

# COVER SHEET

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SEC Registration Number

F & J P R I N C E

H O L D I N G S C O R P O R A T I O N

(Company's Full Name)

5 T H F L O O R C I T I B A N K C E N T E R

8 7 4 1 P A S E O D E R O X A S M A K A T I

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

**Atty. Fina C. Tantuico**

Contact Person

**8927133 • 8927137**

Company Telephone Numbers

1 2

Month

3 1

Day

Fiscal Year

0 4

Month

1 2

Day

Annual Meeting

**ANNUAL CORPORATE GOVERNANCE REPORT**

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Total Amount of Borrowings

Domestic

Foreign

File Number

\_\_\_\_\_

LCU

Document I.D.

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Cashier

**STAMPS**

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM - AGCR**

**CONSOLIDATED CHANGES IN THE ACGR FOR 2015**

1. Report is Filed for the Year ..... **2015** .....
2. Exact Name of Registrant as Specified in its Charter ..... *F & J Prince Holdings Corporation* .....
3. **5<sup>th</sup> Floor, Citibank Center Building**  
**8741 Paseo de Roxas, Makati City** ..... **1226** .....
- Address of Principal Office ..... Postal Code
4. SEC Identification Number ..... **43370** .....
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification ..... **000-829-097** .....
7. **(632) 892-7133**  
Issuer's telephone number, including area code .....
8. ....  
Former name or former address, if changed since last report

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**A. BOARD MATTERS**

**1) Board of Directors.**

Number of Directors per Articles of Incorporation – **11 directors**

Number of Directors for the year – **11 directors**

(a) Composition of the Board

DIRECTOR'S NAME	EXECUTIVE (ED), NON-EXECUTIVE (NED), INDEPENDENT DIRECTOR (ID)	IF NOMINEE, IDENTIFY THE PRINCIPAL	NOMINATOR IN THE LAST ELECTION (IF ID, STATE THE RELATIONSHIP WITH THE NOMINATOR)	DATE FIRST ELECTED	DATE LAST ELECTED (IF ID, STATE THE NUMBER OF YEARS SERVED AS ID) <sup>1</sup>	ELECTED WHEN (ANNUAL/SPECIAL MEETING)	NUMBER OF YEARS SERVED AS DIRECTOR
<i>Robert Y. Cokeng</i>	<i>ED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director and officer since 1996.</i>
<i>Francisco Y. Cokeng, Jr.</i>	<i>ED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 1980-1991; 1996</i>
<i>Emeterio L. Barcelon, SJ</i>	<i>ED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 1980.</i>
<i>Johnson U. Co</i>	<i>ED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director and officer since 1996.</i>
<i>Mark Ryan K. Cokeng</i>	<i>ED</i>			<i>July 28, 2011</i>	<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director and officer since 2011.</i>
<i>Mary K. Cokeng</i>	<i>NED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 2008.</i>
<i>Johnson Tan Gui Yee</i>	<i>NED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 1997.</i>
<i>Rufino B. Tiangco</i>	<i>NED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 1997.</i>
<i>Johnny O. Cobankiat</i>	<i>NED</i>				<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 2008.</i>
<i>Francis L. Chua</i>	<i>ID</i>	<i>Independent Director</i>			<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 2001.</i>
<i>Robert Y. Ynson</i>	<i>ID</i>	<i>Independent Director</i>			<i>July 28, 2015</i>	<i>Annual Meeting</i>	<i>Director since 1997.</i>

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

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

*The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic management and, through the company's Revised Manual on Corporate Governance, has undertaken every effort necessary to create awareness of the principles of good corporate governance within the organization. Towards this end, certain policies have been adopted towards ensuring that the interests of all stakeholders in the Corporation will be addressed: The Board of Directors are responsible to foster long term success of the Corporation while conducting itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board is responsible for ensuring that the rights of the shareholders as provided for in the Corporation Code are respected and addressed.*

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

*The Board reviews the company's vision and mission as may be necessary. For now, the company's current vision and mission has provided the goal that Management has striven to achieve and which has produced good results for the company.*

- (d) Directorship in Other Companies

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

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

DIRECTOR'S NAME	CORPORATE NAME OF THE GROUP COMPANY	TYPE OF DIRECTORSHIP (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT). INDICATE IF DIRECTOR IS ALSO THE CHAIRMAN
<b>ROBERT Y. COKENG</b>	<b>Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation</b>	<b>Executive</b>
<b>EMETERIO L. BARCELON, SJ</b>	<b>Magellan Capital Holdings Corporation</b>	<b>Non- Executive</b>
<b>JOHNSON U. CO</b>	<b>Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation</b>	<b>Executive</b>
<b>MARK RYAN K. COKENG</b>	<b>Magellan Capital Holdings Corporation and Subsidiaries; Magellan Utilities Development Corporation</b>	<b>Executive</b>

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

<b>MARY K. COKENG</b>	<b>Magellan Capital Holdings Corporation and Subsidiaries</b>	<b>Non-Executive</b>
<b>RUFINO B. TIANGCO</b>	<b>Magellan Capital Holdings Corporation; Magellan Utilities Development Corporation</b>	<b>Non-Executive</b>
<b>JOHNSON TAN GUI YEE</b>	<b>Magellan Capital Holdings Corporation; Magellan Utilities Development Corporation</b>	<b>Non-Executive</b>

(ii) Directorship in Other Listed Companies

DIRECTOR'S NAME	CORPORATE NAME OF THE GROUP COMPANY	TYPE OF DIRECTORSHIP (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT). INDICATE IF DIRECTOR IS ALSO THE CHAIRMAN.
<b>ROBERT Y. COKENG</b>	<b>Cosco Capital, Incorporated (formerly Alcorn Gold Resources Corporation)</b>	<b>Non-Executive</b>
<b>JOHNNY O. COBANKIAT</b>	<b>Shang Properties inc.</b>	<b>Non-Executive</b>

(iii) Relationship within the Company and its Group:

**Messrs. Robert Y. Cokeng and Francisco Y. Cokeng, Jr. are brothers. They are first cousins of Johnson U. Co. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng is the son of Robert and Mary Cokeng.**

(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 imposed and observed? If yes, briefly describe other guidelines:

**There are no written guidelines on the number of board seats a director may hold in other publicly-listed companies or ordinary companies and companies with secondary license. However, as records will show, it has been the practice for the board members not to exceed the limit of 5 board seats.**

(c) Shareholding in the Company

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

NAME OF DIRECTOR	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES / THROUGH NAME OF RECORD OWNER	% OF CAPITAL STOCK
<i>Robert Y. Cokeng</i>	<i>13,693,072</i>	<i>2,020,000</i>	<i>3.26%</i>
<i>Francisco Y. Cokeng, Jr.</i>	<i>2,160,000</i>	<i>0</i>	<i>0.45%</i>
<i>Emeterio L. Barcelon, SJ</i>	<i>304,952</i>	<i>0</i>	<i>0.06%</i>
<i>Johnson U. Co</i>	<i>1,100,000</i>	<i>0</i>	<i>0.23%</i>
<i>Mark Ryan K. Cokeng</i>	<i>0</i>	<i>10,000</i>	<i>0.002%</i>
<i>Mary K. Cokeng</i>	<i>0</i>	<i>1,000</i>	<i>0.0002%</i>
<i>Johnson Tan Gui Yee</i>	<i>15,371,747</i>	<i>0</i>	<i>3.19%</i>
<i>Rufino B. Tiangco</i>	<i>128,000</i>	<i>0</i>	<i>0.03%</i>
<i>Johnny O. Cobankiat</i>	<i>0</i>	<i>7,227,076</i>	<i>1.50%</i>
<i>Francis L. Chua</i>	<i>100,000</i>	<i>0</i>	<i>0.02%</i>
<i>Robert Y. Ynson</i>	<i>325,667</i>	<i>0</i>	<i>0.07%</i>

**2. Chairman and CEO**

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

Yes \_\_\_\_\_ No

Identify the Chair and CEO: **ROBERT Y. COKENG**

Chairman of the Board	<b>ROBERT Y. COKENG</b>
CEO/President	<b>ROBERT Y. COKENG</b>

***Independent Directors and Non-Executive Directors are encouraged to express their views on matters presented to the Board.***



(b) Roles, Accountabilities and Deliverables

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

	CHAIRMAN	CHIEF EXECUTIVE OFFICER
Role Accountabilities Deliverables	<i>Per By-Laws the Chairman shall preside at all regular and special meetings of the board and the annual and special meetings of the stockholders.</i>	<i>The President who must be a member of the Board of Directors shall have the general supervision of the affairs of the company; shall sign and countersign all certificates, and as authorized by the Board of Directors, all contracts and other instruments of the company' shall make reports to the directors and stockholders; shall see that the resolutions of the Board of Directors are duly executed and carried out; and shall perform all such other duties as are incident of his office or are properly required of him by the Board of Directors (Article IV, By-Laws).</i>

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

*Per By-Laws, the officers of the company are elected by the Board of Directors. Thus, should there be any vacancy, the Board of Directors shall fill the same for the unexpired term.*

4. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

*As much as possible, the Nominations Committee selects nominees who will provide a diversity of experience and background.*

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

*If there is an opportunity for this, the same will be considered.*

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

	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT DIRECTOR
Role	<i>The Company has no executive committee.</i>	<i>These are all defined in the Corporation's Revised Manual on Corporate Governance.</i>	
Accountabilities			
Deliverables			

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

*The Company adheres to the definition of independence prescribed by related laws and regulations such as SEC Circular No. 16 which defines an independent director as "a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation. He is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders, is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders, has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years; is not retained as professional adviser by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years, either personally or through his firm; and not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant." From such a definition, the company's concept of independence has emerged. In sum, the company strives to direct its goals towards ensuring that the good of the company and all its shareholders are protected and ensured free from any personal gain of only a few.*

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

*The Company's Board of Directors is in the process of reviewing its Manual on Corporate Governance which includes setting the term limit of five consecutive years.*

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

(a) Resignation/Death/Removal

***There have been no changes in the composition of the Board of Directors that happened during the period.***

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

PROCEDURE	PROCESS ADOPTED	CRITERIA
a. Selection/Appointment		
(i) Executive Directors	<b>ANNUAL STOCKHOLDERS' MEETING</b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-Appointment		
(i) Executive Directors	<b>ANNUAL STOCKHOLDERS' MEETING</b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	<b>NONE</b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	<b>NONE</b>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	<b>NONE</b>	<b>NONE</b>
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	<b>NONE</b>	<b>NONE</b>
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	<b>NONE</b>	<b>NONE</b>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting – 28 July 2015

NAME OF DIRECTOR	VOTES RECEIVED
<b>ROBERT Y. COKENG</b>	<b>Unanimous – 80.20%</b>
<b>FRANCISCO Y. COKENG, JR.</b>	
<b>EMETERIO L. BARCELON, SJ</b>	
<b>JOHNSON U. CO</b>	
<b>MARK RYAN K. COKENG</b>	
<b>JOHNSON TAN GUI YEE</b>	
<b>MARY K. COKENG</b>	
<b>RUFINO B. TIANGCO</b>	
<b>JOHNNY O. COBANKIAT</b>	
<b>FRANCIS L. CHUA</b>	
<b>ROBERT Y. YNSON</b>	

6. Orientation and Education Program

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

*There have been no company’s orientation program or any in-house training and external courses attended for new directors of the company. Should there be a new set of Directors, an orientation program will be established.*

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

Aside from the Philippine Stock Exchange’s Annual Listing and Disclosure Seminar held annually, the following are the briefings or programs attended by our Corporate Secretary, Atty. Fina C. Tantuico.

NAME OF DIRECTOR/OFFICER	DATE OF TRAINING	PROGRAM	NAME OF TRAINING INSTITUTION
<b>Atty. Fina C. Tantuico Corporate Secretary</b>	<b>April 23, 2015</b>	<b>SEC Corporate Governance Workshop on CG Scorecard (ACGS)</b>	<b>Securities and Exchange Commission (SEC)</b>
	<b>November 10, 2015</b>	<b>PSE Annual Disclosure Rules Seminar</b>	<b>Philippine Stock Exchange (PSE)</b>
	<b>December 9, 2015</b>	<b>Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management</b>	<b>SGV</b>

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

- (c) Continuing education programs for directors: program and seminars and roundtables attended during the year. **NONE**

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

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

BUSINESS CONDUCT & ETHICS	DIRECTORS	SENIOR MANAGEMENT	EMPLOYEES
a) Conflict of Interest	<p><b><i>The Company observes all pertinent rules and procedures that are found in the Corporation Code and the Securities Regulation Code with respect to related transactions.</i></b></p>		
b) Conduct of Business and Fair Dealings			
c) Receipt of gifts from third parties			
d) Compliance with Laws & Regulations			
e) Respect for Trade Secrets/Use Non- public Information			
f) Use of Company Funds, Assets and Information			
g) Employment & Labor Laws & Policies			
h) Disciplinary action			
i) Whistle blower			
j) Conflict Resolution			

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

***They have been made aware of the company’s policies on this matter.***

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

***The members of the Board as well as the employees of the company have been made aware of and observe the company’s policy on ethics or conduct.***

#### 4. Related Party Transaction

##### (a) Policies and Procedures

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

RELATED PARTY TRANSACTIONS	POLICIES AND PROCEDURES
(1) Parent Company	<i>Subject to approval of non-related directors.</i>
(2) Joint Ventures	<i>Subject to approval of partners.</i>
(3) Subsidiaries	<i>Subject to approval of directors of board committees.</i>
(4) Entities Under Common Control	<i>Subject to approval of non-executive directors.</i>
(5) Substantial Stockholders	} <i>Subject to approval of non-related directors.</i>
(6) Officers including spouses/ children/siblings/parents	
(7) Directors including spouses/ children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

##### (b) Conflict of Interest

###### (i) Director/Officers and 5% or more stockholders

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

	DETAILS OF CONFLICT OF INTEREST (ACTUAL OR PROBABLE)
Name of Directors	<i>There is none that is discernible at present.</i>
Name of Officers	
Name of Significant Shareholders	

###### (ii) Mechanism

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

	DIRECTORS/OFFICERS/SIGNIFICANT SHAREHOLDERS
Company	<i>Required to divulge any conflict of interest.</i>
Group	

5. Family, Commercial and Contractual Relations

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

NAMES OF RELATED SIGNIFICANT SHAREHOLDERS	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION OF THE RELATIONSHIP
<i>Essential Holdings Limited</i>	<i>Owned by the Chairman and President</i>	<i>Beneficial Owner</i>
<i>Magellan Capital Holdings Corporation (MCHC)</i>	<i>95% Owned by the Registrant</i>	<i>95% Subsidiary</i>
<i>Pinamucan Industrial Estates, Inc.</i>	<i>100% Owned by MCHC</i>	<i>Subsidiary of subsidiary</i>

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

NAMES OF RELATED SIGNIFICANT SHAREHOLDERS	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION OF THE RELATIONSHIP
<i>Magellan Capital Holdings Corporation (MCHC)</i>	<i>Lessor - Lessee</i>	<i>Pinamucan Industrial Estates, Inc. rents office space from MCHC.</i>

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

6. Alternative Dispute Resolution

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

	ALTERNATIVE DISPUTE RESOLUTION SYSTEM
Corporation & Stockholders Corporation & Third Parties Corporation & Regulatory Authorities	<i>There has been no dispute requiring any mode of dispute resolution. Should any arise, all the alternative dispute resolution mechanisms provided by law will be explored such as negotiation, amicable settlement, mediation and ad hoc arbitration.</i>

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

**C. BOARD MEETINGS & ATTENDANCE**

1. Are Board of Director’s meetings scheduled before or at the beginning of the year?

Meetings are scheduled a month before the date of the meeting. The By-Laws require quarterly meetings.

2. Attendance of Directors.

BOARD	NAME	REGULAR BOARD MEETING APRIL 10, 2015	REGULAR BOARD MEETING APRIL 30, 2015	SPECIAL BOARD MEETING MAY 07, 2015	ORGANIZATIONAL BOARD MEETING JULY 28, 2015	REGULAR BOARD MEETING OCT. 14, 2015
<i>Chairman</i>	<i>Robert Y. Cokeng</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Francisco Y. Cokeng, Jr.</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Emeterio L. Barcelon, SJ</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Johnson U. Co</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Mark Ryan K. Cokeng</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Johnson Tan Gui Yee</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Rufino B. Tiangco</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Mary K. Cokeng</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Member</i>	<i>Johnny O. Cobankiat</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Absent</i>	<i>Present</i>
<i>Independent</i>	<i>Robert Y. Ynson</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Absent</i>	<i>Present</i>
<i>Independent</i>	<i>Francis L. Chua</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>

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

*No, it has not been the practice of the company for the non-executive directors to hold separate meetings during the year without the presence of any executive.*

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

*Per the Corporation’s By-laws, “a quorum at any meeting of the directors shall consist of a majority of the entire membership of the board. A majority of such quorum shall decide any questions that may come before the meeting.” A quorum for purposes of a Board meeting has thus been set at 6. Despite this number, it has been the practice of the Board to ensure the attendance of at least 7 members, constituting two-thirds of Board membership.*



5. Access to Information

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

***The number of days depends on the item to be discussed. If the matter to be discussed involves lengthy references, these are usually distributed along with the Notices, which are issued one week in advance. Otherwise, materials are usually distributed at least one day before the Board meeting.***

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

***Yes, board members have independent access to Management and the Corporate Secretary.***

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

***The Board relies on the Corporate Secretary, who has always been a lawyer, for all matters regarding the preparation of Board meetings. She is often consulted on the legal aspects of all matters that have to be decided upon and she is expected to apprise the Board of any statutory and regulatory developments.***

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

***Yes, in the history of the company, it will be observed that the position of Corporate Secretary has always been occupied by a lawyer.***

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<sup>5</sup> Board Papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(e) Committee Procedures

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

Yes  No

COMMITTEE	DETAILS OF THE PROCEDURES
Executive	<i>There is no executive committee in F&amp;J but only in MCHC. There is no written procedure but it has always been the practice of the Directors to inquire from the either the President or the Corporate Secretary.</i>
Audit	
Nomination	
Remuneration	
Others (Specify)	

6. External Advice

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

***There is no written procedure but the directors are free to obtain any advice from any external source should the need arise.***

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:

***To date, there has been no change introduced by the Board of Directors during its recent term on existing policies that may have an effect on the business of the company.***

## D. REMUNERATION MATTERS

### 1. Remuneration Process

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

PROCESS	CEO	TOP 4 HIGHEST PAID MANAGEMENT OFFICERS
(1) Fixed remuneration	<i>NONE</i>	<i>NONE</i>
(2) Variable remuneration	<i>NONE</i>	<i>NONE</i>
(3) Per Diem allowance	<i>Per By-Laws</i>	<i>Per By-Laws</i>
(4) Bonus	<i>One month bonus last year paid by subsidiary</i>	<i>One month bonus last year (given to all staff) paid by subsidiary</i>
(5) Stock Options and other Financial instruments		
(6) Others (Specify)		

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

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

	REMUNERATION POLICY	STRUCTURE OF COMPENSATION PACKAGES	HOW COMPENSATION IS CALCULATED
Executive Directors	<i>Compensation</i>		
Non-Executive Directors	<i>Per Diem</i>	<i>₱5,000.00 per attendance at Board meeting</i>	<i>Per By-Laws</i>

*None of the directors of the company are paid any compensation as such. The executive directors including the Corporate Secretary are paid professional fees and compensation by the company and its subsidiaries, Magellan Capital Holdings Corporation and Pinamucan Industrial Estates, Inc. Prior to 2002, directors were not paid any compensation other than a per diem of Five Thousand (₱5,000.00) per attendance at Board meetings as enshrined in its By-Laws. On 12 February 2002, however, the SEC approved the amendment to the Corporation's By-laws where by each of the Directors are entitled to receive a reasonable per diem , as may be fixed 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 (3) years.

***Yes, stockholders have the opportunity to approve the decision on the remuneration of the members of the Board. Section 6, Article III of the Corporation’s By-Laws as amended provide that:***

***“6. Compensation of Directors. – Each Director shall receive a reasonable per diem, as may be fixed by the Board of Directors, for attendance as such director at Board meetings, whether regular or special, and other official functions of the Company, provided that any other compensation, except for such per diems, may be granted to directors, by vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders’ meeting, and provided further that nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving such compensation therefor, as may be fixed from time to time by the Board of Directors.”***

***This power given to the stockholders has not been exercised by them, to date as the directors of the company continue to receive only reasonable per diems.***

3. Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year (including compensation from subsidiary):

REMUNERATION ITEM	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (other than independent directors)	INDEPENDENT DIRECTORS
(1) Fixed remuneration	<b>8,578,567</b>	<b>NONE</b>	
(2) Variable Remuneration	<b>NONE</b>	<b>NONE</b>	
(3) Per Diem allowance	<b>₱5,000./meeting</b>	<b>₱5,000./meeting</b>	<b>₱5,000./meeting</b>
(4) Bonus (One month)	<b>₱640,667</b>		
(5) Stock Options and Other Financial Instruments	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>
(6) Others (Specify)			
Total			

OTHER BENEFITS	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (other than Independent Directors)	INDEPENDENT DIRECTORS
1) Advances	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
2) Credit granted	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
3) Pension Plan/s Contribution	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
4) Pension Plan/s, Obligations incurred	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
5) Life Insurance Premium	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
6) Hospitalization Plan	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
7) Car Plan	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
8) Others (Specify)	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
Total			

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

##### (a) Board of Directors

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

DIRECTOR'S NAME	NUMBER OF DIRECT OPTION/ RIGHTS/WARRANTS	NUMBER OF INDIRECT OPTION/ RIGHTS/WARRANTS	NUMBER OF EQUIVALENT SHARES	TOTAL % FROM CAPITAL STOCK
<i>NONE</i>				

##### (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 subject to approval during the Annual Stockholders' Meeting:

INCENTIVE PROGRAM	AMENDMENTS	DATE OF STOCKHOLDERS' APPROVAL
<i>NONE</i>		

5. Remuneration of Management

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

**NONE**

**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	NUMBER OF MEMBERS			COMMITTEE CHARTER	FUNCTIONS	KEY RESPONSIBILITIES	POWER
	EXECUTIVE DIRECTOR (ED)	NON-EXECUTIVE DIRECTOR (NED)	INDEPENDENT DIRECTOR (ID)				
Executive	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>
Audit	<b>2</b>	<b>2</b>	<b>1</b>				
Nomination	<b>2</b>	<b>2</b>	<b>1</b>				
Remuneration	<b>2</b>	<b>2</b>	<b>1</b>				

2) Committee Members

(a) Executive Committee. **No Executive Committee was elected.**

(b) Audit Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman (ID)	<b>FRANCIS L. CHUA</b>	<b>July 28, 2015</b>	<b>1</b>	<b>1</b>		<b>Since January 15, 2003</b>
Member (ED)	<b>ROBERT Y. COKENG</b>	<b>July 28, 2015</b>	<b>1</b>	<b>1</b>		
Member (NED)	<b>RUFINO B. TIANGCO</b>	<b>July 28, 2015</b>	<b>1</b>	<b>1</b>		
Member (ED)	<b>JOHNSON U. CO</b>	<b>July 28, 2015</b>	<b>1</b>	<b>1</b>		
Member (NED)	<b>JOHNSON TAN GUI YEE</b>	<b>July 28, 2015</b>	<b>1</b>	<b>1</b>		

Disclose the profile or qualifications of the Audit Committee members. Describe the Audit Committee's responsibility relative to the external auditor.

(c) Nomination Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	<b>ROBERT Y. COKENG</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		<b>Since January 15, 2003</b>
Member (ED)	<b>JOHNSON U. CO</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (NED)	<b>RUFINO B. TIANGCO</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (ID)	<b>ROBERT Y. YNSON</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (NED)	<b>JOHNSON TAN GUI YEE</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		

(d) Remuneration Committee

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	<b>ROBERT Y. COKENG</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		<b>Since January 15, 2003</b>
Member (ED)	<b>JOHNSON U. CO</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (NED)	<b>RUFINO B. TIANGCO</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (ID)	<b>FRANCIS L. CHUA</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		
Member (NED)	<b>JOHNSON TAN GUI YEE</b>	<i>July 28, 2015</i>	<b>1</b>	<b>1</b>		

(e) Others (Specify)

OFFICE	NAME	DATE OF APPOINTMENT	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	%	LENGTH OF SERVICE IN THE COMMITTEE
Chairman	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>		<b>NONE</b>
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3. Changes in Committee Members. **NONE**

4. Work Done and Issues Addressed

NAME OF COMMITTEE	WORK DONE	ISSUES ADDRESSED
Executive	<b>NO EXECUTIVE COMMITTEE</b>	
Audit	<b>Review Financial Statements and meet External Auditors approves Audited Financial Statements and Audit Policies</b>	
Nomination	<b>Review Nominations for Directors</b>	
Remuneration	<b>Review Compensation Policies</b>	

5. Committee Program

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

NAME OF COMMITTEE	PLANNED PROGRAMS	ISSUES ADDRESSED
Executive	<b>NONE</b>	<b>NONE</b>
Audit	<b>Still under study. The Audit Committee is studying possibility of outsourcing internal audit functions.</b>	<b>Still under study.</b>
Nomination		
Remuneration		

**F. RISK MANAGEMENT SYSTEM**

1. Disclose the following:

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

***The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.***

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

***The BOD periodically reviews the effectiveness of the risk management system which has proven to be adequate.***

- (c) Period covered by the review;

***The BOD periodically reviews the effectiveness of the risk management system yearly and when necessary.***

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

***The BOD periodically reviews the effectiveness of the risk management system yearly and when necessary.***

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

***The BOD periodically reviews the effectiveness of the risk management system yearly and as often as necessary.***



## 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 behind the policy for each kind of risk:

#### **Financial Risk Management Objectives and Policies**

*The principal financial instruments of the Group consist of cash and cash equivalents, financial assets at FVPL, AFS financial assets and fixed income deposit and investment in LLP included under "Other noncurrent assets" account. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial instruments such as receivables, receivables from related parties and accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Groups financial instruments are credit risk, liquidity risk, and market risk (i.e., interest foreign currency risk and equity price risk). The Group's summarized below. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below. (2014 Management Report, pp. 90)*

#### **Credit Risk**

*Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency-denominated debt instruments, financial assets at FVPL, fixed income deposit, investment in LLP and receivables) to its financial assets.(2014 Management Report, pp. 90)*

#### **Credit risk management**

*In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and Treasurer. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables from third parties and related parties and fixed income deposits and investment in LLP under other noncurrent assets, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant. (2014 Management Report pp. 90)*

#### **Credit risk exposures**

*At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties. (2014 Management Report, pp. 90)*

**Credit risk concentration profile**

*The Group has no significant concentrations of credit risk. (2014 Management Report pp. 90).*

**High grade financial assets**

*High grade receivables pertain to receivables from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured. (2014 Management Report pp. 91).*

**Standard grade financial assets**

*Receivables from customers that slide beyond the credit terms are classified under standard grade. Other standard grade financial assets are considered moderately realizable. There are no standard grade financial assets as of December 31, 2014 and 2013. (2014 Management Report pp. 91)*

**Impairment assessment**

*The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are nonmoving accounts receivable, accounts of defaulted companies and accounts from closed companies. (2014 Management Report pp. 92)*

**Liquidity Risk**

*Liquidity Risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio. (2014 Management Report, pp. 93)*

**Market Risks**

*Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to the financial risk of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures that risk. (2014 Management Report pp. 94)*

a. **Interest Rate risk:** *Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments. Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk. (2014 Management Report, pp. 94)*

*b. **Foreign Currency risk:** In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. AS a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities. The Group has no foreign currency denominated monetary liabilities as of 31 December 2014. (2014 Management Report, pp. 95-96)*

*c. **Equity Price risk:** The equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of fund are invested in equities listed in the PSE. The Group measures the sensitivity of its equity securities by using PSE, NYSE, and HKEx indices fluctuations and its effects to respective share prices. (2014 Management Report, pp. 97)*

(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:

**Financial Risk Management Objectives and Policies**

*The principal financial instruments of the Group consist of cash and cash equivalents, financial assets at FVPL, AFS financial assets and fixed income deposit and investment in LLP included under "Other noncurrent assets" account. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial instruments such as receivables, receivables from related parties and accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Groups financial instruments are credit risk, liquidity risk, and market risk (i.e., interest foreign currency risk and equity price risk). The Group's summarized below. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below. (2014 Management Report, pp. 90)*

**Credit Risk**

*Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency-denominated debt instruments, financial assets at FVPL, fixed income deposit, investment in LLP and receivables) to its financial assets.(2014 Management Report, pp. 90)*

**Credit risk management**

*In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested is highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's President and*

*Treasurer. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables from third parties and related parties and fixed income deposits and investment in LLP under other noncurrent assets, the Group's President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant. (2014 Management Report pp. 90)*

**Credit risk exposures**

*At reporting date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated statements of financial position. The Group's financial assets are not covered by collateral from counterparties. (2014 Management Report, pp. 90).*

**Credit risk concentration profile**

*The Group has no significant concentrations of credit risk. (2014 Management Report pp. 90).*

**High grade financial assets**

*High grade receivables pertain to receivables from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured. (2014 Management Report pp. 91).*

**Standard grade financial assets**

*Receivables from customers that slide beyond the credit terms are classified under standard grade. Other standard grade financial assets are considered moderately realizable. There are no standard grade financial assets as of December 31, 2014 and 2013. (2014 Management Report pp. 91)*

**Impairment assessment**

*The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are nonmoving accounts receivable, accounts of defaulted companies and accounts from closed companies. (2014 Management Report pp. 92)*

**Liquidity Risk**

*Liquidity Risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio. (2014 Management Report, pp. 93)*

**Market Risks**

*Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to the financial risk of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures that risk. (2014 Management Report pp. 94)*

a. **Interest Rate risk:** Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments. Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk. (2014 Management Report, pp. 94)

b. **Foreign Currency risk:** In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. AS a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities. The Group has no foreign currency denominated monetary liabilities as of 31 December 2014. (2014 Management Report, pp. 95-96)

c. **Equity Price risk:** The equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of fund are invested in equities listed in the PSE. The Group measures the sensitivity of its equity securities by using PSE, NYSE, and HKEx indices fluctuations and its effects to respective share prices. (2014 Management Report, pp. 97)

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholder's voting power.

**Change of articles to remove pre-emptive rights and super majority requirements have not been proposed or planned by management and controlling shareholders.**

### 3) Control System Set Up

(a) Company

Briefly describe the control system 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 CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
<i>See discussion on immediately preceding item on Risk Management</i>	<i>Review Risk of Investments (mainly portfolio investments)</i>	<i>See discussion on immediately preceding item on Risk Management</i>

(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 CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
<i>See discussion on immediately preceding item on Risk Management</i>	<i>Review Risk of Investments (mainly portfolio investments)</i>	<i>See discussion on immediately preceding item on Risk Management</i>

(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.

*The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.*

**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;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function. **INTERNAL AUDIT FUNCTION MAY BE OUTSOURCED.**

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

(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? **YES**

(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. **NONE**

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

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

Progress Against Plans	
Issues <sup>6</sup>	<b><i>The company is a holding company and its activities center mainly on investments in securities and equities. Internal controls on these activities are under the direct management and supervision of the President.</i></b>
Findings <sup>7</sup>	
Examination Trends	

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

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

(f) Audit Control Policies and Procedures

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

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

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

POLICIES & PROCEDURES	IMPLEMENTATION
<i>The company is a holding company and its activities center mainly on investments in securities and equities. Internal controls on these activities are under the direct management and supervision of the President.</i>	

(g) Mechanism and Safeguards

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

AUDITORS (INTERNAL AND EXTERNAL)	FINANCIAL ANALYSTS	INVESTMENT BANKS	RATING AGENCIES
<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

(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.

**ROBERT Y. COKENG – President and CEO**

**H. ROLE OF STAKEHOLDERS**

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

*The nature of the business of the company (which is a holding company) is such that it is not able to provide the data required below.*

	POLICY	ACTIVITIES
Customer's welfare	<i>N/A</i>	-
Supplier/contractor selection practice	<i>N/A</i>	-
Environmentally friendly value-chain	<i>N/A</i>	-
Community interaction	<i>N/A</i>	-
Anti-corruption Programmes and Procedures	<i>The company supports the government's anti-corruption drive.</i>	-
Safeguarding creditors' rights	<i>N/A</i>	-



2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? **NONE**

3) Performance-enhancing mechanisms for employee participation.

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

***The company complies with all the benefits that are required by law to be given to its employees. The nature of the company's business which is that of a holding company does not require a substantial number of employees.***

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

***This is not applicable to the company.***

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

***So far, there are no training and development programmes for employees because the nature of the business of the company is such that only a lean staff is required.***

(d) State the company's training and development programmes for its employees of the company beyond short-term financial measures.

***Should there be relevant training programmes, the company is open to provide the same.***

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.

***The law requires due process to be observed in dealing with complaints from employees. The corporation adheres to the policies of due process which requires fair notice and hearing. Should there be complaints from any employee, these principles are always observed.***

**I. DISCLOSURE AND TRANSPARENCY**

1) Ownership Structure

(a) Holding 5% shareholding or more

SHAREHOLDER	NUMBER OF SHARES	PERCENT	BENEFICIAL OWNER
<i>Essential Holdings Limited</i>	<i>139,778,670</i>	<i>29.1%</i>	<i>Robert Y. Cokeng</i>
<i>Magellan Capital Holdings Corporation</i>	<i>47,548,022</i>	<i>9.87%</i>	<i>F&amp;J Prince Holdings Corporation and Magellan Capital Management</i>
<i>Pinamucan Industrial Estates, Inc.</i>	<i>49,709,805</i>	<i>10.32%</i>	<i>Magellan Capital Holdings Corporation</i>
<i>Consolidated Tobacco Industries of the Phils., Inc.</i>	<i>43,052,023</i>	<i>8.93%</i>	<i>Cokeng and Co Family</i>
<i>Vructi Holdings Corporation</i>	<i>34,250,628</i>	<i>7.11%</i>	<i>Tiangco Family</i>

NAME OF SENIOR MANAGEMENT	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES / THROUGH (name of record owner)	BENEFICIAL OWNER
<i>Robert Y. Cokeng</i>	<i>13,693,072</i>	<i>2,020,000 (thru HDI Securities)</i>	<i>Robert Y. Cokeng</i>
<i>Francisco Y. Cokeng, Jr.</i>	<i>2,160,000</i>	<i>-</i>	<i>Francisco Y. Cokeng, Jr.</i>
<i>Johnson U. Co</i>	<i>1,100,000</i>	<i>-</i>	<i>Johnson U. Co</i>
<i>Mark Ryan K. Cokeng</i>	<i>-</i>	<i>10,000</i>	<i>Mark Ryan K. Cokeng</i>
<i>Emeterio L. Barcelon, SJ</i>	<i>304,952</i>	<i>-</i>	<i>Emeterio L. Barcelon, SJ</i>
<b>TOTAL</b>			

2) Does the Annual Report disclose the following:

Key risks	<b>YES</b>
Corporate objectives	<b>YES</b>
Financial performance indicators	<b>YES</b>
Non-financial performance indicators	<b>YES</b>
Dividend policy	<b>YES</b>
Details of whistle-blowing policy	<b>NO</b>
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioner	<b>YES</b>
Training and/or continuing education programme attended by each director/commissioner	<b>YES</b>
Number of board of directors/commissioners meetings held during the year	<b>NO</b>
Attendance details of each director/commissioner in respect of meetings held	<b>NO</b>
Details of remuneration of the CEO and each member of the board of directors/commissioners	<b>YES</b>

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

***The number of board meetings and attendance of directors are disclosed separately in a report to the SEC.***

3) External Auditor's fee

NAME OF AUDITOR	AUDIT FEE	NON-AUDIT FEE
<b>SGV &amp; Co.</b>	<b><i>₱248,136.00 (exclusive of VAT)</i></b>	

4) Medium of Communication

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

***The company uses its website, the PSE's Disclosure mechanisms, and publication in the newspaper when necessary as well as notices and letters to individual stockholders.***

5) Date of release of audited financial report. **April 10, 2015**

6) Company Website

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

Business operations	<b>YES</b>
Financial statements/reports (current and prior years)	<b>YES</b>
Materials provided in briefings to analysts and media	<b>YES</b>
Shareholding structure	<b>YES</b>
Group corporate structure	<b>YES</b>
Downloadable annual report	<b><i>Under process</i></b>
Notice of AGM and/or EGM	<b>YES</b>
Company's constitution (company's by-laws, memorandum and articles of association)	<b><i>NO, as this is not part of web design.</i></b>

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

7) Disclosure of RPT

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 particularly of its minority shareholders and other stakeholders?

***Related party transactions are always above-board and made on arm's-length basis. The relationships among the major shareholders and members of the Board are and have always been disclosed in the Annual Management reports and Information statements distributed to all stockholders.***

**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.

***Per Article II (1), the Corporation's By-Laws, the Annual meeting of the company is to be held on the 12<sup>th</sup> day of April of each year "unless the Board fixes a different date which in no case shall be later than the last working day of June."***

***Per Article II (2), a Special meeting of the stockholders may be called "by resolution of the Board of Directors or by order of the President, or upon the written request of stockholders registered as the owners of one-third of the total outstanding stock."***

***Per Article II (4), a quorum at any meeting of the stockholders shall consist of a majority of the voting stock of the company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except in those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion."***

Quorum Required	<b><i>To convene a special stockholders' meeting, upon the written request of stockholders registered as owners of 1/3 of the total outstanding stock.</i></b>
-----------------	--

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<b><i>All corporate acts of the Board of Directors are presented for ratification by the stockholders during the Annual Stockholders' meeting.</i></b>
Description	

(c) Stockholders' Rights

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

STOCKHOLDERS' RIGHTS UNDER THE CORPORATE CODE	STOCKHOLDERS' RIGHTS <u>NOT</u> IN THE CORPORATION CODE
	<p><i>None, the company's stockholders enjoy all the rights that are laid down in the Corporation Code. No additional rights which are not in the Corporation Code are given to the company's stockholders except that Article Seventh of the company's Articles of Incorporation states that "no shareholder shall have any preemptive or preferential right to subscribe for any increase thereof that may be lawfully authorized."</i></p>

Dividends

DECLARATION DATE	RECORD DATE	PAYMENT DATE
<p><b>7 May 2015</b></p>	<p><b>3 June 2015</b></p>	<p><b>On or before 30 June 2015;</b></p>
	<p><b>3 August 2015</b></p>	<p><b>On or before 30 August 2015</b></p>

(d) Stockholders' Participation

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

*It has been the practice of the company that during the annual shareholders' meeting, all shareholders' represented in person or by proxy are given an opportunity to speak. Thus, after the President has presented his report, the shareholders are given the time to propound questions or queries on the floor. A microphone is installed for this purpose and the shareholder is free to make use of this portion of the meeting. The President and the members of the Board have always been on hand to answer questions.*

2. MEASURES ADOPTED	3. COMMUNICATION PROCEDURE
<p><b>4. Question and Answer portion during stockholders meeting</b></p>	<p><b>5. A shareholder is given the chance to ask questions after the President has presented his report</b></p>

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

***The company observes the provisions of the Corporation Code which requires the approval of 2/3 vote of the Corporation's outstanding capital stock for amendments to the Corporation's Articles of Incorporation and By-laws, the increase or decrease of authorized capital stock, and the transfer of all or substantially all assets of the company resulting in the sale of the company.***

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

***Per Article II(3) of the company's By-laws, "notices for every regular or special meeting of the stockholders shall be prepared and mailed to the registered post office address of each stockholder not less than ten (10) days prior to the date set for such meeting. In practice, the company observes a minimum of 15 business days for giving out of notices to the AGM, whether or not there are items to be resolved by the shareholders.***

	2015
<b><i>a. Date of sending out notices</i></b>	<b><i>On or before July 7, 2015</i></b>
<b><i>b. Date of Annual/Special Stockholders' Meeting</i></b>	<b><i>28 July 2015</i></b>

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

***For the past three years, there were no questions or answers raised by the shareholders during the annual meeting except that on two occasions, a stockholder stated on the floor his congratulatory message to the company's Board of Directors and Management for the performance of the company during that particular year.***

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

***During the most recent Annual stockholders meeting, there was no item or matter needing the approval of the stockholders other than the nomination and election of the members of the Board and the ratification of all corporate actions including the amendment of the Company's Articles of Incorporation to reflect the exact principal address of the corporation as required by SEC Circular No. 6, Series of 2014.***

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

*During the most recent Annual stockholders meeting, there was no item or matter needing the approval of the stockholders other than the nomination and election of the members of the Board and the ratification of all corporate actions including the amendment of the Company's Articles of Incorporation to reflect the exact principal address of the corporation as required by SEC Circular No. 6, Series of 2014. The results of the elections were, as is usual, conveyed to the PSE and the SEC through Current Report 17-C.*

(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:

*There were no modifications made in the most recent Annual meeting of the Corporation.*

(f) Stockholders' Attendance

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

TYPE OF MEETING	NAME OF BOARD MEMBERS/ OFFICERS PRESENT	DATE OF MEETING	VOTING PROCEDURE (BY POLL, SHOW OF HANDS, ETC.)	% OF SH ATTENDING IN PERSON	% OF SH IN PROXY	TOTAL % OF SH ATTENDANCE
Annual	<b>ROBERT Y. COKENG</b> <b>FRANCISCO Y. COKENG</b> <b>EMETERIO L. BARCELON, SJ</b> <b>JOHNSON U. CO</b> <b>RUFINO B. TIANGCO</b> <b>JOHNSON TAN GUI YEE</b> <b>MARY K. COKENG</b> <b>MARK RYAN K. COKENG</b> <b>JOHNNY O. COBANKIAT</b> <b>FRANCIS L. CHUA</b> <b>ROBERT Y. YN SON</b> <b>FINA C. TANTUICO –Corporate Secretary</b>	<b>28</b> <b>July</b> <b>2015</b>		✓		<b>80.20%</b>
Special	None held					

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

***No, the company does not appoint an independent party to count the votes. The stockholder attendance during the company's annual meetings have so far been manageable and there has been no matter presented necessitating the appointment of an independent party to count votes.***

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

***Yes, the company's common shares carry one vote for one share. Common shares are divided into two classes. Class A shares which are issued solely to Filipino citizens and Class "B" which are issued to either Filipino or foreign citizens. All common shares are voting shares.***

(g) Proxy Voting Policies

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

	COMPANY'S PROFILE
Execution and acceptance of proxies	<b><i>The proxy form is included in the Information Statement which is required to be completed, signed and dated and returned to the Corporation at least 5 days prior to the date of the meeting.</i></b>
Notary	<b><i>Need not be notarized.</i></b>
Submission of Proxy	<b><i>At least 5 days prior to the date of the meeting.</i></b>
Several Proxies	<b><i>Only one proxy. Revocation may be done at any time prior to its use by the party authorized to exercise the same.</i></b>
Validity of Proxy	<b><i>No proxy bearing a signature that is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the secretary of the meeting.</i></b>
Proxies executed abroad	<b><i>No policy as this has not yet been done.</i></b>
Invalidated Proxy	<b><i>Shareholder may revoke proxy issued by him at any time prior to its use by the party who is thereby authorized to exercise the same.</i></b>
Validation of Proxy	<b><i>By Corporate secretary</i></b>
Violation of Proxy	<b><i>If proxy is signed without otherwise marking the form, the securities will be voted as recommended by the Board of Directors on all matters to be considered at the meeting.</i></b>



(h) Sending of Notices

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

POLICIES	PROCEDURE
<i>Notices must be sent at least 15 business days prior to the Annual meeting</i>	<i>During the month before the meeting, the materials to be printed out must be printer-ready to afford the printer to make copies for all stockholders of record.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<b>481</b>
Date of Actual Distribution of Definitive Information Statement and Management Report And Other Materials held by market Participants/certain beneficial owners	<b>On or before July 7, 2015</b>
Date of Actual Distribution of Definitive Information Statement and Management Report And Other Materials held by stockholders	<b>On or before July 7, 2015</b>
State whether CD format or hard copies were Distributed	<b>Hard Copies</b>
If yes, indicate whether requesting stockholders were provided hard copies	

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

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

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

2) Treatment of Minority Stockholders

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

***Per Sec 5.2. of the Corporation's Revised Manual on Corporate Governance, "although all stockholders should be treated equally or without discrimination, the Board should 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." Also, Section 5.3..2..3 provides that "a director shall not be removed without cause if it will deny minority shareholders representation in the Board.***

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

***(They can nominate but must received necessary votes to be elected). This is not specifically provided for in the corporations' Manual on Corporate Governance.***

**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 President of the company reviews and approves all major company announcements.***

- 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.

***It has always been the company's policy to ensure that investors are aware of any developments in the company that will affect the value of their shares. Thus, the corporation's Management judiciously observes the pertinent rules of the Philippine Stock Exchange and the SEC in disclosing to the public. Shareholders are free to call the Corporation's Corporate Secretary at Tel. Nos. 8927133/8927137.***

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

*The company has always observed and is committed to observe the pertinent laws, such as the Corporation Code and the Securities Regulation Code, SEC rules and regulations for 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. *This is not applicable at this time.*

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

*Donations had been given to charitable institution shave from time to time been given through the company's subsidiary Magellan Capital Holdings Corporation (MCHC).*

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

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

*The company's Revised Manual on Corporate Governance provides for an internal self-rating system that can measure the performance of the Board and Management in accordance with the Manual. At present, there is no set system in place.*

**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.


*As laid down in Section 10, of the company's Revised Manual on Corporate Governance , the following are the penalties for violation or breach of the corporate governance manual by the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, imposable after due notice and hearing:*

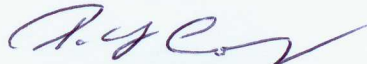
VIOLATIONS	SANCTIONS
First violation	<i>Reprimand</i>
Second Violation	<i>Suspension from office the duration thereof dependent on the gravity of the violation</i>
Third Violation	<i>Maximum penalty of removal from office; A third violation committed by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.</i>


*Per Section 10 of the company's Revised Manual on Corporate Governance, the Compliance Officer shall be responsible for determining violations/through notice and hearing and shall recommend to the Board the imposable penalty for such violation, for further review and approval of the Board.*


Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of   **CITY OF MANILA**   on   **MAY 30 2013**  , 20  .

**SIGNATURES**

  
**ROBERT Y. COKENG**  
 Chairman of the Board

  
**ROBERT Y. COKENG**  
 Chief Executive Officer

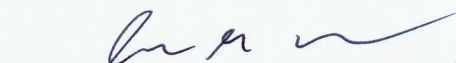
  
**FRANCIS L. CHUA**  
 Independent Director

  
**ROBERT Y. YNSON**  
 Independent Director

  
**FINA C. TANTUICO**  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this    day of   **MAY 30 2013**   2013, affiant(s) exhibiting to me their Community Tax Certificate Nos. as follows:

NAME	COMMUNITY TAX CERTIFICATE NO.	DATE/PLACE OF ISSUE
Francis L. Chua	15850751	January 20, 2013/Manila
Robert Y. Ynson	13858746	January 14, 2013/Q.C.
Fina C. Tantuico	16224930	April 11, 2013 / San Juan City

  
 NOTARY PUBLIC  
**ATTY. SOCRATES G. MARANAN**  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2013  
 IBP No. 840842/10-21-11  
 PTR No. 1414392/01-02-13  
 NC. No. 2012-009/ROA No. 3192

Doc. No.   462  ;  
 Page No.   93  ;  
 Book No.   33  ;  
 Series of 2013.