


# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACGR

### ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2014**
2. Exact Name of Registrant as Specified in its Charter: **EMPIRE EAST LAND HOLDINGS, INC.**
3. 21<sup>st</sup> Floor, The World Centre Bldg., 330 Sen. Gil Puyat Avenue, **1234**  
Makati City **Postal Code**  
**Address**
4. SEC Identification Number: **AS094-6430**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: **003-942-108**
7. **(02) 867 8351 to 59**  
Issuer's Telephone Number, including area code
8. same address  
Former name or former address, if changed from the last report



# **EMPIRE EAST LAND HOLDINGS, INC.**

## **2014 ANNUAL CORPORATE GOVERNANCE REPORT**

## TABLE OF CONTENTS

|   | Page Number |
|---|-------------|
| <b>A. BOARD MATTERS</b>                                     | <b>5</b>    |
| <hr/>   |             |
| 1) BOARD OF DIRECTORS                                       |             |
| (a) Composition of the Board                                | 5           |
| (b) Directorship in Other Companies                         | 6           |
| (c) Shareholding in the Company                             | 8           |
| 2) CHAIRMAN AND CEO   | 8           |
| 3) BOARD OF DIRECTORS SUCCESSION PLAN                       | 9           |
| 4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS | 10          |
| 5) CHANGES IN THE BOARD OF DIRECTORS                        | 12          |
| 6) ORIENTATION AND EDUCATION PROGRAM                        | 17          |
| <b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS</b>             | <b>18</b>   |
| <hr/>   |             |
| 1) POLICIES   | 18          |
| 2) DISSEMINATION OF CODE                                    | 20          |
| 3) COMPLIANCE WITH CODE                                     | 20          |
| 4) RELATED PARTY TRANSACTIONS                               | 20          |
| (a) Policies and Procedures                                 | 20          |
| (b) Conflict of Interest                                    | 20          |
| 5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS             | 21          |
| 6) ALTERNATIVE DISPUTE RESOLUTION                           | 22          |
| <b>C. BOARD MEETINGS AND ATTENDANCE</b>                     | <b>22</b>   |
| <hr/>   |             |
| 1) SCHEDULE OF MEETINGS                                     | 22          |
| 2) DETAILS OF ATTENDANCE OF DIRECTORS                       | 22          |
| 3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS              | 22          |
| 4) QUORUM REQUIREMENT                                       | 22          |
| 5) ACCESS TO INFORMATION                                    | 22          |
| 6) EXTERNAL ADVICE  | 23          |
| 7) CHANGES IN EXISTING POLICIES                             | 24          |
| <b>D. REMUNERATION MATTERS</b>                              | <b>24</b>   |
| <hr/>   |             |
| 1) REMUNERATION PROCESS                                     | 24          |
| 2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS          | 24          |
| 3) AGGREGATE REMUNERATION                                   | 25          |
| 4) STOCK RIGHTS, OPTIONS AND WARRANTS                       | 25          |
| 5) REMUNERATION OF MANAGEMENT                               | 26          |
| <b>E. BOARD COMMITTEES</b>                                  | <b>27</b>   |
| <hr/>   |             |
| 1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES        | 27          |
| 2) COMMITTEE MEMBERS  | 28          |
| 3) CHANGES IN COMMITTEE MEMBERS                             | 29          |
| 4) WORK DONE AND ISSUES ADDRESSED                           | 29          |
| 5) COMMITTEE PROGRAM  | 30          |
| <b>F. RISK MANAGEMENT SYSTEM</b>                            | <b>30</b>   |
| <hr/>   |             |
| 1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM     | 30          |
| 2) RISK POLICY  | 30          |
| 3) CONTROL SYSTEM   | 31          |

## TABLE OF CONTENTS

### Page Number

|   |           |
|---|-----------|
| <b>G. INTERNAL AUDIT AND CONTROL</b>                                | <b>32</b> |
| 1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM            | 32        |
| 2) INTERNAL AUDIT   | 33        |
| (a) Role, Scope and Internal Audit Function                         | 33        |
| (b) Appointment/Removal of Internal Auditor                         | 34        |
| (c) Reporting Relationship with the Audit Committee                 | 34        |
| (d) Resignation, Re-assignment and Reasons                          | 34        |
| (e) Progress against Plans, Issues, Findings and Examination Trends | 34        |
| (f) Audit Control Policies and Procedures                           | 35        |
| (g) Mechanisms and Safeguards                                       | 35        |
| <b>H. ROLE OF STAKEHOLDERS</b>                                      | <b>36</b> |
| 1) POLICIES AND ACTIVITIES  | 35        |
| 2) CORPORATE RESPONSIBILITY   | 36        |
| 3) EMPLOYEE PARTICIPATION MECHANISM                                 | 36        |
| 4) HANDLING EMPLOYEE COMPLAINTS                                     | 37        |
| <b>I. DISCLOSURE AND TRANSPARENCY</b>                               | <b>37</b> |
| 1) OWNERSHIP STRUCTURE  | 37        |
| 2) ANNUAL REPORT DISCLOSURE   | 37        |
| 3) EXTERNAL AUDITORS' FEE   | 38        |
| 4) MEDIUM OF COMMUNICATION  | 38        |
| 5) AUDITED FINANCIAL REPORT SUBMISSION                              | 38        |
| 6) COMPANY WEBSITE  | 38        |
| 7) DISCLOSURE OF RPT  | 38        |
| <b>J. RIGHTS OF STOCKHOLDERS</b>                                    | <b>39</b> |
| 1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS       | 39        |
| 2) TREATMENT OF MINORITY STOCKHOLDERS                               | 44        |
| <b>K. INVESTORS RELATIONS PROGRAM</b>                               | <b>44</b> |
| <b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES</b>               | <b>45</b> |
| <b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL</b>              | <b>45</b> |
| <b>N. INTERNAL BREACHES AND SANCTIONS</b>                           | <b>45</b> |
| <b>O. SIGNATURE PAGE</b>  | <b>46</b> |

## A. BOARD MATTERS

### 1) Board of Directors

|   |   |
|---|---|
| Number of Directors per Articles of Incorporation | 7 |
|---|---|

|   |   |
|---|---|
| Actual number of Directors for the year | 7 |
|---|---|

#### (a) Composition of the Board (updated as of June 10, 2014)

Complete the table with information on the Board of Directors:

| Director's Name           | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) <sup>1</sup> | Elected when (Annual /Special Meeting) | No. of years served as director |
|---------------------------|---|------------------------------------|---|--------------------|--|--|---------------------------------|
| ANDREW L. TAN             | ED  | Megaworld Corporation              |   | July 15, 1994      | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>21</u>                       |
| GERARDO C. GARCIA         | ID  |                                    | Rommel Canto, (not related to ID)   | October 1994       | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>20</u>                       |
| KATHERINE L. TAN          | NED   | Megaworld Corporation              |   | 1994               | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>5</u>                        |
| ANTHONY CHARLEMAGNE C. YU | ED  | Megaworld Corporation              |   | January 1998       | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>16</u>                       |
| EVELYN G. CACHO           | ED  | Megaworld Corporation              |   | February 20, 2009  | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>5</u>                        |
| ENRIQUE SANTOS L. SY      | NED   | Megaworld Corporation              |   | April 1996         | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>18</u>                       |
| ALEJO L. VILLANUEVA, JR.  | ID  |                                    | Maria Rosario Justo, (not related to ID)  | June 13, 2007      | <u>10 June 2014</u>  | Annual Stockholders Meeting            | <u>8</u>                        |

**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.**

**Answer:** The Company has adopted a Manual of Corporate Governance following the guidelines set by the Securities and Exchange Commission in SEC Memorandum Circular No. 6 Series of 2009 (the "Code"). The Code encapsulates the Company's best practices commitment and highlights the duties and obligation of the Board of Directors, the Board Committees and officers of the Company. The Code further highlights the Company's commitment to protect the rights of its stockholders and provides, in Section 3 thereof, that the right of its stockholders to the following matters shall at all times be respected: (i) to vote on all matters that require their consent and approval, (ii) preemptive right to all stock issuances of the Corporation; (iii) to inspect the corporate books and records, including the Code, which shall be made available for inspection by any stockholder of the Company at reasonable hours on business days; (iv) right to information; (v) dividends; and (vi) appraisal right.

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

Stockholders are invited to attend the annual and special stockholders' meetings of the Company and are encouraged to personally attend such meetings. If they cannot attend, they are informed ahead of time of their right to appoint a proxy in accordance with the by-laws of the Company.

Although all stockholders are treated equally, the Code also directs the Company's Board of Directors to give minority stockholders the right to propose the holding of meetings and items for discussion in the agenda that relate directly to the business of the Company.

**How often does the Board review and approve the vision and mission?**

**Answer:** The Board, as may be necessary, may conduct an evaluation of the Company's mission and vision, in keeping with the strategic direction set by the Board for the Company.

**(b) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>2</sup> (updated as of December 31, 2013)**

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.   |
|---------------------------|---|--|
| ANDREW L. TAN             | <ol style="list-style-type: none"> <li>Megaworld Corporation</li> <li>Gilmore Property Marketing Associates, Inc.</li> <li>Megaworld Central Properties, Inc.</li> <li>Sherman Oak Holdings, Inc.</li> <li>Sonoma Premier Land, Inc.</li> <li>Valle Verde Properties, Inc.</li> </ol> | <ol style="list-style-type: none"> <li>Executive Director &amp; Chairman</li> <li>Executive Director &amp; Chairman</li> <li>Executive Director &amp; Chairman</li> <li>Executive Director &amp; Chairman</li> <li>Executive Director &amp; Chairman</li> <li>Executive Director &amp; Chairman</li> </ol> |
| GERARDO C. GARCIA         | <ol style="list-style-type: none"> <li>Megaworld Corporation</li> </ol>   | <ol style="list-style-type: none"> <li>Independent Director</li> </ol>   |
| KATHERINE L. TAN          | <ol style="list-style-type: none"> <li>Megaworld Corporation</li> </ol>   | <ol style="list-style-type: none"> <li>Non-Executive Director</li> </ol>   |
| ANTHONY CHARLEMAGNE C. YU | <ol style="list-style-type: none"> <li>Empire East Communities, Inc.</li> <li>Laguna BelAir School, Inc.</li> <li>Megaworld Central Properties, Inc.</li> <li>Sherman Oak Holdings, Inc.</li> <li>Sonoma Premier Land, Inc.</li> <li>Valle Verde Properties, Inc.</li> </ol>          | <ol style="list-style-type: none"> <li>Executive Director &amp; Chairman<br/>Executive Director &amp; Chairman</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> </ol>  |
| EVELYN G. CACHO           | <ol style="list-style-type: none"> <li>Empire East Communities, Inc.</li> <li>Laguna BelAirSchool, Inc.</li> <li>Sherman Oak Holdings, Inc.</li> <li>Sonoma Premier Land, Inc.</li> <li>Valle Verde Properties, Inc.</li> </ol>   | <ol style="list-style-type: none"> <li>Non-Executive Director</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> <li>Non-Executive Director</li> </ol>   |
| ENRIQUE SANTOS L. SY      | <ol style="list-style-type: none"> <li>Megaworld Corporation</li> </ol>   | <ol style="list-style-type: none"> <li>Non-Executive Director</li> </ol>   |

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

**(ii) Directorship in Other Listed Companies (updated as of August 28, 2013)**

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

| Director's Name          | Name of Listed Company   | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|--------------------------|--|--|
| Andrew L. Tan            | Alliance Global Group, Inc.<br>Global-Estate Resorts, Inc.<br>Emperador Inc. | Executive Director/Chairman<br>Executive Director/Chairman<br>Executive Director/Chairman                |
| Katherine L. Tan         | Alliance Global Group, Inc.<br>Emperador Inc.                                | Non-Executive Director<br>Non-Executive Director   |
| Alejo L. Villanueva, Jr. | Alliance Global Group, Inc.<br>Suntrust Home Developers, Inc.                | Independent Director<br>Independent Director   |
| Gerardo C. Garcia        | Global-Estate Resorts, Inc.  | Independent Director   |
| Evelyn G. Cacho          | Suntrust Home Developers, Inc.   | Executive Director   |
| Enrique Santos L. Sy     | Megaworld Corporation  | Non-Executive Director   |

**(iii) Relationship within the Company and its Group (updated as of December 31, 2014)**

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  |
|---------------------------|---|--|
| Andrew L. Tan             | Megaworld Corporation<br>Gilmore Property Marketing Associates, Inc.<br>Megaworld Central Properties, Inc.<br>Sherman Oak Holdings, Inc.<br>Sonoma Premier Land, Inc.<br>Valle Verde Properties, Inc. | Director, Chairman & CEO<br>Director<br>Director<br>Director<br>Director<br>Director |
| Katherine L. Tan          | Megaworld Corporation   | Director   |
| Gerardo C. Garcia         | Megaworld Corporation   | Independent Director   |
| Enrique Santos L. Sy      | Megaworld Corporation   | Director   |
| Anthony Charlemagne C. Yu | Empire East Communities, Inc.<br>Laguna Bel Air School, Inc.<br>Megaworld Central Properties, Inc.<br>Sherman Oak Holdings, Inc.<br>Sonoma Premier Land, Inc.<br>Valle Verde Properties, Inc.         | Director<br>Director<br>Director<br>Director<br>Director<br>Director                 |
| Evelyn G. Cacho           | Empire East Communities, Inc.<br>Laguna Bel-Air School, Inc.<br>Sherman Oak Holdings, Inc.<br>Sonoma Premier Land, Inc.<br>Valle Verde Properties, Inc.   | Director<br>Director<br>Director<br>Director<br>Director                             |

- (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:

|                        | Guidelines  | Maximum Number of Directorships in other companies |
|------------------------|---|--|
| Executive Director     | The Company has no specific policy limiting the number of board seats that its Executive and Non-Executive Directors may hold in other publicly-listed companies. For Independent Directors, the Company observes the limitation set forth in SEC Circular Memorandum No. 9 Series of 2011 and has not elected any Independent Director with more than five directorships within the Group. |  |
| Non-Executive Director |   |  |
| CEO                    |   |  |

(c) Shareholding in the Company (updated as of December 31, 2014)

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                                      |
|---------------------------|-------------------------|--|---|
| Andrew L. Tan             | 24,277,777              |  | 0.16542278%   |
|                           |                         | 11,993,426,438 (Megaworld Corp.)                           | 81.72024855%  |
| Gerardo C. Garcia         | 636,277                 | 0  | 0.00433543%   |
| Anthony Charlemagne C. Yu | 1                       | 0  | 0.00000001%   |
| Katherine L. Tan          | 1                       |  | 0.00000001%   |
|                           |                         | 24,277,777 (Spouse- Andrew L. Tan)                         | 0.16542278%   |
| Enrique Santos L. Sy      | 11,892                  | 0  | 0.00008103%   |
| Evelyn G. Cacho           | 35,240                  | 0  | 0.00024012%   |
| Alejo L. Villanueva, Jr.  | 1                       | 0  | 0.00000001%   |
| <b>TOTAL</b>              | <b>24,961,189</b>       | <b>12,017,704,215</b>                                      | <b>0.17007939% (direct)<br/>81.88567133% (indirect)</b> |

2) Chairman and CEO

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

Yes            No

Identify the Chair and CEO:

|                       |                           |
|-----------------------|---------------------------|
| Chairman of the Board | Andrew L. Tan             |
| CEO/President         | Anthony Charlemagne C. Yu |



**Roles, Accountabilities and Deliverables**

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

|                         | <b>Chairman</b>  | <b>Chief Executive Officer</b>   |
|-------------------------|--|--|
| <b>Role</b>             | <ul style="list-style-type: none"> <li>(i) Provides leadership to the Board and participates in the formulation of the Company’s business plans;</li> <li>(ii) Ensures that communication lines between the CEO and the Board is open and fosters the flow of information between Management and the Board;</li> <li>(ii) Spearheads the meetings of the Board which are held in accordance with the Corporation’s By – Laws.</li> </ul>         | <ul style="list-style-type: none"> <li>(i) Manages the business and affairs of the Company;</li> <li>(ii) Implements the corporate plans approved by the Board and as may be necessary, provide operational guidance to ensure implementation of targets;</li> <li>(iii) Communicates to the Board information which may aid in the performance by the Board of its duties and as may be appropriate, recommends to the Board strategic directions and/or policies.</li> </ul> |
| <b>Accountabilities</b> | <ul style="list-style-type: none"> <li>(i) Ensures that Company policies are consistent with its commitments in the Code;</li> <li>(ii) Ensures that the corporate actions approved by the Board are in line with the plans, objectives and goals set by the Company for the relevant period.</li> <li>(iii) Supervises the preparation of the agendas in meetings, in consultation with the CEO, Corporate Secretary and Management;</li> </ul> | <ul style="list-style-type: none"> <li>(i) Effective Implementation of the plans and resolutions approved by the Board of Directors;</li> <li>(ii) Identify issues affecting the business of the Company and informs the Board according;</li> </ul>   |
| <b>Deliverables</b>     | <ul style="list-style-type: none"> <li>(i) Board approvals consistent with the business plans of the Company.</li> </ul>   | <ul style="list-style-type: none"> <li>(i) Management Report conveyed to the Board of Directors and stockholders, which details the report of the operations of the Company for the preceding year, and the state of its affairs.</li> </ul>   |

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

**Answer:** The Amended By-Laws of the Company, particularly Article III. Section 2 thereof, provides for the mode of succession of key officers of the Company, who shall be elected by every newly constituted Board at its organizational meeting. The Board, in making appointments, is guided by the standards, more particularly the definition of the roles and responsibilities to be assumed by said officers as set forth in the Code and in the Company’s By-laws, in evaluating the merit of each appointee. Unless removed from office, said officers shall hold office until their successors are appointed and qualified. Vacancies are filled by the Board of Directors.

**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.**

**Answer:** Yes. Aside from meeting the qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board maybe composed of both Executive and Non-Executive Directors who have business experience, practical understanding of the business of the Company and are members in good standing in relevant professional industry, business and professional organizations (Section 2.2, Code).

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

**Answer:** Yes. Section 2.2.3 of the Manual of Corporate Governance ensures that a director possesses a practical understanding of the business of the Company and has business experience.

**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>             | <ul style="list-style-type: none"> <li>(i) Responsible for the formulation of the Company’s strategic direction to foster success and long term growth;</li> <li>(ii) Ensure the effective implementation of the corporate plans and strategies formulated by the Board.</li> </ul>   | <ul style="list-style-type: none"> <li>(i) Responsible for the formulation of the Company’s strategic direction to foster success and long term growth;</li> <li>(ii) Act as an independent adviser and decision maker on matters brought before the Board.</li> </ul>   | <ul style="list-style-type: none"> <li>(i) Responsible for the formulation of the Company’s strategic direction to foster success and long term growth;</li> <li>(ii) Bring an independent judgment on matters brought before the Board.</li> <li>(iii) Promote the Company’s commitment to transparency and in this regard, is a member of the Company’s Compensation and Remuneration Committee as well as the Audit Committee, which must be chaired by an independent director.</li> </ul> |
| <b>Accountabilities</b> | <ul style="list-style-type: none"> <li>(i) Ensure that the Board conducts itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders;</li> <li>(ii) Implement the process for the selection of directors who can add value and contribute independent judgment to the</li> </ul> | <ul style="list-style-type: none"> <li>(i) Ensure that the Board conduct itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders;</li> <li>(ii) implement the process for the selection of directors who can add value and contribute</li> </ul> | <ul style="list-style-type: none"> <li>(i) Ensure that the Board conduct itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders;</li> <li>(ii) implement the process for the selection of directors who can add value and contribute independent judgment to the</li> </ul>   |

|              |  |  |  |
|--------------|--|--|--|
|              | <p>formulation of corporate policies;</p> <p>(iii) Appoint competent, professional, honest and highly motivated management officers;</p> <p>(iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength;</p> <p>(v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices;</p> <p>(vi) Formulate and implement policies and procedures that ensure integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, and other related parties;</p> <p>(vii) Participation in the Relevant Board Committees.</p> | <p>independent judgment to the formulation of corporate policies;</p> <p>(iii) Appoint competent, professional, honest and highly motivated management officers;</p> <p>(iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength;</p> <p>(v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices;</p> <p>(vi) Formulate and implement policies and procedures that ensure integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, and other related parties;</p> <p>(vii) Participation in the relevant Board Committees.</p> | <p>formulation of corporate policies;</p> <p>(iii) Appoint competent, professional, honest and highly motivated management officers;</p> <p>(iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength;</p> <p>(v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices;</p> <p>(vi) Formulate and implement policies and procedures that ensure integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, and other related parties;</p> <p>(vii) Participation in the Relevant Board Committees. More particularly in, the Compensation and Remuneration Committee and in the Audit Committee.</p> |
| Deliverables | <p>(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment;</p> <p>(ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.</p>  | <p>(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment;</p> <p>(ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.</p>  | <p>(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment;</p> <p>(ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.</p>  |

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

**Answer:** The Company defines an Independent Director as a qualified individual in accordance with the Code, who, other than the per diem given by the Company for attendance in board meetings and his shareholdings, is independent of management and free of material or pecuniary relationship with the Company which can materially affect the exercise of independent judgment in the conduct of his responsibilities to the Company. The Company adheres to the said standard and has applied the same in the election of its Independent Directors.

**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.**

**Answer:** The Company follows the term limits for Independent Directors prescribed by the Securities and Exchange Commission in SEC Memorandum Circular No. 9, Series of 2011 and allows its Independent Directors to serve for only five (5) consecutive years from January 2, 2012. In the same manner, the Company observes the cooling-off period imposed in the said circular.

**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:

| Name   | Position | Date of Cessation | Reason |
|--|----------|-------------------|--------|
| <b>There was no change in the composition of the Board of Directors during the covered period.</b> |          |                   |        |

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

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure                       | Process Adopted  | Criteria  |
|---------------------------------|--|---|
| <b>a. Selection/Appointment</b> |  |   |
| (i) Executive Directors         | The stockholders send their nomination to the Nomination Committee. The Nomination Committee determines if a nominee possesses the qualifications and none of the disqualifications for the position. Qualified Nominees are entitled to be voted upon during the Annual Stockholders Meeting. | The directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as<br>(i) a college degree;<br>(ii) business experience;<br>(iii) practical understanding of the business of the Corporation, and<br>(iv) membership in good standing in a relevant industry, business or professional organization. |
| (ii) Non-Executive Directors    |  |   |
| (iii) Independent Directors     |  |   |
| <b>b. Re-appointment</b>        |  |   |

|                                      |  |   |
|--------------------------------------|--|---|
| (i) Executive Directors              | <p>For Executive and Non-Executive Directors, re-appointment is allowed, following the above-enumerated process for the selection of the members of the Board of Directors.</p> <p>For Independent Directors, re-appointment is allowed as long as the term limits for Independent Directors in SEC Memorandum Circular No. 9, Series of 2011 is observed. The appointment process follows the above-enumerated selection process.</p> | <p>The same criteria is imposed for appointment and re-appointment, to wit: The directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as</p> <p>(i) a college degree;</p> <p>(ii) business experience;</p> <p>(iii) practical understanding of the business of the Corporation, and</p> <p>(iv) membership in good standing in a relevant industry, business or professional organization.</p>   |
| (ii) Non-Executive Directors         |  |   |
| (iii) Independent Directors          |  |   |
| <b>c. Permanent Disqualification</b> |  |   |
| (i) Executive Directors              | <p>All matters pertaining to the qualification and/or disqualification of a director are referred to the Nomination Committee. The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board.</p>  | <p>Any of the following shall be a ground for permanent disqualification of a director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that</p> <p>(a) involves the purchase or sale of securities, as defined in the Securities Regulation Code;</p> <p>(b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;</p> <p>(c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from</p> |
| (ii) Non-Executive Directors         |  |   |
| (iii) Independent Directors          |  |   |

|  |  |  |
|--|--|--|
|  |  | <p>(a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures, commission merchant, commodity trading advisor, or floor broker,</p> <p>(b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;</p> <p>(c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engaged in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgression;</p> <p>(iv) Any person who has been adjudged by final judgment or order of the Commission or a court or other</p> |
|--|--|--|

|                                      |   |  |
|--------------------------------------|---|--|
|                                      |   | <p>competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;</p> <p>(v) Any independent director who becomes an officer, employee or consultant of the Corporation shall cease to be an independent director until such time that his disqualification is lifted pursuant to the Securities Regulation Code and the rules and regulations of the Commission;</p> <p>(vi) Any person judicially declared to be insolvent;</p> <p>(vii) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p> |
| <b>d. Temporary Disqualification</b> |   |  |
| (i) Executive Directors              | <p>A temporarily disqualified director is given 60 business days to take appropriate actions that will remedy or correct such disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> | <p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p>  |
| (ii) Non-Executive Directors         |   |  |
| (iii) Independent Directors          |   |  |

|                              |  |   |
|------------------------------|--|---|
|                              |  | <p>(ii) Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, unless the absence is due to justifiable causes such as, illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</p> <p>(iii) Dismissal or termination for cause from directorship in another corporation covered by the Revised Code of Corporate Governance. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;</p> <p>(iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock, he shall cease to be an independent director. The disqualification shall be lifted if the limit is later complied with, or</p> <p>(v) Conviction that has not yet become final referred to in the grounds for the permanent disqualification of directors.</p> |
| <b>e. Removal</b>            |  |   |
| (i) Executive Directors      | The Company follows the procedure for the removal of directors provided in the Corporation Code. | Removal of a director from office may be due to death, voluntary resignation and/or permanent disqualification from office consistent with the criteria enumerated in sub-section c (Permanent Disqualification) of this Table.   |
| (ii) Non-Executive Directors |  |   |
| (iii) Independent Directors  |  |   |
| <b>f. Re-instatement</b>     |  |   |
| (i) Executive Directors      | A temporarily disqualified director is   | Satisfactory corrective action  |



|                              |  |   |
|------------------------------|--|---|
| (ii) Non-Executive Directors | given 60 business days to take appropriate actions that will remedy or correct such disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent | performed by the director within the 60 day period, addressing the specific cause for disqualification. |
| (iii) Independent Directors  |  |   |
| <b>g. Suspension</b>         |  |   |
| (i) Executive Directors      | The Company follows the procedure provided for in the Corporation Code.  | Suspension is based on the grounds provided for in the Company's Manual of Corporate Governance.        |
| (ii) Non-Executive Directors |  |   |
| (iii) Independent Directors  |  |   |

**Voting Result of the last Annual General Meeting held on 10 June 2014 (updated as of June 10, 2014)**

| Name of Director          | Votes Received        |
|---------------------------|-----------------------|
| Andrew L. Tan             | 12,298,393,745 shares |
| Katherine L. Tan          | 12,298,393,745 shares |
| Gerardo C. Garcia         | 12,298,393,745 shares |
| Anthony Charlemagne C. Yu | 12,298,393,745 shares |
| Evelyn G. Cacho           | 12,298,393,745 shares |
| Enrique Santos L. Sy      | 12,298,393,745 shares |
| Alejo L. Villanueva, Jr.  | 12,298,393,745 shares |

**5) Orientation and Education Program**

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

Answer: The Company has no formal orientation program for new directors, but all directors are required to attend the seminar/training conducted by the Institute of Corporate Directors.

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

**Answer: The Directors and Officers attended the Corporate Governance Seminar for 2014.**

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

**Answer: NONE**

<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.

**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>All directors should conduct themselves with honesty and integrity in the performance of their duties and functions to ensure a high standard of best practices for the Company (Section 2.2.6, Code).</p> <p>A director should conduct fair business transaction with the Company and ensure that his personal interest does not conflict with the interests of the company [Section 2.2.7 (i), Code].</p> | <p>The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that will create conflict or interfere with the performance of his responsibilities (Company Code of Discipline).</p> | <p>The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that will create conflict or interfere with the performance of his responsibilities (Company Code of Discipline).</p> |
| (b) Conduct of Business and Fair Dealings                   | <p>All directors should conduct themselves with honesty and integrity in the performance of their duties and functions to ensure a high standard of best practices for the Company (Section 2.2.6, Code).</p>  | <p>The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity which would create conflict or interfere with the performance of his responsibilities (Code of Discipline).</p>       | <p>The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity which would create conflict or interfere with the performance of his responsibilities (Code of Discipline).</p>       |
| (c) Receipt of gifts from third parties                     | N/A  | Receipt of gifts from third parties is not allowed.   | Receipt of gifts from third parties is not allowed.   |
| (d) Compliance with Laws & Regulations                      | <p>The Board shall ensure the Company’s faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).</p>   | <p>The Company, thru the Board, shall ensure the Company’s faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).</p>   | <p>The Company, thru the Board, shall ensure the Company’s faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).</p>   |
| (e) Respect for Trade Secrets/Use of Non-public Information | <p>The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information.</p> <p>A director should keep</p>   | <p>The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information.</p>  | <p>The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information.</p>  |

|  |   |   |   |
|--|---|---|---|
|  | secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without authority of the Board [2.2.7 (vi), Code].  |   |   |
| (f) Use of Company Funds, Assets and Information | The Board shall provide sound strategic policies and guidelines to the Company on major capital expenses and, establish programs that can sustain its long term viability and strength. The Board shall periodically monitor the implementation if such policies and strategies, including the business plans and operating budget (Section 2.2.6, Code). | All employees are advised to take care of the property of the Company and treat it like his own asset. Careless use or intentional damage to Company property shall make an employee liable for damages (Code of Discipline). | All employees are advised to take care of the property of the Company and treat it like his own asset. Careless use or intentional damage to Company property shall make an employee liable for damages (Code of Discipline). |
| (g) Employment & Labor Laws & Policies           | The Board shall ensure the Company's faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).   |   |   |
| (h) Disciplinary action                          | The Code provides the grounds for permanent and temporary disqualification of a member of the Board.  | Disciplinary actions are initiated, processed and violations of Company rules and regulations are handled in accordance with the Company's Code of Conduct.   | Disciplinary actions are initiated, processed and violations of Company rules and regulations are handled in accordance with the Company's Code of Conduct.   |
| (i) Whistle Blower                               | All information received from whistle blowers and/or anonymous sources are referred to the Grievance Committee of the Company which consists of the HR, Audit, and the Legal Department Head.   |   |   |
| (j) Conflict Resolution                          | One of the functions of the Board is to establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders and third parties (Section 2.2.6, Code).  | Misunderstandings, differences in opinion and disputes among members of the Company are referred to the Grievance Committee (Code of Conduct).  | Misunderstandings, differences in opinion and disputes among members of the Company are referred to the Grievance Committee (Code of Conduct).  |

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

**Answer:** Yes. To ensure that all directors, senior management and employees of the Company has access to the Code of Conduct at all times, the Code was disseminated online through the intranet system of the Company, which may be accessed by all employees.

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

**Answer:** Compliance with the Company’s Code of Conduct is lodged with the Human Resources Department. The said department is in charge of processing all complaints for violations thereof, in accordance with established due process standards.

**4) Related Party Transactions**

**(a) Policies and Procedures**

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

| Related Party Transactions                                   | Policies and Procedures   |
|--|---|
| (1) Parent Company   | The Company, in the normal course of business, enters into transaction with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business related purposes. Rental for lease properties and interest on interest-bearing advances are within market rates. |
| (2) Joint Ventures   |   |
| (3) Subsidiaries   |   |
| (4) Entities Under Common Control                            |   |
| (5) Substantial Stockholders                                 |   |
| (6) Officers including spouse/children/siblings/parents      | The Company has no related party transaction with a director/officer, their family, siblings or parents.  |
| (7) Directors including spouse/children/siblings/parents     |   |
| (8) Interlocking director relationship of Board of Directors |   |

**(b) Conflict of Interest**

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

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

|                                  | Details of Conflict of Interest (Actual or Probable)  |
|----------------------------------|---|
| Name of Director/s               | The Company has no knowledge of a conflict of interest situation between the Company and its significant shareholders and officers. In any case the Code and the Code of Conduct provisions on Conflict of Interest shall serve as basis in handling the issue. |
| Name of Officer/s                |   |
| 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                                     | The Company has no knowledge of a conflict of interest situation between the Company and its significant shareholders and officers. In any case the Code and the Code of Conduct provisions on Conflict of Interest shall serve as basis in handling the issue. |
| 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 |
|---|----------------------|---------------------------------------|
| ANDREW L. TAN and<br>KATHERINE L. TAN     | Family               | Spouses                               |

(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                       |
|---|----------------------|---|
| Megaworld Corporation                     | Joint venture        | Joint development of selected projects. |

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

| Name of Shareholders  | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|---|---------------------------------------|--------------------------------------|
| The management of the Company is not aware of any shareholder agreement that may impact on the control, ownership and strategic direction of the Company. |                                       |                                      |

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

## 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            | The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities. |
| Corporation & Third Parties           | The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities. |
| Corporation & Regulatory Authorities  | The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities. |

## C. BOARD MEETINGS AND ATTENDANCE (updated as of June 10, 2014)

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

**Answer:** The meetings of the Board of Directors are scheduled at the beginning of the year. The Board may, from time to time, be convened for special meetings, as may be necessary to address operational exigencies.

### 2) Attendance of Directors

| Board       | Name                      | Date of Election    | No. of Meetings Held during the year | No. of Meetings Attended | %           |
|-------------|---------------------------|---------------------|--------------------------------------|--------------------------|-------------|
| Chairman    | Andrew L. Tan             | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |
| Member      | Katherine L. Tan          | <u>10 June 2014</u> | <u>9</u>                             | <u>8</u>                 | <u>99%</u>  |
| Member      | Anthony Charlemagne C. Yu | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |
| Member      | Evelyn G. Cacho           | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |
| Member      | Enrique Santos L. Sy      | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |
| Independent | Gerardo C. Garcia         | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |
| Independent | Alejo L. Villanueva, Jr.  | <u>10 June 2014</u> | <u>9</u>                             | <u>9</u>                 | <u>100%</u> |

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

**Answer:** No

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

**Answer:** The Company follows the quorum requirement of the Corporation Code.

### 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?

**Answer:** Board papers are provided to the Board, together with the notices, in accordance with the Company's By-Laws

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

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

**Answer:** Yes.

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

**Answer:** Yes. The Corporate Secretary's function includes assisting the Chairman in the preparation of the board agenda, safekeeping the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation. The Corporate Secretary keeps all directors informed and updated of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to come up with intelligent decisions on matters that require their approval.

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

**Answer:** Yes. Mr. Dennis E. Edaño is a lawyer by profession.

**(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        | Reports and other data relevant to a committee are available to the Board upon request. |
| Audit            | Reports and other data relevant to a committee are available to the Board upon request. |
| Nomination       | Reports and other data relevant to a committee are available to the Board upon request. |
| Remuneration     | Reports and other data relevant to a committee are available to the Board upon request. |
| Others (specify) | N/A   |

**6) External Advice**

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

| Procedures | Details  |
|------------|--|
|            | The Board may seek the advice or counsel of professional advisers as may be necessary in the performance of its mandate. |

**7) Change/s in existing policies**

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

| Existing Policies  | Changes | Reason |
|--|---------|--------|
| The Board has not introduced amendments to existing policies which may have an effect on its business. |         |        |

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

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

| Process   | CEO   | Top 4 Highest Paid Management Officers |
|---|---|--|
| (1) Fixed remuneration                            | The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held. |  |
| (2) Variable remuneration                         | NONE  |  |
| (3) Per diem allowance                            | NONE  |  |
| (4) Bonus   | Bonuses are discretionary. This may depend on the profitability, productivity and fund availability.  |  |
| (5) Stock Options and other financial instruments | NONE  |  |
| (6) Others (specify)                              | NONE  |  |

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors (updated as of July 10, 2013)**

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     | The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held. |                                    |                                |
| Non-Executive Directors | Non-Executive Directors are not entitled to remuneration other than per diem for attendance in Board meetings.  |                                    |                                |



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

| Remuneration Scheme   | Date of Stockholders' Approval |
|---|--------------------------------|
| There is no change in the Company's remuneration policy and scheme mentioned above, and the same has been approved during the respective annual stockholders' meetings. | <u>10 June 2014</u>            |
|   | 10 July 2013                   |
|   | June 13, 2012                  |

### 3) Aggregate Remuneration (updated as of December 31, 2014)

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration Item                                    | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration                               | NONE                | NONE   | NONE                  |
| (b) Variable Remuneration                            | NONE                | NONE   | NONE                  |
| (c) Per diem Allowance                               | <u>P200,000.00</u>  | <u>P100,000.00</u>   | <u>P200,000.00</u>    |
| (d) Bonuses  | VARIABLE            | NONE   | NONE                  |
| (e) Stock Options and/or other financial instruments | NONE                | NONE   | NONE                  |
| (f) Others (Specify)                                 | N/A                 | N/A  | N/A                   |
| <b>Total</b>   |                     |  |                       |

| Other Benefits                          | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---------------------|---|-----------------------|
| 1) Advances                             | NONE                | NONE  | NONE                  |
| 2) Credit granted                       | NONE                | NONE  | NONE                  |
| 3) Pension Plan/s Contributions         | NONE                | NONE  | NONE                  |
| (d) Pension Plans, Obligations incurred | NONE                | NONE  | NONE                  |
| (e) Life Insurance Premium              | NONE                | NONE  | NONE                  |
| (f) Hospitalization Plan                | NONE                | NONE  | NONE                  |
| (g) Car Plan                            | NONE                | NONE  | NONE                  |
| (h) Others (Specify)                    | NONE                | NONE  | NONE                  |
| <b>Total</b>                            |                     |   |                       |

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

| Director's Name | Number of Direct Option/Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|-----------------|---|---|-----------------------------|----------------------------|
| NONE            |   |   |                             |                            |

**(b) Amendments of Incentive Programs**

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

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| NONE              |            |                                |

**5) Remuneration of Management (updated as of December 31, 2014)**

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

| Name of Officer/Position   | Total Remuneration            |
|--|-------------------------------|
| Senior Management as a group (Senior Vice President, and Vice Presidents)* | <b><u>Php7,790,628.00</u></b> |

\*includes the following officers:

- a. Mr. Ricky S. Libago, Senior Vice President for Property Development
- b. Mr. Antonio E. Llantada, Vice President for Audit and Management Services
- c. Mr. Ricardo B. Gregorio, Vice President for Human Resources and General Administrative Services
- d. Ms. Jhoanna Lyndelou T. Llaga, Vice President for Marketing
- e. Mr. Dennis E. Edano, Assistant Vice President for Legal and Corporate Affairs

## E. BOARD COMMITTEES

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

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

| Committee        | No. of Members          |                              |                           | Committee Charter       | Functions  | Key Responsibilities   | Power   |
|------------------|-------------------------|------------------------------|---------------------------|-------------------------|--|--|---|
|                  | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) |                         |  |  |   |
| Executive        | 2                       | 1                            | -                         |                         | To act, by majority vote of all its members, on specific matters within the competence of the Board, as may be delegated in the By-Laws or on a majority vote of the Board, except in those instances expressly provided under Section 35 of the Corporation Code. | Acts on all matters that may be assigned by the Board  | Acts on all matters that may be assigned by the Board                     |
| Audit            | 1                       | -                            | 2                         | Audit Committee Charter | Oversight responsibilities for the financial reporting process, internal control, risk management, internal audit, external audit, management and legal, tax and regulatory compliance   | Financial Reporting<br>Risk Management<br>Internal Control<br>Internal Audit<br>External Audit | Conduct investigation on matters within the scope of its responsibilities |
| Nomination       | -                       | 1                            | 2                         |                         |  |  |   |
| Remuneration     | -                       | 1                            | 2                         |                         |  |  |   |
| Others (specify) | -                       | -                            | -                         |                         |  |  |   |

## 2) Committee Members

### (a) Executive Committee (updated as of December 31, 2014)

| Office      | Name                      | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|---------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | ANDREW L. TAN             | <u>10 June 2014</u> | <u>11</u>            | <u>11</u>                | 100 | 2 years                            |
| Member (ED) | ANTHONY CHARLEMAGNE C. YU | <u>10 June 2014</u> | <u>11</u>            | <u>11</u>                | 100 | 2 years                            |
| Member (ED) | EVELYN G. CACHO           | <u>10 June 2014</u> | <u>11</u>            | <u>11</u>                | 100 | 2 years                            |

### (b) Audit Committee (updated as of December 31, 2014)

| Office      | Name                     | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|--------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | GERARDO C. GARCIA        | <u>10 June 2014</u> | 4                    | 4                        | 100 | 2 years                            |
| Member (ED) | EVELYN G. CACHO          | <u>10 June 2014</u> | 4                    | 4                        | 100 | 2 years                            |
| Member (ID) | ALEJO L. VILLANUEVA, JR. | <u>10 June 2014</u> | 4                    | 4                        | 100 | 2 years                            |

#### Disclose the profile or qualifications of the Audit Committee members.

**Answer:** The Audit Committee is chaired by Mr. Gerardo C. Garcia, an Independent Director, who has extensive background in finance.

Members of the Audit Committee are Ms. Evelyn G. Cacho and Mr. Alejo L. Villanueva, Jr.

Ms. Evelyn G. Cacho is a Certified Public Accountant and is currently the Corporation's Vice President for Finance.

Mr. Alejo L. Villanueva, Jr. is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consultancy work for the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture and World Bank (Subic Conversion Program).

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

**Answer:** The Audit Committee has an oversight function over the Company's internal and external auditors. It ensures that both auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to effectively perform their function.

The Audit Committee reviews the reports submitted by the internal and external auditors and may conduct investigations on matters within the scope of its responsibilities.

(c) **Nomination Committee (Updated as of December 31, 2014)**

| Office      | Name                     | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|--------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | ENRIQUE SANTOS L. SY     | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |
| Member (ID) | ALEJO L. VILLANUEVA, JR. | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |
| Member (ID) | GERARDO C. GARCIA        | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |

(d) **Remuneration Committee (Updated as of December 31, 2014)**

| Office      | Name                     | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-------------|--------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman    | ANDREW L. TAN            | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |
| Member (ID) | GERARDO C. GARCIA        | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |
| Member (ID) | ALEJO L. VILLANUEVA, JR. | <u>10 June 2014</u> | 1                    | 1                        | 100 | 2 years                            |

(e) **Others (Specify)**

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

| Office      | Name  | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|---|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman    | THERE ARE NO OTHER BOARD COMMITTEES ASIDE FROM THE ABOVE-IDENTIFIED COMMITTEES. |                     |                      |                          |   |                                    |
| Member (ED) |   |                     |                      |                          |   |                                    |

3) **Changes in Committee Members**

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

| Name of Committee | Name   | Reason |
|-------------------|--|--------|
| Executive         | THERE IS NO CHANGE IN COMMITTEE MEMBERSHIP FOR THE COVERED PERIOD. |        |
| Audit             |  |        |
| Remuneration      |  |        |
| Nomination        |  |        |

4) **Work Done and Issues Addressed**

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

| Name of Committee | Work Done                                    | Issues Addressed  |
|-------------------|--|---|
| Executive         | Acted on all matters delegated by the Board. | Issued operational approvals within the scope of the Executive Committee's authority, as provided in the Company's By-Laws. |

|              |  |   |
|--------------|--|---|
| Audit        | Implementation of the Company's Audit Committee Charter                                  | Compliance with the Audit Committee Charter.                          |
| Nomination   | Prepared the final list of candidates for election at the annual meeting of stockholders | Qualification of Nominees and finalization of the list of candidates. |
| Remuneration | Reviewed compensation of directors and officers  | Determination of Industry Compensation and remuneration trends.       |

## 5) Committee Program

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

| Name of Committee | Planned Programs  | Issues to be Addressed  |
|-------------------|---|---|
| Executive         | Implement the strategic direction set by the Board              | Operational concerns vis-à-vis strategic direction set by the Board |
| Audit             | Review of Risk Management System                                | Adherence to internal control policies                              |
| Nomination        | Review of existing qualification and disqualification standards | Ensure compliance with new rules and regulations                    |
| Remuneration      | Review of Organizational Structure and Company Benefits Program | Industry compensation/remuneration benchmarking                     |
| Others (specify)  | NONE  | NONE  |

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

**Answer:** The Board, thru the Audit Committee, periodically reviews the effectiveness of the Company's risk management systems with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures. Risk management review is conducted annually with the Internal Audit Department. A review for the period 2012 was conducted in the first quarter of the year. Criteria used for review are compliance with controls and accuracy of identified risks and appropriateness of risk treatment plans.

### 2) Risk Policy

#### (a) Company

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

| Risk Exposure   | Risk Management Policy  | Objective  |
|---|---|--|
| Country Risk relating to the continued performance of the Philippine economy and political stability. | Use of pre-selling as a project financing tool.<br><br>Entering into joint development agreements from the acquisition of land.             | Minimize cash outlays for projects, control development costs and maintain a new cash position.<br><br>Maximize cost efficiencies and resources. |
| Project Cost and Completion Risk  | Establish linkages with a broad base of supplies. Efficient project management and monitoring.  | On-time completion of projects, efficient sourcing of construction materials.  |
| Customer Default Risk   | Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation. | Revenue and property diversification.  |

**(b) Group**

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

| Risk Exposure   | Risk Management Policy  | Objective  |
|---|---|--|
| Country Risk relating to the continued performance of the Philippine economy and political stability. | Use of pre-selling as a project financing tool.<br><br>Entering into joint development agreements from the acquisition of land.             | Minimize cash outlays for projects, control development costs and maintain a new cash position.<br><br>Maximize cost efficiencies and resources. |
| Project Cost and Completion Risk  | Establish linkages with a broad base of supplies. Efficient project management and monitoring.  | On-time completion of projects, efficient sourcing of construction materials.  |
| Customer Default Risk   | Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation. | Revenue and property diversification.  |

**(c) Minority Shareholders**

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

| Risk to Minority Shareholders   |
|---|
| Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy. |

**3) Control System Set Up**

**(a) Company**

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

| Risk Exposure   | Risk Assessment<br>(Monitoring and Measurement Process)                        | Risk Management and Control<br>(Structures, Procedures, Actions Taken)          |
|---|--|---|
| Country Risk relating to the continued performance of | Institutional reviews of the Philippine economy particularly the real property | Minimize each outlay for projects, control development costs and maintain a new |

|   |                                       |   |
|---|---------------------------------------|---|
| the Philippine economy and political stability. | sector                                | each position.<br>Maximize cost efficiencies and resources.                   |
| Project Cost and Completion Risk                | Project monitoring teams              | On-time completion of projects, efficient sourcing of construction materials. |
| Customer Default Risk                           | Customer Satisfaction/Default reports | Revenue and property diversification.   |

**(b) Group**

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

| <b>Risk Exposure</b>  | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>                        | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>  |
|---|--|---|
| Country Risk relating to the continued performance of the Philippine economy and political stability. | Institutional reviews of the Philippine economy particularly the real property sector. | Minimize each outlay for projects, control development costs and maintain a new each position.<br>Maximize cost efficiencies and resources. |
| Project Cost and Completion Risk  | Project monitoring teams   | On-time completion of projects, efficient sourcing of construction materials.   |
| Customer Default Risk   | Customer Satisfaction/Default reports  | Revenue and property diversification.   |

**(c) Committee**

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

| <b>Committee/Unit</b> | <b>Control Mechanism</b>  | <b>Details of its Functions</b>   |
|-----------------------|---|---|
| Board Audit Committee | The mechanism established by the company to safeguard the independence of internal auditors is such that the auditors report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. The department annually declares/undertake a non-conflict of interests by its auditors. | Provides oversight over Management's risk management process, financial reporting process and reviews internal audit plans. |

**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;**

**Answer:** Internal Control System refers to the management's ability to control particular risks or business activities that



the Company is exposed to. Internal Control is effected by the board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

**(b) Period covered by the review;**

**Answer:** January to December of each year

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

**Answer:** Internal controls are reviewed annually. The Internal Audit Group submits a post-audit report assessing the effectiveness of the internal control system of the Company to the Audit Committee of the Board.

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

**Answer:** N/A

**2) Internal Audit**

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

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

| Role  | Scope   | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process   |
|---|---|--|--|---|
| Internal audit's role is to provide an independent, objective assurance and consulting services designed to add value and improve the Company's operations. It assists the Company in achieving its objectives by bringing a systematic approach to evaluate and improve the effectiveness of internal control. | The scope of work of internal audit is to determine whether the company's internal control systems, procedures and processes is adequate and functioning to ensure that significant financial, managerial and operating information is accurate, reliable and timely; that employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and resources are acquired economically, used efficiently, and adequately protected. | The Internal Audit function in the company is done in-house.   |  | i) Initial Planning;<br>ii) Evaluation Process;<br>iii) Compliance Tests and Analysis of Data Gathered;<br>iv) Reporting;<br>v) Review and Supervision of Audit Work/Report;<br>vi) Follow-up of Reported Issues. |

**(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?**

**Answer:** Yes, as stated in the Audit Committee Charter of the Company.

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

**Answer:** Yes

**(d) Resignation, Re-assignment and Reasons (updated as of December 31, 2014)**

**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.**

**Answer:** There are no resignations or reassignments of audit staff as of December 31, 2014.

**(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> | The progress of the annual internal audit plan is being monitored monthly and is reported to the President.                      |
| <b>Issues<sup>6</sup></b>     | Issues are discussed with the Auditor during closing meetings and their responses are incorporated in the internal audit report. |
| <b>Findings<sup>7</sup></b>   | Findings are reported to the President and concerned management through the internal audit report.                               |
| <b>Examination Trends</b>     | Examinations are being done on the different departments of the Company and its subsidiaries regularly.                          |

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

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

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

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

**(f) Audit Control Policies and Procedures**

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

| <b>Policies &amp; Procedures</b> | <b>Implementation</b>  |
|----------------------------------|--|
| Internal Audit                   | Internal Audit is guided by a manual of internal control systems, policies and procedures as well as audit programs which it uses in its review and evaluation of the different departments of the Company and its subsidiaries. |

**(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> |
|---|---------------------------|-------------------------|------------------------|
| The mechanism established by the Company to safeguard the independence of internal auditors is such that, the auditor's report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. |                           |                         |                        |

**(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.**

| <b>Name</b>               | <b>Position in the Company</b>   |
|---------------------------|--|
| Andrew L. Tan             | Chairman of the Board of Directors                                     |
| Gerardo C. Garcia         | Vice Chairman/ Independent Director                                    |
| Katherine L. Tan          | Director   |
| Anthony Charlemagne C. Yu | Director/ President  |
| Alejo J. Villanueva, Jr.  | Independent Director   |
| Evelyn G. Cacho           | Director/Vice President for Finance                                    |
| Enrique Santos L. Sy      | Director   |
| Ricky S. Libago           | Senior Vice President for Property Development                         |
| Antonio E. Llantada, Jr.  | Vice President for Audit and Management Services                       |
| Ricardo B. Gregorio       | Vice President for Human Resources General and Administration Services |
| Jhoanna Lyndelou T. Llaga | Vice President for Marketing   |
| Giovanni C. Ng            | Treasurer  |
| Dennis E. Edaño           | Corporate Secretary  |
| Celeste Z. Sioson         | Assistant Corporate Secretary  |

## H. ROLE OF STAKEHOLDERS

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

|  | Policy   | Activities   |
|--|--|--|
| Customers' welfare                         | To deliver innovative, responsive and high quality products in keeping with market demands.  | Product innovation and focus on skill enhancement to meet market trends and ensure positive customer experience.   |
| Supplier/contractor selection practice     | Selection of suppliers and contractors on the basis of quality and pricing.  | Canvassing and bid processes are observed to ensure quality and price competitiveness for the supply chain.  |
| Environmentally friendly value-chain       | Incorporate environmentally friendly practices as a form of corporate social responsibility.   | Preference for suppliers with environmental advocacy, keeping the specific supply requirements of the Company in mind.   |
| Community interaction                      | Responsible, innovative and responsive business practices with the well-being, safety and satisfaction of its clients and the community in mind. | The Company focuses on developing transit-oriented projects to maximize access to public transport, thereby reducing carbon-footprint.<br><br>The Company also utilizes an intranet system for all communications within the organization in order to reduce paper consumption.<br><br>The Company encourages the use of recycled paper in its communications. |
| Anti-corruption programmes and procedures? | Foster a culture of honesty and integrity.   | Inculcate honesty and integrity in its workforce. Ensure compliance through the Code of Conduct.   |
| Safeguarding creditors' rights             | Full disclosure and transparency   | Timely meeting of the Company's obligations and proper fund allocation.  |

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

**Answer:** Yes, the Annual Report has a corporate responsibility report.

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

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

**Answer:** The Company values the health and safety of its employees and provides in its Code of Conduct, standards for health and safety which must be observed by its employees.

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

**Answer:** There have been no reported work-related accidents or health concerns in the Company.

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

**Answer:** The Company encourages its officers and employees to avail of continuing education programs to further enhance and/or complement their technical knowledge.

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

**Answer:** NONE

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

**Answer:** Complaints concerning misunderstandings and differences among members of the Company are handled by the Company's Grievance Committee, which spearheads investigations concerning such complaints.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure (updated as of December 31, 2014)**

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

| Shareholder              | Number of Shares | Percent  | Beneficial Owner   |
|--------------------------|------------------|----------|--|
| <b>Megaworld Corp.</b>   | 11,993,051,438   | 81.7176% | Megaworld Corporation  |
| <b>PCD Nominee Corp.</b> | 1,470,306,568    | 10.0183% | The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients. No PCD participants owns 5% or more of the Company's shares of common stocks. |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| <b>NONE</b>               |                         |  |                    |

**2) Does the Annual Report disclose the following:**

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

|  |     |
|--|-----|
| Attendance details of each director/commissioner in respect of meetings held               | Yes |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

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

**3) External Auditor's fee (updated as of December 31, 2014)**

| Name of auditor       | Audit Fee              | Non-audit Fee |
|-----------------------|------------------------|---------------|
| Punongbayan & Araullo | <u>Php1,600,000.00</u> | NONE          |

**4) Medium of Communication**

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

**Answer:** Annual Report (both in printed and in digital format), Online Website.

**5) Date of release of audited financial report: April 30, 2014**

**6) Company Website: <http://www.empire-east.com>**

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

|  |     |
|--|-----|
| Business operations  | Yes |
| Financial statements/reports (current and prior years)                             | Yes |
| Materials provided in briefings to analysts and media                              | Yes |
| Shareholding structure   | Yes |
| Group corporate structure  | Yes |
| Downloadable annual report   | Yes |
| Notice of AGM and/or EGM   | Yes |
| Company's constitution (company's by-laws, memorandum and articles of association) | No  |

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

**7) Disclosure of RPT**

| RPT  | Relationship | Nature | Value |
|--|--------------|--------|-------|
| The Company's Annual Financial Statements provide a disclosure of its related party transactions. In the normal course of business, the Company enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. |              |        |       |

**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?**

**Answer:** The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions.

**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> | The Company follows the quorum requirement of the Corporation Code. |
|------------------------|---|

**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

|                    |   |
|--------------------|---|
| <b>System Used</b> | Corporate acts except those requiring stockholders' approval are approved by the Board.               |
| <b>Description</b> | At least a majority vote of the directors present in a meeting is 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.

| Stockholders' Rights under<br>The Corporation Code   | Stockholders' Rights <u>not</u> in<br>The Corporation Code |
|--|--|
| The Company complies with and follows the Corporation Code provisions for Stockholders' Rights concerning Annual and/or Special Stockholders' Meeting. |  |

**Dividends**

| Declaration Date | Record Date  | Payment Date |
|------------------|--------------|--------------|
| 2006             | 13 July 2006 | 2006         |

**(d) Stockholders' Participation (updated as of July 10, 2013)**

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

| Measures Adopted                              | Communication Procedure |
|---|-------------------------|
| Open forum during Annual Stockholders Meeting | Verbal communication    |

2. 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

**Answer:** The Company complies with the requirements of the Corporation Code and requires a 2/3 vote of stockholders for amendments to the Company's Articles of Incorporation and sale of all or substantially all of the Company's assets.

Pre-emptive rights to subscribe to all stock issuances of the Company are waived in the Company's Articles of Incorporation.

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

**Answer:** Yes

- Date of sending out notices: 20 May 2014
- Date of the Annual/Special Stockholders' Meeting: 10 June 2014

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

**Question: I read an article in National Geographic magazine which featured Empire East's lead in the middle income market and how the company can catch up with the rapid emergence of the Philippines as Asia's new economic tiger. You state there that it is the most stable segment in the housing sector. But other developers are also tapping in the mid segment. Will there be no oversupply of residential properties in that sector? Would that sector not be over saturated?**

**Answer: Honestly we think we have just started. The residential sector is booming and we would like to throw a comparison between our country and those neighboring Asian countries. The Philippines compared to other Asian neighbors has a lot of room for growth in the residential development. There are three important factors which I would like to highlight. First, unlike other Asian neighbors we have no massive government housing project. There is a huge gap that continues to be filled by the private sector. That is a very important distinction because unlike our other Asian neighbors where nearly 85% of housing needs are met by government resources, in this country, it is the private sector that supplies them.**

**The second factor is the Overseas Filipino Workers phenomenon. It is not unique in the Philippines. All countries around the world have sent overseas workers abroad where they are in need. But the Overseas Filipino Workers phenomenon here is different because it has been sustained through decades. Whereas before we used to send Filipino workers to work at the lower level, now we are going to the service sector which is a more creative sector.**

**The third factor would be the BPO factor or business process outsourcing. It is relatively new in our country but it has played very significant inroads in our economic growth. Business process outsourcing was pioneered in this country by Megaworld here in Eastwood City. Many years ago when we had the Asian crisis, Megaworld had to bring officials from the government to Bangalore in India to show them that there is a BPO industry and that if it can be done in India, it can be done in the Philippines. Because of that trip, Eastwood City was the first accredited cyber city in the Philippines. Today, we remain the biggest lessor for cyberspace. These factors create the demand for housing that we are supplying and that demand continues to grow. The only difference between us and the other companies is that we have the competitive advantage. We were there when no developer was there. We know the middle income sector very well and we believe that we have just started. The fact that they are all now tapping the middle income sector just**



proves that there is a very wide potential for the middle income sector which our Company continues to lead. We believe that there is no oversupply and that we have many more productive years to come in the middle income sector.

Question: I was personally amazed by your Olivia will you marry me campaign. Honestly, it made me think about who that rich man was. What is the next big idea in the Empire East marketing strategies? Will there be a continuation of the Olivia story?

Answer: Thank you for noticing the Olivia will you marry me ad campaign. That campaign was aimed not only to catch attention but to really introduce a new mindset. We would like to use that campaign as a campaign for us to direct their attention to consider investing in something that could grow, that will sustain them for their future. While that ad campaign became very successful and went viral, what is even more amazing is the fact that the entire concept from its conception up to its execution was done by an in-house team. Many of the ad agencies, broad sheets, broadcasting networks called us and asked who the ad agency was and they could not believe that it was a small group of very competent people in-house that conceptualized and executed this. As to your question whether or not there will be a continuation of the Olivia story, the answer is why not but at the proper time and like most successful ad campaigns, it is a secret which we will reveal in time.

Question: You mentioned about concepts that Empire East has ventured into such as transit oriented development. I've heard of concepts like serviced apartments, where in condominium floors are dedicated to serviced apartments where guests are given full service like the ones in hotels. Now my question is would Empire East decide to venture in those kind of projects as well?

Answer: Serviced apartment is a combination of two concepts – service and apartment. While it is a core competency of your company to do apartment condominium units, it is not our core competency to do the service portion of that. When we speak of serviced apartments, we're usually talking of the hotel industry, the service industry, which is actually more luxurious and big developers like Megaworld would be better suited to respond to. Not that we would preclude ourselves from ever entering into that market if the opportunity comes. But at the moment, we think that there is still a lot of room for us in the middle income sector and would like to focus on developing and selling residential units.

Question: Aside from being a stockholder, I've been a resident in one of the projects in Quezon City. Our property maintenance has been inconsistent lately. Can we first upgrade the existing property maintenance before venturing into luxury markets?

Answer: Thank you very much for trusting Empire East by being a shareholder and by buying and investing in one of our projects. We have received the feedback as well and we always make sure that we relay them to the person managing the properties. Most of the property management for properties of Empire East and other affiliates is done by First Oceanic. It has undergone some organizational changes which will definitely lift up our service for the maintenance of the different units in different projects. Also, because of the growing number of inventory in our finished products for the whole group, Empire East has also started to build its own in-house property management group in order for us to cater to the property management of the new projects of Empire East.

Question: Earlier in your report, I noticed this graph pertaining to the performance of the company's reservation sales. The figure shows the consistent increase of the sales reservations for years but now the figures have dropped. Do you believe that there is really a sales cycle? Does the Company develop a plan or strategy to increase the Company's reservation sales?

Answer: Our sales are going on an upward trajectory. However, we saw that for every four to five years there is a small dip. We're happy to note that we are at the 7<sup>th</sup> straight year of growth. For us to reach the point of 20 billion in reservation sales, we continue to build our sales team and come up with new projects. We believe that our reservation sales will continue to improve. Aside from reservation sales, there are also some portions of our project which may allow us some room for some commercial strips or even malls like

in Broadway. For this, we shall be working very closely with the Megaworld Lifestyle Malls because they have the expertise there in order for us to ensure that the residents of the project around the area will get the best value for what they have in that area. We expect it to be a continuous uptrend but yes there are cycles. Your Company is watching over these cycles to make sure we are well protected should those cycles come.

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

| Resolution                     | Approving                      | Dissenting | Abstaining |
|--------------------------------|--------------------------------|------------|------------|
| Engagement of External Auditor | All stockholders in attendance | None       | none       |

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

Answer: Results were published on 10 June 2014 or on the day the Annual Stockholders' Meeting was held.

(e) Modifications

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

| Modifications | Reason for Modification |
|---------------|-------------------------|
| NONE          |                         |

(f) Stockholders' Attendance (updated as of June 10, 2014)

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

| Type of Meeting | Names of Board members / Officers present  | Date of Meeting     | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|---------------------|---|-----------------------------|------------------|--------------------------|
| Annual          | - Andrew L. Tan<br>- Gerardo C. Garcia<br>- Anthony Charlemagne C. Yu<br>- Katherine L. Tan<br>- Evelyn G. Cacho<br>- Enrique Santos L. Sy<br>- Alejo L. Villanueva, Jr. | <u>10 June 2014</u> | By nomination                                   | <u>0.014%</u>               | <u>84.125%</u>   | <u>84.139 %</u>          |
| Special         | NONE   |                     |   |                             |                  |                          |

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

Answer: Yes

(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.

Answer: Yes

(g) Proxy Voting Policies

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

|                                     | Company's Policies  |
|-------------------------------------|---|
| Execution and acceptance of proxies | Must be signed by authorized signatory of the stockholder with accompanying resolutions designating the proxy/representative                      |
| Notary                              | Not necessary   |
| Submission of Proxy                 | Must be submitted at least 10 days before the scheduled meeting   |
| Several Proxies                     | Yes. Multiple proxies is allowed.   |
| Validity of Proxy                   | Appointments shall not exceed 5 years from date of grant and may be revoked by the stockholder at any time before the right granted is exercised. |
| Proxies executed abroad             | Allowed   |
| Invalidated Proxy                   | Share/s shall not be counted for quorum   |
| Validation of Proxy                 | At least 10 days before scheduled meeting   |
| Violation of Proxy                  | Vote/s shall not be counted   |

**(h) Sending of Notices**

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

| Policies   | Procedure |
|--|-----------|
| The Company complies with the procedure provided in the Corporation Code and the Securities Regulation Code. |           |

**(i) Definitive Information Statements<sup>8</sup> and Management Report (updated as of June 10, 2014)**

|   |  |
|---|--|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials  | <u>12,972<sup>9</sup> stockholders</u> |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | <u>20 May 2014</u>                     |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders                                  | <u>20 May 2014</u>                     |
| State whether CD format or hard copies were distributed   | <u>CD format</u>                       |
| 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 item.  | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |

<sup>8</sup> Based on Definitive Information Statement for 2014 Annual Stockholders Meeting.

<sup>9</sup> Figure as of 31 May 2014

|   |  |
|---|--|
| The auditors to be appointed or re-appointed.                             | Yes  |
| An explanation of the dividend policy, if any dividend is to be declared. | The Company opted to reinvest its earnings and profits, and no dividend has been declared since year 2006. |
| The amount payable for final dividends.                                   |  |
| Documents required for proxy vote.  | Yes  |

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

Answer: NONE

## 2) Treatment of Minority Stockholders

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

| Policies   | Implementation  |
|--|---|
| All stockholders are treated equally and without discrimination. | All stockholders are given 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 (Section 3(B), Manual of Corporate Governance) |

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

Answer: 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.

Answer: All external and internal communications are being reviewed by the Compliance Officer, endorsed by the President/Chief Executive Officer, and approved by the Board of Directors prior to information distribution.

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

|                                 | Details  |
|---------------------------------|--|
| (1) Objectives                  | To keep shareholders informed of important development in the Company.                         |
| (2) Principles                  | Transparency and accessibility to investors  |
| (3) Modes of Communications     | Communication may be done through corporate disclosures, press release and company statements. |
| (4) Investors Relations Officer | Johann R. Quiazon/Tel. No. 8678048/<br>Email add: jquiazon@megaworldcorp.com                   |

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?

Answer: The Company takes guidance from the Corporation Code and the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange with respect to the approval, pricing and the disclosures of

acquisitions of corporate control in the capital markets and extraordinary transactions.

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

**Answer:** None. The Company may engage an independent appraiser as the need arises.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

| Initiative  | Beneficiary                                      |
|---|--|
| Tree planting activities  | Environment, stakeholders and the general public |
| Contribute to the reduction of carbon footprint by focusing on developing transit-oriented projects | Environment, stakeholders and the general public |

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

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

|                             | Process          | Criteria  |
|-----------------------------|------------------|---|
| <b>Board of Directors</b>   | Self -Assessment | No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company’s corporate governance practices are compliant with the best business practice guidelines. |
| <b>Board Committees</b>     | Board Review     | Performance of delegated functions  |
| <b>Individual Directors</b> | Self-Assessment  | No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company’s corporate governance practices are compliant with the best business practice guidelines. |
| <b>CEO/President</b>        | Board Review     | Results of Operations   |

**N. INTERNAL BREACHES AND SANCTIONS**

**Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.**

| Violations  | Sanctions |
|---|-----------|
| The Company designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Director to measure or determine the level of compliance by the Company with its Manual. |           |