until resignation

d) *Executive Committee\* (as of 16 March 2017)*

| <u>Office</u> | <u>Name</u>                | <u>Date of Appointment</u> | <u>No. of Meetings Held During the FY</u> | <u>No. of Meetings Attended</u> | <u>%</u> | <u>Length of Service in the Committee</u> |
|---------------|----------------------------|----------------------------|---|---------------------------------|----------|---|
| Chairman      | Bernard Vincent O. Dy      | 6 Oct-2016**               | 0   | -                               | -        | 5 months                                  |
| Member        | Felipe U. Yap              | 6 Oct-2016**               | 0   | -                               | -        | 5 months                                  |
| Member        | Jose Emmanuel H. Jalandoni | 6 Oct-2016**               | 0   | -                               | -        | 5 months                                  |

\*created on 6 October 2016

\*\*reappointed on 13 January 2017

e) *Inspectors of Proxies and Ballots Committee\* (as of 16 March 2017)*

| <u>Office</u> | <u>Name</u>                    | <u>Date of Appointment</u> | <u>No. of Meetings Held During the FY</u> | <u>No. of Meetings Attended</u> | <u>%</u> | <u>Length of Service in the Committee</u> |
|---------------|--------------------------------|----------------------------|---|---------------------------------|----------|---|
| Chairman      | June Vee D. Monteclaro-Navarro | 6 Oct-2016**               | 2   | 2                               | 100      | 5 months                                  |
| Member        | Rhodora Estrella B. Revilla    | 6 Oct-2016**               | 2   | 2                               | 100      | 5 months                                  |
| Member        | Michelle Marie T. Valbuena     | 6 Oct-2016**               | 2   | 2                               | 100      | 5 months                                  |

\*created on 6 October 2016

\*\*re-appointed on 13 January 2017

f) *Sustainability Committee\* (as of 16 March 2017)*

| <u>Office</u> | <u>Name</u>              | <u>Date of Appointment</u> | <u>No. of Meetings Held During the FY</u> | <u>No. of Meetings Attended</u> | <u>%</u> | <u>Length of Service in the Committee</u> |
|---------------|--------------------------|----------------------------|---|---------------------------------|----------|---|
| Chairman      | Renato O. Marzan         | 13 Jan-2017                | 0   | -                               | -        | 2 months                                  |
| Member        | Maria Rowena M. Tomeldan | 13 Jan-2017                | 0   | -                               | -        | 2 months                                  |
| Member        | Rex Ma. A. Mendoza       | 13 Jan-2017                | 0   | -                               | -        | 2 months                                  |

\*created on 13 January 2017

3) *Changes in Committee Members*

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

On 1 March 2016, there were changes in the composition of the Board Committees due to the change of directors arising from the ALI subscription to POPI shares. The new members of the Board Committees are as stated in items E (2) (a),(b) and (c) above.

Atty. Ricardo J. Romulo resigned as director of the Company effective 14 November 2016. On 14 November 2016, Mr. Rex A. Mendoza was appointed as member of the Compensation and Remuneration Committee vice Atty. Romulo.

During the ASM on 13 January 2017, the stockholders elected nine (9) directors of the Company. The members of the following Board Committees were also appointed on 13 January 2017: (1) Nomination Committee; (2) Audit and Risk Committee; (3) Compensation and Remuneration Committee; (4) Executive Committee; (5) Inspectors of Proxies and Ballots Committee; and (6) Sustainability Committee.

4) *Work Done and Issues Addressed*

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

| <b>Name of Committee</b>                | <b>Work Done</b>  | <b>Issues Addressed</b>              |
|---|---|--------------------------------------|
| Audit and Risk Management Committee     | Prepared and/or presented to the Board of Directors for approval the audited financial statements for Fiscal Year (FY 2015-2016) and the quarterly reports for FY 2015-2016;<br>Conducted self-assessment of the performance of the Audit Committee;<br>Recommended the appointment of SGV as external auditor of the Company for FYs 2015, 2016 and 2017.  | There were no issues to be addressed |
| Nomination Committee                    | Confirmed the Nominees for Directors who were elected in February 2016;<br>Confirmed the nominees for election as directors in the stockholders' meeting set on 13 January 2017.  | No issues to be addressed            |
| Compensation and Remuneration Committee | Made recommendations for adjustment of salaries of executives and employees and year end bonus for employees (for FY 2015);<br>Recommended the directors' fee and Board Committee members' fee (for FY 2015);<br>Recommended the separation package for employees of the Group;<br>Recommended the approval of the Employees Stock Ownership Plan in August 2015;<br>Recommended the directors' fee/per diem and bonus for directors, and fees for Board Committee members for FYs 2016 and 2017. | No issues to be addressed            |

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.*

The Board Committees have no list of programs to undertake at this time as there are no new relevant governance issues to be addressed this year.

## **F. RISK MANAGEMENT PROGRAM**

### 1) *Disclose the following:*

#### (a) *Overall risk management philosophy of the Company.*

The underlying premise of enterprise risk management is that every entity exists to provide value for its stakeholders. The Corporation faces uncertainty which presents both risk and opportunity, with potential to erode or enhance value.

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

To ensure effective management of business and compliance risks, the Corporation's Board of Directors created the Audit and Risk Committee to support it in the performance of its oversight function of the Corporation's risk management activities through continuous evaluation on the effectiveness of the Company's risk management process.

#### (c) *Period covered by the review.*

No review was performed for the fiscal year ended 30 June 2016. However, the Corporation launched and completed a formal Enterprise-wide Risk Management (EWRM) system in March 2017.

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

The risk management policy of the Company is already developed while the implementation of the EWRM system which includes risk analysis, treatment and monitoring was completed in March 2017.

The Company's eight (8) components of EWRM system are as follows:

1. Internal Environment
2. Objective Setting
3. Event Identification
4. Risk Assessment
5. Risk Response
6. Control Activities
7. Information and Communication (Reporting)
8. Monitoring and Reporting

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

No review was performed for fiscal year ended 30 June 2016 because of the Corporation's corporate restructuring. However, the Company launched and completed a formal EWRM system in March 2017.

### 2) *Risk Policy*

#### (a) *Company*

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

The Company launched a formal EWRM system, firmly embedded into its corporate planning process, which constantly seeks to identify, assess and address all the risks

inherent and external to the business that could potentially affect the performance of the Company. The EWRM exercise was completed in March 2017.

The following risks are ranked according to their potential impact to the Company in terms of financial cost, reputation, and likelihood of occurrence.

| Risk Exposure  | Risk Management Policy  | Objective  |
|--|---|--|
| Major Security and Health Risk   | Compliance to Security and Health Standards   | <ul style="list-style-type: none"> <li>Incident reporting and follow up process</li> </ul>   |
| Marginalization Risk   | 1. Risks faced by POPI and its subsidiaries and affiliates shall be identified, monitored and managed effectively to the best of our ability at all times.<br><br>2. The EWRM will be embedded in the Company's critical business activities, functions and processes.<br><br>3. A robust risk assessment system, methodology and reporting structure will be used with all risk issues identified, analyzed, assessed, and monitored in a consistent manner.<br><br>4. The performance of our EWRM initiatives will be regularly monitored, reviewed and reported. | <ul style="list-style-type: none"> <li>EWRM is an integral element of overall corporate governance and will enable the Company to achieve the its objectives.</li> </ul> |
| Financial Risk   |   |  |
| Product / Service Quality and Safety Risk                              |   |  |
| Environmental Risk (Disaster Readiness)                                |   |  |
| Government / Political Risk  |   |  |
| Organizational Risk (People, Processes, Systems & Performance Metrics) |   |  |

(b) Group

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

The following risks are ranked according to their potential impact to the Company in terms of financial cost, reputation, and likelihood of occurrence.

| Risk Exposure                                  | Risk Management Policy   | Objective  |
|--|--|--|
| Leasing:<br>Changing Market Needs              | Risk management policy encompasses key risks across the group, as well as specific business unit risks.<br><br>(Refer to #2. Risk Policy, (a) Company) | EWRM is an integral element of overall corporate governance and will enable the Company to achieve the its objectives. |
| Leasing:<br>Attracting and retaining merchants |  |  |

(c) *Minority Shareholders*

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

The exercise of the controlling shareholders of their voting power may deprive representation of the minority in the Board. The Company implements cumulative voting of directors, prohibits the removal of a director if it would deny the minority shareholders representation in the Board (Section 8.1.2.3 of the Manual), and recognizes the appraisal right of shareholders (Section 8.1.7 of the Manual).

The Company's Corporate Governance Policies follow best practices, specifically with respect to the equitable treatment of all shareholders.

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.*

Controls are not yet established for the fiscal year ended 30 June 2016. However, the Company launched and completed a formal EWRM exercise in March 2017.

| Risk Exposure  | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken)   |
|--|--|---|
| Major Security and Health Risk   | Compliance to Security and Health Standards          | <ul style="list-style-type: none"> <li>Incident reporting and follow up process</li> </ul>                                  |
| Marginalization Risk   | Gross Leasable Area Monitoring                       | <ul style="list-style-type: none"> <li>Initiatives to drive down costs and rental rates</li> </ul>                          |
| Financial Risk   | Billing and Collection Monitoring                    | <ul style="list-style-type: none"> <li>Receivable management</li> </ul>   |
| Product / Service Quality and Safety Risk                              | Compliance to Health and Safety Regulations          | <ul style="list-style-type: none"> <li>Safety standards</li> </ul>  |
| Environmental Risk   | Disaster Readiness Program                           | <ul style="list-style-type: none"> <li>Periodic Drills (earthquake, fire, calamity etc.)</li> </ul>                         |
| Government / Political Risk  | Local Government Relationship Indicators             | <ul style="list-style-type: none"> <li>Strategic roles and tactical roles on relationship management are defined</li> </ul> |
| Organizational Risk (People, Processes, Systems & Performance Metrics) | Employee Engagement Programs                         | <ul style="list-style-type: none"> <li>Employee engagement surveys</li> </ul>   |

(b) *Group*

*Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company.*

| Risk Exposure                  | Risk Assessment (Monitoring and Measurement Process)              | Risk Management and Control (Structures, Procedures, Actions Taken)                           |
|--------------------------------|---|---|
| Leasing: Changing Market Needs | <ul style="list-style-type: none"> <li>Occupancy Rates</li> </ul> | <ul style="list-style-type: none"> <li>Competitive scan to understand competitors'</li> </ul> |

|  |   |   |
|--|---|---|
| <u>Leasing:</u><br><u>Attracting and retaining</u><br><u>merchants</u> | <ul style="list-style-type: none"> <li>• Occupancy Costs</li> </ul> | offerings <ul style="list-style-type: none"> <li>• Lease and payment schemes to assist tenants</li> <li>• Tenant feedback mechanisms</li> </ul> |
|--|---|---|

(c) *Committee*

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

| Committee/Unit           | Control Mechanism  | Details of its Functions  |
|--------------------------|--|---|
| Audit and Risk Committee | <ul style="list-style-type: none"> <li>• Risk-based audits conducted by the company's Internal Audit Group and reported to Committee on a quarterly basis</li> <li>• Update on the Company's risk profile and status through the report of the Company's Chief Audit Executive, who acts as the Chief Risk Officer on a concurrent basis.</li> </ul> | <ul style="list-style-type: none"> <li>• Ensure that an overall set of risk management policies and procedures exist for the Company.</li> <li>• Review the adequacy of the Corporation's enterprise-wide risk management framework/process. The Board, through the Committee, provides oversight by providing continuous input, evaluation and feedback on the effectiveness of the risk management process.</li> <li>• Monitor the risk management activities of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors.</li> <li>• Meet periodically with Management to discuss the Committee's observations and evaluation on its risk management activities.</li> </ul> |

## **G. INTERNAL AUDIT AND CONTROL**

### **1) Internal Control System**

*Disclose the following information pertaining to the internal control system of the Company:*

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

Internal Control system is designed to provide reasonable assurance to the achievement of the objectives on the effectiveness and efficiency of operation, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding of the assets of the Company. These internal control systems are monitored and evaluated on a regular basis to ensure that they are functioning properly and effectively through a regular review of control environment, risk assessment, control activities, information and communication and monitoring.

#### Financial and Operational Control

The Company's disclosure controls and procedures include without limitation controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our Company's management, including the President and CFO, as appropriate, to allow timely decisions regarding required disclosure.

#### Compliance

The Company's corporate compliance is managed by the Compliance Officer and Internal Audit/Compliance Department. This unit endeavors to ensure that our policies, corporate decisions and business activities are done in compliance with prevailing law and regulations, both internal and external. The Company proactively implements compliance policies at the business unit level and the transactional level. Its compliance activities in 2016 included:

- a. Supporting business activities with legal advice by delivering legal opinions on planned actions and issues in relation to their compliance with the applicable laws or regulations (legal advisory);
- b. Conducting a risk and legal review of planned business initiatives, policies and planned cooperation (legal review of business & policy initiatives); and
- c. Settlement of cases and claims.

#### Evaluation on the Effectiveness of Internal Audit

#### Management's Report on Internal Control over Financial Reporting

The Company's Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our CFO, and executed by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that receipts and expenditures of our Company are being made only in accordance with authorizations of management and Directors of our Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company's assets that could have a material effect on the Consolidated Financial Statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any



evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

The Audit and Risk Committee assists the Board in the performance of its oversight responsibility over the Company's financial reporting system, internal control system, audit processes and compliance with applicable laws, rules and regulations.

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

The review covers the period of 1 July 2015 to 30 June 2016.

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

The internal controls are reviewed annually and based on the reports of the Audit and Risk Committee on the audit areas covered during the year.

The Internal Audit Group conducts risk-based audit projects to verify the effectiveness and efficiency of the process under review, determine compliance with applicable internal policies and laws and regulations, and provide recommendations for improvement. As the audit projects are completed, Internal Audit Group presents to the Audit and Risk Committee the results of the engagements.

The Company has conducted an External Quality Assurance Review (EQAR) in order to evaluate and assess its internal audit structure, policies and procedures as part of the overall corporate restructuring of the Company.

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

2) *Internal Audit*

- (a) *Role, Scope and Internal Audit Function*

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

The Internal Audit Function sees to it that the Company's key organizational and procedural controls are effective, appropriate, and complied with, and shall be guided by the International Standards on Professional Practice of Internal Auditing.

| <b>Role</b> | <b>Scope</b>                                     | <b>Indicate whether In-house or Outsource Internal Audit Function</b>  | <b>Name of Chief Internal Auditor/Auditing Firm</b> | <b>Reporting process</b>                                    |
|-------------|--|--|---|---|
| Assurance   | All processes within the POPI Group of companies | In-house<br><br>Primarily carried out by the Internal Audit Group but complemented by outsourced third parties when needed | Leovigildo D. Abot*                                 | Quarterly reporting process to the Audit and Risk Committee |
| Consulting  | As required, based on the                        | In-house   | Leovigildo D. Abot*                                 | Reporting process to the                                    |

|  |  |  |  |   |
|--|--|--|--|---|
|  | needs/<br>requirements of<br>the Company | Primarily carried<br>out by the Internal<br>Audit Group but<br>complemented by<br>outsourced third<br>parties when<br>needed |  | Audit and<br>Risk<br>Committee at<br>the end of the<br>consulting<br>engagement |
|--|--|--|--|---|

*\*The members of the Group Compliance Department, headed by Mr. Joel S. Lim, were separated effective 9 October 2016. Mr. Leovigildo D. Abot, Chief Audit Executive, was assigned to handle the POPI Group audit function.*

- (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 and Risk Committee?*

Yes, approval from the Audit and Risk Committee is required.

The Board through the Committee will approve all decisions regarding the qualifications, performance evaluation, appointment or removal of the Chief Audit Executive (CAE) as well as the CAE's annual compensation and salary adjustment. The CAE will communicate and interact directly with the Board through the Committee.

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

The Internal Audit Group, headed by Leovigildo D. Abot as Chief Audit Executive (CAE), reports to the Audit and Risk Committee. The IAD provides independent and objective assurance and advisory services to the Company. Through the Audit and Risk Committee, the Internal Audit Group assists the Board in the discharge of its duties and responsibilities.

The Internal Audit Group has a Charter that has been approved by the Audit and Risk Committee. This Charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the IAD including direct and unfettered access to the board of directors and the audit committee and to all records, 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 |
|-------------------------------------|--------|
| No Audit Staff resigned in FY 2016* | N/A    |

*\*The members of the Group Compliance Dept. were separated effective 9 October 2016. A new internal audit personnel from ALMI has been assigned to handle the Group audit functions.*

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

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

|                               |  |
|-------------------------------|--|
| <b>Progress Against Plans</b> | Internal Audit completed the various audit activities and other consultancy services in accordance with the approved Audit Master Plan |
| <b>Issues</b>                 | Summarized issues and findings gathered during the audit process and discussed with auditees for resolution                            |
| <b>Findings</b>               |  |

|                           |  |
|---------------------------|--|
| <b>Examination Trends</b> | Identified recurring issues and findings and initiated immediate corrective actions. |
|---------------------------|--|

(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>                                       |
|---|---|
| The Company prepared and documented policies and procedures that govern its operations, Examples include policies and procedures for financial accounting, human resource administration, information technology, code of ethics/code of conduct, whistle blowing, etc. | These policies and procedures are observed and implemented. |

(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<br/>(Internal and External)</b>  | <b>Financial Analysts</b>   | <b>Investment Banks</b>   | <b>Rating Agencies</b>  |
|--|---|---|---|
| <p>The Internal Audit Charter states:</p> <p>The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.</p> <p>To maintain objectivity, the Internal Audit Group is not involved in day-to-day control procedures. Instead, each POPI subsidiary or strategic business unit is responsible for their own internal control and efficiency.</p> <p>Internal auditors must exhibit the highest level of professional objectivity in</p> | The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities. | The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities. | The Company does not perceive any need at this time to establish a mechanism to safeguard the independence of these entities. |

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| <p>gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.</p> <p>The CAE will confirm to the Board through the Committee, at least annually, the organizational independence of the internal audit activity.</p> <p>The Internal and External Auditors report directly to the Audit and Risk Committee. Their reports are approved by the Audit and Risk Committee and the Board of Directors.</p> <p>In addition, the Manual provides that:</p> <p>(i) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. (Section 4.2.7 (A) (v) of the Manual)</p> <p>(ii) The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence. (Section 4.2.7 (B) of the Manual)</p> <p>(iii) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the</p> |  |  |  |
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|--|--|--|--|
| Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports. (Section 4.2.7 (B) of the Manual) |  |  |  |
|--|--|--|--|

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

The Chairman, the President and Compliance Officer of the Company will attest to the Corporation's compliance with the SEC Code of Corporate Governance.

The Board of Directors, Management, officers and employees of the Corporation commit themselves to the principles and best practices of governance contained in our Manual on Corporate Governance as a guide to the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the vision statement and corporate values of the Corporation.

**H. ROLE OF STAKEHOLDERS**

1) Disclose the Company's policy and activities relative to (a) customers' welfare, (b) supplier/contractor selection practice, (c) environmentally friendly value chain, (d) community interaction, (e) anti-corruption programs and procedures, and (f) safeguarding of creditors' rights.

|   | <b>Policy</b>   | <b>Activities</b>  |
|---|---|--|
| Customer's welfare                        | Safety and Security                                   | Compliance with government regulations   |
| Supplier/contractor selection practice    | Consider price bid and reliability of supplier        | The Company gets the price bid of at least three (3) suppliers before an award is made.            |
| Environmentally friendly value-chain      | N/A   | N/A  |
| Community interaction                     | Corporate Social Responsibility (CSR) Policy          | The Company, through its subsidiary, undertakes CSR initiatives in the communities within the area |
| Anti-corruption programmes and procedures | Company's Policies and Procedures on Employee Conduct | Enforcement in accordance with the Company's Policy Manual   |
| Safeguarding creditors' rights            | Refer to relevant agreements or contracts             | Monitor contracts  |

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

The Company includes a CSR report in its Annual Report.

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

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

The Company seeks to provide services and programs designed to promote the well-being of employees such as health and safety, rest and recreation, economic security and family welfare.

The Company provides services and programs designed to care for the well-being of its employees. Programs for health, safety, and employee welfare are implemented to communicate and demonstrate a caring atmosphere in the work place.

The Company maintains a medical and wellness program which provides for in-patient and out-patient benefits for the employees. Employees undergo annual medical examinations for health maintenance. Medical consultations are also made available to the employees through the regular visits of a medical doctor in the office.

Furthermore, policies to promote a safe and healthy work environment have been established in accordance with the requirements of the Department of Labor and Employment.

*Drug-Free Workplace Policy*

The Company is committed to safeguard the well-being of its employees from the harmful effects of dangerous drugs on their physical and mental well-being by increasing employee awareness on the adverse effects of dangerous drugs and by monitoring employees who are susceptible to drug abuse.

*Workplace Policy and Program on Hepatitis B*

The aim of this Policy is to ensure that the employees' right against discrimination and confidentiality is maintained. This Policy also enlightens the employees of their role as well as the Company's role in dealing with Hepatitis B.

*Workplace Policy and Program on Tuberculosis (TB) Prevention and Control*

The purpose of this Policy is to address the stigma attached to employees with TB and to ensure that the employee's right against discrimination, brought by the disease, is protected. This Policy also intends to facilitate free access to anti-TB medicines of affected employees through referrals.

*HIV and AIDS Policy*

The purpose of this Policy is to provide information and guidance in the diagnosis, treatment and prevention of HIV/AIDS in the workplace to the employees. This Policy also intends to address the stigma attached to employees with HIV/AIDS and make sure that the workers' right against discrimination and confidentiality is maintained.

*Anti-Sexual Harassment Policy*

The Company values the dignity of its human resources and guarantees full respect for its employees, trainees or applicants for employment. The Company likewise commits to maintain a work environment free from sexual harassment and all forms of sexual intimidation and exploitation, and it will not tolerate harassment of its employees (either male or female) by anyone, including any of its officers, managers, supervisors, vendors, clients or customers.

*Breastfeeding Policy*

The Company recognizes the importance of breastfeeding for both mother and baby and hereby supports and promotes breastfeeding for its mother-employees. The Company provides facilities and the support necessary to enable mothers in their employment to balance breastfeeding / breast milk expression with their work.

Other initiatives to promote wellness include learning sessions, sports programs, recreational activities such as outings, and other company events that also foster camaraderie and cooperation among the employees.

The Company also participates in fire and earthquake drills, in coordination with the office building administrator and the Company's Safety Committee headed by a Certified First Aider.

**Training**

Training efforts focus on the three core areas: 1) Personal Effectiveness; 2) Functional/ Professional Skills; and 3) Leadership Skills.

The Company stages in-house programs through the Group Training Curriculum and the Management Coffee Sessions.

The Group Training Curriculum is envisioned to be a venue where all employees can be equipped with core, common and critical skills within the Group.

As part of the Company's culture-building initiatives, the HRD conducts or holds Management Coffee Sessions with the objective of facilitating informative and interactive discussions among the leaders of the Group on various topics of leadership, management and the business landscape.

The Company also sends its employees to public seminars to continuously equip them with the necessary technical or functional knowledge and expertise necessary for meeting the present and future demands for achieving the business objectives of the Company.

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

The Company conducts an annual physical examination (APE) for primary and secondary prevention of diseases and to promote healthy behavior among the employees. The top 1 illness based on the recent annual medical examination for the Group conducted in March 2016 is Obesity/Overweight. Results of the annual medical examination show:

| Top 5 Illnesses Based on APE | Percentage |
|------------------------------|------------|
| Obesity                      | 48.28%     |
| Urinary Tract Infection      | 13.79%     |
| Anemia                       | 6.9%       |
| Bronchial Asthma             | 6.9%       |
| Hypertension                 | 3.45%      |

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

The Company promotes employee learning, education and growth through training and development programs to equip them with a whole range of knowledge, skills and experiences in the areas of personal effectiveness, functional/job-related competencies and leadership development for effective performance in their current and future jobs. Training programs include:

- (i) Management Coffee Sessions – around 70 supervisors and managers attend regular learning sessions in the area of leadership development
- (ii) Group Training Program – around 20 employees attend regular courses that focus on competencies that are core, critical and common to all employees in the Group
- (iii) Functional Training – based on identified training needs, employees attend public seminars that focus on enhancing their specific job-related competencies.

In view of the reorganization of the Group, this year's training and development programs for employees were for review and evaluation.

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

It is the policy of the Company to manage work performance through a year-round process of helping and guiding people to achieve desired results. Our Performance Management System (PMS) aims to systematically and periodically monitor results against established individual or organizational goals and thus improve the overall performance and potentials of the Company and its employees. The system allows the Company to be linked to employee rewards and compensation. Performance of the individual, department and the company as a whole bears the greatest weight in determining annual merit increases.

- 4) *What are the Company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.*

In accordance with the Company's Policies and Procedures on Employee Conduct, the Company adheres to the policies of fair and consistent implementation of its regulations and the procedural due process in handling complaints by employees concerning illegal and ethical behavior and in ensuring their protection from retaliation.

## I. DISCLOSURE AND TRANSPARENCY

- 1) *Ownership Structure*

(a) *Holding 5% shareholding or more\* (as of 28 February 2017)*

| Shareholder                  | No. of Shares | Percent | Beneficial Owner |
|------------------------------|---------------|---------|------------------|
| Ayala Land, Inc.**           | 2,499,999,996 | 51.06%  | Ayala Land, Inc. |
| PCD Nominee Corp. (Filipino) | 1,702,542,442 | 34.77 % | Various Clients  |

\*Based on the report as of 31 December 2016 of Stock and Transfer Agent, BDO Unibank, Inc.-Securities Services and Corporate Agencies Dept.

\*\*On 4 July 2016, the SEC approved POPI's increase in authorized capital stock from P2.4 billion to P7.5 billion divided into 7.5 billion common shares.

| Name of Senior Management<br>(as of 13 January 2017) | No. of Direct<br>Shares | No. of<br>Indirect<br>Shares | % of Capital Stock |
|--|-------------------------|------------------------------|--------------------|
| Jose Emmanuel H. Jalandoni                           | 2                       | -                            | -                  |
| Ruby P. Chiong                                       | 1                       | -                            | -                  |
| Roann F. Hinolan-Batoon                              | 0                       | -                            | -                  |
| Rhodora Estrella B. Revilla                          | 0                       | -                            | -                  |
| June Vee D. Monteclaro-Navarro                       | 0                       | -                            | -                  |
| Nimfa Ambrosia L. Perez-Paras                        | 0                       | -                            | -                  |
| Marthe Lois V. Cordia                                | 0                       | -                            | -                  |

- 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   | The Company's policy on whistle blowing is posted in its website.  |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors | Yes  |
| Training and/or continuing education program attended by each director  | No. With the ACGR, the Corporate Governance section in the Annual Report was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The subsequent trainings of directors were not included in the Annual Report but reported in the Consolidated Changes to ACGR.  |
| Number of Board of Directors meetings held during the year  | No. The number of Board meetings held in a year and the attendance details of the directors in such meetings are disclosed in the ACGR as the submission of Certification of Attendance of Directors was discontinued as per SEC Memorandum Circular No. 5 Series of 2013. The Compliance Officer submitted the report on the attendance of Directors in Board and Committee meetings for the fiscal year by way of advisement letter to the SEC last <u>5 July 2016</u> and disclosed as an update to the ACGR. |
| Attendance details of each director in respect of meetings held   | No. See above.   |
| Details of remuneration of the CEO and each member of the Board of Directors  | No. The remuneration of the CEO and top 4 officers of the Company is reported as a lump sum amount. The total compensation paid to the members of the Board are reported in the General Information Sheet submitted by the Company each year.  |

3) *External Auditor's Fee*

| <b>Name of Auditor</b> | <b>Audit Fee (FY 2015-2016)</b>     | <b>Non-Audit Fee</b>               |
|------------------------|-------------------------------------|------------------------------------|
| SGV and Co.            | P1,344,000.00<br>(inclusive of VAT) | P 980,000.00<br>(inclusive of VAT) |

4) *Medium of Communication*

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

- a) Disclosures to the SEC and PSE
- b) Company Website
- c) E-mail
- d) Registered mail
- e) Publication in newspapers of general circulation

5) *Date of release of audited financial report:* 6 October 2016

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          | NA  |
| Shareholding structure   | Yes |
| Group corporate structure                                      | Yes |
| Downloadable annual report                                     | Yes |
| Notice of AGM and/or EGM                                       | Yes |
| Company's constitution (By-Laws and Articles of Incorporation) | Yes |

7) *Disclosure of Related Party Transactions (RPT)*

| <u>RPT</u>                            | <u>Relationship</u> | <u>Nature</u> | <u>Value<br/>(in Thousands)<br/>(FY 1 July 2015-<br/>30 June 2016)</u> |
|---------------------------------------|---------------------|---------------|--|
| Lepanto Ceramics, Inc.                | Subsidiary          | Charges       | P1   |
| Orion I Holdings<br>Philippines, Inc. | Subsidiary          | Advances      | 199,153  |
| OE Holdings, Inc.                     | Subsidiary          | Advances      | 34,088   |
| FLT Prime Insurance Corp.             | Subsidiary          | Charges       | 947  |
| Orion Property Development, Inc.      | Subsidiary          | Charges       | 0  |
| Orion Maxis Inc.                      | Subsidiary          | Charges       | 21,914   |
| Tutuban Properties, Inc.              | Subsidiary          | Charges       | 0  |

*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?*

Section 7.2 of the Manual states:

“All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.” (Emphasis supplied)

**J. RIGHTS OF STOCKHOLDERS**

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

(a) *Quorum*

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

|                        |   |
|------------------------|---|
| <b>Quorum Required</b> | Majority of the issued and outstanding stock of the Company having voting powers. (Art. III, Sec. 5 of the Company's By-Laws) |
|------------------------|---|

(b) *System used to approve corporate acts*

*Explain the system used to approve corporate acts.*

|                    |  |
|--------------------|--|
| <b>System Used</b> | Stockholders' affirmative vote during a regular or special Stockholders' Meeting |
|--------------------|--|

|                    |   |
|--------------------|---|
| <b>Description</b> | Majority vote of the stockholders are required to approve corporate acts. |
|--------------------|---|

(c) *Stockholders' Rights*

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

| <b>Stockholders' Rights under the Corporation Code</b>  | <b>Stockholders' Rights <u>not</u> in the Corporation Code</b>  |
|---|---|
| Notice period of two weeks for regular stockholders' meetings and one week for special stockholders' meetings. (Section 50) | In practice, the Company provides its stockholders with the notice and agenda of the Annual Stockholders' Meeting at least fifteen business days from the date thereof. |
| No provision on the right of minority stockholders to propose holding of stockholders' meetings.                            | Minority stockholders may propose the items for discussion in the agenda that relate directly to the business of the Corporation.                                       |

*Dividends*

The Corporation has not declared any dividends in the last five years.

(d) *Stockholders' Participation*

1-7. *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.*

During Annual or Special Stockholders' Meetings, after the Chairman has completed his report, stockholders are encouraged to ask questions and to give comments on any matter involving the Company. The Company ensures the attendance of the external auditors and relevant personnel during such meetings so that any and all answers that may be asked by stockholders may be given the appropriate response.

Before the end of the meeting, the Chairman asks if the stockholders have any questions.

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

The Company complies with the procedures set forth in its By-Laws and the provisions of the Corporation Code and other regulations implemented by the SEC and the PSE.

For the Annual Stockholders' Meeting on 13 January 2017, notice/agenda of the meeting and the explanation of each item to be taken up during the meeting were sent out to all the stockholders together with the Definitive Information Statement (SEC Form 20-IS) starting on 20 December 2016. For this meeting, the Definitive Information Statement explained the purpose of the following items: (i) approval of the minutes of the previous meeting; (ii) approval of the annual report for fiscal years 2014-2015 and 2015-2016; (iii) election of the directors; (iv) election of external auditor for the ensuing year; (v) proposed amendments to certain

provisions of the By-laws, specifically, Section 1, Article II; Sections 1 and 10, Article IV; Section 1, Article V; and Section 1, Article VII; (vi) fixing of the fiscal year 2016 compensation and bonus of the members of the Board of Directors and fixing of the per diem of directors for committee meetings attended for fiscal year 2016; and (vii) fixing of the per diem per Board of Directors' meeting and committee meeting attended starting fiscal year 2017.

9. Does the Company observe a minimum of 21 business days for giving out of notices to the Annual/Special Stockholders' Meeting where items to be resolved by shareholders are taken up?

The Company sends out the notices fifteen (15) business days prior to the meeting as provided in the rules of the SEC.

(a) Date of sending out notices: 20 December 2016  
(Notice sent out with the Definitive Information Statement)

(b) Date of the Annual/Special Stockholders' Meeting: 13 January 2017

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting (ASM) (held on 13 January 2017).

There were no questions raised by the stockholders during the ASM held on 13 January 2017.

11-23. Results of Annual/Special Stockholders' Meeting's Resolutions

| Resolution   | Approving   | Dissenting | Abstaining              |
|--|---|------------|-------------------------|
| <b>Resolution No. S-01-17</b><br>"RESOLVED, to approve the minutes of the special stockholders' meeting held on October 20, 2015"  | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213)                                      | 0          | 10.54%<br>(451,256,180) |
| <b>Resolution No. S-02-17</b><br>"RESOLVED, to note the Corporation's Annual Report, which consists of the President's Report and the audio-visual presentation to the stockholders, and to approve the 2015 and 2016 consolidated audited financial statement of the Corporation and its subsidiaries as of June 30, 2015 and June 20, 2016, respectively, as audited by the Corporation's external auditor, SyCip Gorres Velayo & Co." | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213)                                      | 0          | 10.54%                  |
| <b>Resolution No. S-03-17</b><br>"RESOLVED, to elect the following nominees as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:<br><br>Bernard Vincent O. Dy<br>Felipe U. Yap<br>Jose Emmanuel H. Jalandoni<br>Maria Rowena M. Tomeldan   | Voted Received<br>(cumulative voting)<br><br>5,632,737,712<br>3,354,179,621<br>5,632,737,712<br>5,632,737,712 |            |                         |

|   |   |   |        |
|---|---|---|--------|
| Tsang Cho Tai<br>Nathanael C. Go<br>Victor C. Say<br>Rex Ma. A. Mendoza<br>Renato O. Marzan”  | 4,069,068,341<br>7,379,148,605<br>1,184,121,401<br>7,812,721<br>7,821,721 |   |        |
| <b>Resolution No. S-04-17</b><br>“RESOLVED, as endorsed by the Board of Directors. To approve the re-election of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2016 for an audit fee of Php300,000.00, exclusive of value-added tax and out-of-pocket expenses.”  | 89.46 % of capital stock present in person or by proxy<br>(3,829,391,213) | 0 | 10.54% |
| <b>Resolution No. S-05-17</b><br>“RESOLVED, to approve and authorize the amendment of Section 1, Article II of the Corporation’s By-laws to change the place of the annual stockholders’ meeting from “municipality” to “city” where the principal office of the Corporation is located and the date of the annual stockholders’ meeting from “2 <sup>nd</sup> Monday of November of each year” to “2 <sup>nd</sup> Friday of April of each year”, so that as amended the section shall henceforth read:<br><br>Section 1. The Annual Meetings of the stockholders of this Company shall be held in the city where the principal office of the Company is located on the 2 <sup>nd</sup> Friday of April of each year or if said be a holiday, on the first working day thereafter. | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213)  | 0 | 10.54% |
| RESOLVED FURTHER, to approve the amendment of Section 1, Article IV of the Corporation’s By-laws to include Chief Finance Officer and the Chief Operating Officer in the list of officers of the Corporation, so that as amended, the section shall henceforth read:<br><br>Section 1. The Officers of the Company shall consist of a Chairman  | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213)  | 0 | 10.54% |

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| <p>of the Board, a Vice Chairman of the Board, a president, one or more Vice-Presidents, a Chief Finance Officer, a Chief Operating Officer, a Treasurer and one or more assistant treasurers, a Secretary and one or more assistant secretaries, and these officers shall be elected to hold office at the pleasure of the Board.</p> <p>The Board may from time to time, appoint such other officers as it may determine to be necessary or proper. Any two or more compatible positions may be held concurrently by the same person, except that no one shall act as President and Treasurer, or Secretary at the same time.</p> <p>RESOLVED FURTHER, to approve the amendment of Section 5, Article IV of the Corporation's By-laws to provide for the power and responsibilities of the Chief Operating Officer, so that as amended, the section shall henceforth read:</p> <p>Section 5. Chief Operating Officer. The Chief Operating Officer of the Corporation shall have the following powers and duties:</p> <p>(a) Direct, administer, and coordinate the internal operational activity of the Corporation in accordance with the policies, goals and objectives developed and established by</p> | <p>89.46% of capital stock present in person or by proxy<br/>       (3,829,391,213)</p> | <p>0</p> | <p>10.54%</p> |
|--|---|----------|---------------|

|   |   |          |               |
|---|---|----------|---------------|
| <p>the President;</p> <p>(b) Direct the development and installation of procedures and controls and to promote communication and adequate information flow;</p> <p>(c) Develop and establish operating and personnel policies consistent with the President's broad policies and objectives and to ensure their adequate execution;</p> <p>(d) Participate in the development and preparation of short-term and long-term plans and budgets;</p> <p>(e) Appraise, evaluate and report the result of overall operations; and</p> <p>(f) Perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</p> |   |          |               |
| <p>RESOLVED FURTHER, to approve the inclusion of new Section 10, Article IV of the Corporation's By-laws to provide for the powers and responsibilities of the Chief Finance Officer, so that as amended, the section shall henceforth read:</p>  | <p>89.46% of capital stock present in person or by proxy<br/>       (3,829,391,213)</p> | <p>0</p> | <p>10.54%</p> |
| <p>Section 10. Chief Finance Officer. The Chief Finance Officer shall serve as the Controller and shall have the following responsibilities:</p> <p>(a) To have custody</p>   |   |          |               |

|  |  |          |               |
|--|--|----------|---------------|
| <p>of all of the Corporation's books of account, including oversight in the maintenance of these books of account and records of all assets, liabilities and transactions of the Corporation to ascertain accuracy and completeness;</p> <p>(b) To render an annual statement showing the financial condition of the Corporation and such other financial reports as the Board of Directors or President may, from time to time require;</p> <p>(c) To prepare financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies; and</p> <p>(d) To exercise such powers and duties as may from time to time be assigned to hi, by the Board of Directors or the President.</p> |  |          |               |
| <p>RESOLVED FURTHER, to approve the amendment of Section 1, Article V of the Corporation's By-laws to change the financial year of the Corporation from fiscal year to last day of December</p>  | <p>89.54% of the outstanding capital stock present in person or by proxy</p> | <p>0</p> | <p>10.54%</p> |



|   |   |  |          |
|---|---|--|----------|
| <p>of each year, so that as amended, the section shall henceforth read:</p> <p>Section 1. The fiscal year of the company shall begin on the first day of January and end of the last day of December of each year.</p> <p>RESOLVED FINALLY, to approve the amendment of Section 1, Article VII of the Corporation's By-laws to delegate unto the Board of Directors the amendment or repeal of the By-laws or adopt new By-laws by the affirmative vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock, so that as amended, the section shall henceforth read:</p> <p>Section 1. These By-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of the stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of power to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of the stockholders representing a majority of the outstanding</p> | <p>78.21%<br/>       (based on the total outstanding shares of 4,896,455,183)</p> | <p>9.22%<br/>       (based on the total outstanding shares of 4,896,455,183)</p> | <p>0</p> |
|---|---|--|----------|

|  |  |   |        |
|--|--|---|--------|
| capital stock at a regular or special meeting.   |  |   |        |
| <b>Resolution No. S-06-17</b><br>“RESOLVED, to approve the (i) fixing of Director’s fee and bonus for the Fiscal Year 2016 at Php500,000.00 and Php500,000.00, respectively, and (ii) fixing of per diem allowance of the committee members for Fiscal year 2016 in the amount of Php30,000.00.” | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213) | 0 | 10.54% |
| <b>Resolution No. S-07-17</b><br>“RESOLVED, to approve the fixing of Director’s fee starting Fiscal Year 2017, as follows:<br><br>For directors-Php40,000.00 per meeting;<br>For committee members-Php30,000.00 per meeting.”  | 89.46% of capital stock present in person or by proxy<br>(3,829,391,213) | 0 | 10.54% |

24. Date of publishing of the result of the votes taken during the most recent Annual/Special Stockholders’ Meeting for all resolutions:

The results were disclosed to the SEC and PSE on 13 January 2017.

(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.

Except for the inclusion of an Explanation of the items in the agenda (as required by the corporate governance guidelines of the SEC and sent out with the Notice of Meeting), no modifications were made in the regulations of the Special Stockholders’ Meeting on 20 October 2015.

(f) Stockholders’ Attendance

(i) Details of Attendance in the Annual/Special Stockholders’ Meeting held on 13 January 2017:

| Type of Mtg. | Names of Board Members/ Officers Present  | Date of Mtg.    | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH present |
|--------------|---|-----------------|---|-----------------------------|------------------|-----------------------|
| Annual       | Directors:<br>(1) Bernard Vincent O. Dy*<br>(2) Felipe U. Yap<br>(3) Jose Emmanuel H. Jalandoni*<br>(4) Maria Rowena M. Tomeldan<br>(5) Victor C. Say | 13 January 2017 | Voting is by poll of votes (ballots).           | 1.37%                       | 98.63%           | 87.42%                |

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
|  | (6) Rex Ma. A. Mendoza   |  |  |  |  |  |
|  | Officers*:<br>(1) Ruby P. Chiong<br>(2) Rhodora Estrella B. Revilla<br>(3) June Vee D. Monteclaro-Navarro<br>(4) Nimfa Ambrosia L. Perez-Paras |  |  |  |  |  |

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

Yes. The validation of the votes is conducted by the Company's stock transfer agent, BDO Unibank, Inc. and SGV.

(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.

The Company only has one class of shares -- common -- which carry one vote for one share.

(g) Proxy Voting Policies

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

| <b>Company's Policies</b>           |   |
|-------------------------------------|---|
| Execution and acceptance of proxies | The Company has a prescribed proxy form but does not strictly enforce it as long as the proxy submitted is in writing, signed by the stockholder and timely submitted.  |
| Notary                              | There is no need for the proxy to be notarized.   |
| Submission of proxy                 | The proxy has to be submitted at the office of the Company, prior to the date of the validation of proxies indicated in the Notice/Agenda   |
| Several proxies                     | Several proxies are acceptable, but only one can vote on behalf of the principal during the meeting.  |
| Validity of proxy                   | A proxy is valid only for the meeting for which it was intended, unless otherwise stated therein. However, as provided in the Corporation Code, no proxy can be valid for a period longer than 5 years.                       |
| Proxies executed abroad             | Proxies executed abroad are acceptable subject to the Company's validation process.   |
| Invalidated proxy                   | The Company does not have any established policy on invalidated proxies, except that such proxies would not be recognized or entitled to vote.  |
| Validation of proxy                 | Proxies are validated on the date, time, and at the place indicated in the Notice/Agenda by the Inspectors of Proxies and Ballots Committee (constituted on 6 October 2016) with the assistance of the representatives of the |

|                    |   |
|--------------------|---|
|                    | Company's stock transfer agent and external auditor.  |
| Violation of proxy | The Company does not have any established policy at this time concerning violation of proxy. However, in such case, the Company would take it on a case-to-case basis in determining whether to count the votes of the proxy. |

(h) *Sending of Notices*

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

| <b>Policies</b>   | <b>Procedure</b>  |
|---|---|
| The Company's By-Laws provide that Notices shall be sent by personal delivery, mail, telegraph, cable, or electronically to stockholders of record at his last known address at least 10 days prior to the date of meeting, if annual meeting, or at least 5 days prior to date of meeting, if special meeting. Pursuant to the Implementing Rules of the Securities Regulation Code, the notice/agenda together with the Explanation of the items to be taken up and the Information Statement are distributed at least 15 business days before the date of the meeting. | The Company transmits Notices to brokers in Pasig and Makati by hand or by fax. It transmits Notices to stockholders in Metro Manila by messengerial service or by ordinary mail. Notices to stockholders outside Metro Manila were sent via ordinary mail. |

(i) *Definitive Information Statement and Management Report*

|   |  |
|---|--|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and other Materials  | 898 stockholders + 90 PCD/trading participants   |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials Held by Market Participants/Certain Beneficial Owners | 20 December 2016   |
| Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by Stockholders                                  | 20 December 2016   |
| State whether CD format or hard copies were distributed   | CD format of the Notice/Agenda and Explanation, Definitive Information Statement and Management Report were distributed to the stockholders. |
| If yes, indicate whether requesting stockholders were provided hard copies  | Not Applicable. There were no requests for hard copies during the SSM.   |

(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. | No. This information is already included in the Definitive Information Statement which is likewise transmitted to the stockholders of record. |
| The auditors to be appointed or re-appointed.  | No. This information is already included in the Definitive Information Statement which is likewise transmitted to the stockholders of record. |
| An explanation of the dividend policy, if any dividend is to be declared.  | No. This information is already included in the Management Report which is  |

|   |   |
|---|---|
|   | likewise transmitted to the stockholders of record. However, the Company has not declared any dividend in the last several years. |
| The amount payable for final dividends. | No dividends were declared.   |
| Documents required for proxy vote.      | Yes.  |

2) *Treatment of Minority Stockholders*

(a) *State the Company's policies with respect to the treatment of minority stockholders*

| <b>Policies</b>   | <b>Implementation</b>   |
|---|---|
| A director shall not be removed without cause if it will deny minority shareholders representation in the Board. (Sec. 8.1.2.3 of the Manual)   | N/A. No director was removed during the year.   |
| Although all stockholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for stockholders' meetings. (Sec. 8.1.8 of the Manual) | During the year, no minority shareholder has proposed the holding of a meeting or the inclusion of any item for discussion in the agenda. |

(b) *Do minority stockholders have a right to nominate candidates for Board of Directors?*

Yes.

**K. INVESTORS RELATIONS PROGRAM**

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

The Company's internal and external communications policies are reviewed by key officers as may be required and practicable. The Corporate Secretary reviews any external communication to be released. Internal communication is handled by Compliance Officer in coordination with the top management and/or the President.

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

|                                  | <b>Details</b>   |
|----------------------------------|--|
| (1) Objectives                   | Inform stockholders, stakeholders and the public in general of the results of operations of the Company            |
| (2) Principles                   | Transparency<br>Accountability<br>Fiscal Management  |
| (3) Modes of Communication       | Annual Stockholders' Meeting<br>Corporate website<br>Disclosures to SEC and PSE<br>Annual Report<br>Press releases |
| (4) Investors Relations Officer* | A new Investor Relations Officer will be appointed.  |

\* Mr. Victor V. Rafael was separated effective 30 October 2016 pursuant to a Group-wide corporate reorganization. Ms. Ma. Rhodora P. dela Cuesta was appointed to replace Mr. Rafael.

Telephone No. : 884-1106  
 Fax No. : 884-1409  
 Email : [corporate.popi@primeorion.com.ph](mailto:corporate.popi@primeorion.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? Name of the independent party the Board of Directors of the Company appointed to evaluate the fairness of the transaction price.*

The Company follows the provisions of its By-laws and the Corporation Code with respect to the above transactions.

The Company engages consultants as may be necessary for the evaluation of the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

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

| <b>Initiative</b>                                | <b>Beneficiary</b>  |
|--|---|
| Feeding Program                                  | Day Care students of Brgys. 48, 49 and 51 (Tondo, Manila)                 |
| Brigada Eskwela Program                          | Day Care Centers of Brgys. 48, 49 and 51 of Tondo, Manila                 |
| School Kit Distribution                          | Students of Day Care Centers in Brgys. 48, 49, 50 and 51 of Tondo, Manila |
| Computer Donation                                | Gregorio Perfecto High School in Tondo, Manila                            |
| <u>Feeding Program</u> and Christmas gift-giving | Children of Brgys. 48 and 49 in Tondo, Manila                             |

**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.*

|                      | <b>Process</b>   | <b>Criteria</b>  |
|----------------------|--|--|
| Board of Directors   | Members of the Board of Directors to accomplish a Self-Assessment Form   | Performance rating of 1-5, with 1 as highest rating; Performance levels range from Needs Improvement, Good, Satisfactory and Excellent     |
| Board Committees     | Self-assessment to be done yearly by the Audit Committee members as prescribed in its Audit Committee Charter (using the Self-Assessment Worksheet and Self-Rating Form) | Performance rating of 1-5, with 5 as the highest   |
| Individual Directors | Members of the Board of Directors to accomplish a Self-Assessment Form   | Performance rating of 1-5, with 1 as the highest rating; Performance levels range from Needs Improvement, Good, Satisfactory and Excellent |
| CEO/President        | Process to be developed  | N/A  |

## 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.*

| <b>Violations</b>  | <b>Sanctions</b>  |
|--|---|
| Section 11.1 of the Manual imposes the following penalties, after notice and hearing, on the Company's directors, officers, and staff in case of violation of any of the provision of this Manual: | <ul style="list-style-type: none"><li>• First Violation - Violator shall be subject to written reprimand.</li><li>• Second Violation - Suspension from office shall be imposed on such person violating the Manual. The duration of the suspension shall depend on the gravity of the violation.</li><li>• Third Violation - The maximum penalty of removal from office shall be imposed.</li></ul> |