

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT(amended)**

1. Report is Filed for the Year .....2013
2. Exact Name of Registrant as Specified in its Charter Araneta Properties, Inc.
3. 21F Citibank Tower Paseo De Roxas Makati City .....  
Address of Principal Office Postal Code
4. SEC Identification Number 0000152249..... 5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 000-840-355.....
7. (632)848-1501 to 04  
Issuer's Telephone number, including area code
8. ....  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A.</b>	<b>BOARD MATTERS.....</b>	<b>5</b>
	1) BOARD OF DIRECTORS	
	(a) Composition of the Board.....	5
	(b) Corporate Governance Policy/ies.....	6
	(c) Review and Approval of Vision and Vision.....	8
	(d) Directorship in Other Companies.....	10
	(e) Shareholding in the Company.....	10
	2) CHAIRMAN AND CEO.....	10
	3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS...11	
	4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECT.....	11
	5) CHANGES IN THE BOARD OF DIRECTORS.....	12
	6) ORIENTATION AND EDUCATION PROGRA.....	16
<b>B.</b>	<b>CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>17</b>
	1) POLICIES.....	17
	2) DISSEMINATION OF CODE.....	18
	3) COMPLIANCE WITH CODE.....	19
	4) RELATED PARTY TRANSACTIONS.....	19
	(a) Policies and Procedures.....	19
	(b) Conflict of Interest.....	20
	5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	20
	6) ALTERNATIVE DISPUTE RESOLUTION.....	20
<b>C.</b>	<b>BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>20</b>
	1) SCHEDULE OF MEETINGS.....	20
	2) DETAILS OF ATTENDANCE OF DIRECTORS.....	21
	3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	21
	4) QUORUM REQUIREMENT .....	21
	5) ACCESS TO INFORMATION.....	21
	6) EXTERNAL ADVICE.....	23
	7) CHANGES IN EXISTING POLICIES.....	23
<b>D.</b>	<b>REMUNERATION MATTERS.....</b>	<b>24</b>
	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.</b>	<b>BOARD COMMITTEES.....</b>	<b>27</b>
	1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	29
	2) COMMITTEE MEMBERS.....	29
	3) CHANGES IN COMMITTEE MEMBERS.....	31
	4) WORK DONE AND ISSUES ADDRESSED.....	32
	5) COMMITTEE PROGRAM.....	32

<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>33</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	33
2) RISK POLICY.....	34
3) CONTROL SYSTEM.....	36
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>36</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	38
2) INTERNAL AUD	
(a) Role, Scope and Internal Audit Function.....	38
(b) Appointment/Removal of Internal Auditor.....	38
(c) Reporting Relationship with the Audit Committee.....	38
(d) Resignation, Re-assignment and Reasons.....	39
(e) Progress against Plans, Issues, Findings and Examination Trends.....	39
(f) Audit Control Policies and Procedures.....	39
(g) Mechanisms and Safeguards.....	39
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>39</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>40</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>43</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	43
2) TREATMENT OF MINORITY STOCKHOLDERS.....	43
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>48</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>50</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>51</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>51</b>

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
---	---

Actual number of Directors for the year	9
---	---

- (a) Composition of the Board  
Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Gregorio Ma. Araneta III	ED	n/a		1997	November 20, 2013	Annual Stockholders' meeting	15 years
Crisanto Roy B. Alcid	ED	n/a	Gregorio Ma Araneta III	1997	November 20, 2013	Annual Stockholders' meeting	2 years
Carlos R. Araneta	ED	n/a		2009	November 20, 2013	Annual Stockholders' meeting	3 years
Luis M. Araneta	NED	n/a	Gregorio Ma Araneta III		November 20, 2013	Annual Stockholders' meeting	
Perry Pe	ID	n/a	Gregorio Ma Araneta III	2003	November 20, 2013 (Nine Years)	Annual Stockholders' meeting	9 years
Alfredo De Borja	ID	n/a	Gregorio Ma Araneta III	2009	November 20, 2013 ( Three Years)	Annual Stockholders' meeting	3 years
Alfredo D. Roa III	ID	n/a	Gregorio Ma Araneta III	2010	November 20, 2013 (Two Years)	Annual Stockholders' meeting	2 years
Santiago Araneta	NED	n/a	Gregorio Ma Araneta III	2003	November 20, 2013	Annual Stockholders' meeting	Less than 1 year
Alfonso Araneta	NED	n/a	Gregorio Ma Araneta III	2013	November 20, 2013	Annual Stockholders' meeting	Less than 1 year

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

The Company believes that a high standard of corporate governance practice is fundamental to the Company's continued success and will therefore undertake every effort necessary to create awareness within the organization. This Manual shall institutionalize the principles of good corporate governance and serves as a barometer of the entire corporation.

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

- A) Right to vote on all matters that require their consent or approval;
  - A.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
  - A.2 Cumulative voting shall be used in the election of directors.
  - A.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- B) Pre-emptive right to all stock issuances of the Company;
  - B.1 All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.
- C) Right to inspect corporate books and records;
  - C.1 All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
- D) Right to information;
  - D.1 The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
  - D.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.
  - D.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such

information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

E) Right to dividends

E.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

E.2 The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

F) Appraisal right.

F.1 The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

G) The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

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

stockholder's favor.

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

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

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

With the exemption of economic change that would substantially affect the previously approved Vision and Mission, we generally review and approve the vision mission every 15 years.

(d) Directorship in Other Companies

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

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

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Gregorio Ma. Araneta III	Carmel Development, Inc.	Executive & Chairman of the Board
	Gamma Properties, Inc.	Chairman of the Board
Crisanto Roy B. Alcid	Carmel Development, Inc.	Executive
	Gamma Properties, Inc.	Executive & Member of the Board

---

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

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Gregorio Ma. Araneta III	ISM Communications Corporation	Independent
Gregorio Ma. Araneta III	Oriental Petroleum & Minerals Corp.	Independent
Alfredo de Borja	Ionics Inc.	Independent

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Gregorio Ma. Araneta III	Carlos R. Araneta	Second Degree
Gregorio Ma. Araneta III	Luis M. Araneta	First degree
Gregorio Ma. Araneta III	Alfonso Araneta	First Degree
Gregorio Ma. Araneta III	Santiago Araneta	Third Degree

(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:

No.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	n/a
Non-Executive Director	None	n/a
CEO	None	n/a

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: as of December 31, 2013

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Gregorio Ma. Araneta	120,060	499,999,997 (holds 99% of Carmel Development, Inc.) 437,929,567 (holds 50% of Gamma)	.01%

		Properties, Inc.)	
Carlos R. Araneta	21,660		Nil
Santiago Araneta	85,800		Nil
Perry L. Pe	1		Nil
Alfredo de Borja	1		Nil
Alfredo D. Roa III	1		Nil
Crisanto Roy B. Alcid	1		Nil
Luis Araneta	1		nil
Alfonso Araneta	1		Nil
<b>TOTAL</b>	<b>227,526</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	Gregorio Ma. Araneta III (Chairman of the Board/CEO)
CEO/President	Crisanto Roy Alcid(President)

No, however, the position of president belongs to a different person.

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Preside over meetings of the Board and Shareholders and oversee the mission and vision of the company	Manage the operation of the company
Accountabilities	Policy formulation and with fiduciary duty from stockholders	Enhance corporate objective and implement policies
Deliverables	Compliance of objectives, goals and targets with the guide of good corporate governance	Ensure target growth, meet revenue and profit

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

The Board of Director's, the CEO and the managing director, if any, are elected during the Annual Stockholders' Meeting and/or special stockholders' meeting, while the president is elected during the organizational meeting which is normally held after the conclusion of Stockholders' Meeting.

- 4) Other Executive, Non-Executive and Independent Directors

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

The Company policies provide for positions of executive, non-executive and independent directors, who must be at least a college degree holder with relevant experience in the same corporate line of business, specifically on publicly listed companies.

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

The Company ensures that its independent directors are well versed and experienced in corporate matters in the sector or industry the company belongs to, both local and international.

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>
Role	Represents the Corporation	Represents other shareholders	Provide neutral observation and decision
Accountabilities	Manages the entire business affairs of the Corporation	Monitoring of Compliance of Company objectives	Formulating policies at high standards for best operation
Deliverables	Compliance of business plan	Monitoring company progress	Safeguard interest of all shareholders

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

Independence is a situation/condition wherein a person is independent of the management other than being an officer and employee of the Company and free from any business or other relationship and interest which could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

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.

As provided for by law, the term limit shall be for 5 years, after which a cooling off period of 2 years is mandatory before re-election to another 5 years. However, there shall be a perpetual ban after serving for 1- years.

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

(a) Resignation/Death/Removal

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

<b>Name</b>	<b>Position</b>	<b>Date of Cessation</b>	<b>Reason</b>
Jorge del Rosario	ID	Nov. 20, 2013	Was not nominated
Cesar Zalamea	ID	November 20, 2013	Was not nominated

(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	Selection and appointment of Executive Directors are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> <li>➤ Holder of at least one (1) share of stock of the Company;</li> <li>➤ At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</li> <li>➤ At least twenty one (21) years old;</li> <li>➤ Proven to possess integrity and probity,</li> <li>➤ He shall be assiduous.</li> <li>➤ Other qualifications as provided for by law.</li> </ul>
(ii) Non-Executive Directors	Selection and appointment of Non Executive Directors are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> <li>➤ Same as above</li> </ul>
(iii) Independent Directors	Selection and appointment of Independent Directors are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> <li>➤ Same as above.</li> </ul>
<b>b. Re-appointment</b>		
(i) Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> <li>➤ Same as above.</li> </ul>
(ii) Non-Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> <li>➤ Same as above</li> </ul>

(iii) Independent Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above
<b>c. Permanent Disqualification</b>		

(i) Executive Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	See <sup>3</sup> below.
(ii) Non-Executive Directors	The Nomination Committee shall pre-screen all candidates	Same as above.

<sup>3</sup> (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

	nominated to become a member of the board	
(iii) Independent Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	Same as above.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	The Board may provide for the temporary Disqualification of a director.	See <sup>4</sup> Below.
(ii) Non-Executive Directors	The Board may provide for the temporary Disqualification of a director.	Same as above.
(iii) Independent Directors	The Board may provide for the temporary Disqualification of a director.	Same as above
<b>e. Removal</b>		
(i) Executive Directors	The Board may provide for the removal.	Any violation of the provisions of the Securities Regulation Code, Any conviction by final judgment or order by a competent judicial or administrative body of any crime, and Non-nomination from the Election of Stockholders
(ii) Non-Executive Directors	Same as above.	Same as above
(iii) Independent Directors	Same as above.	Same as above.
<b>f. Re-instatement</b>		
(i) Executive Directors	The Board may provide for reinstatement.	As provided by law.

<sup>4</sup> (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.
<b>g. Suspension</b>		
(i) Executive Directors	The Board may provide for suspension.	Any violation from the Securities Regulation Code
(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Gregorio Ma. Araneta	Since there were only 9 nominees for the 9 seats available, there was a motion which was approved with no objections, that the votes be cast for the 9 nominees, except for those who provided specific instructions in their proxies and they were all declared duly elected.
Carlos Araneta	Same as above.
Crisanto Alcid	Same as above.
Luis Araneta	Same as above.
Perry Pe	Same as above.
Alfredo de Borja	Same as above.
Santiago Araneta	Same as above.
Alfredo Roa	Same as above.
Alfonso Araneta	Same as above.

#### 6) Orientation and Education Program

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

No formal orientation program for new directors, but an incoming member of the Board is given a detailed briefing of the company's background by the CEO and as well as by other officers. The Board members may also provide inputs about the company and various issues facing the firm.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>5</sup> for the past three (3) years:

There are no in-house training programs, nor external courses attended by Directors and Senior Management for the past three years.

<sup>5</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
None			

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	See <sup>6</sup> below.	Not allowed to participate in the decision making process if conflict of interest is present.	Not allowed to participate in the decision making process if conflict of interest is present
(b) Conduct of Business and Fair Dealings	Same as above.	Encouraged.	Encouraged.
(c) Receipt of gifts from third parties	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would influence hem/her to do beyond his/her capacity and would be disadvantageous to company are not allowed
(d) Compliance with Laws & Regulations	Monitors compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules
(e) Respect for Trade Secrets/Use of Non-public Information	Monitors substantial compliance	Ensure and monitor substantial compliance	Ensure and monitor substantial compliance

<sup>6</sup> The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.

(f) Use of Company Funds, Assets and Information	The company in general has provided various policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets and enhancement of Information technology	Ensure compliance of the company policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets and enhancement of Information technology	Adopted various policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets and enhancement of Information technology
(g) Employment & Labor Laws & Policies	The basic principle to be adopted strict compliance with labor laws and working condition	Ensure compliance with labor laws, practices and working condition among employees	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties, responsibilities and as well as benefits.
(h) Disciplinary action	The company in general has provided various policies and procedure on the disciplinary action according to the complexity of offences such as reprimand level, Suspension level or principal offence subject to dismissal	Ensure that company policy is properly disseminated, observed and implemented	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties and responsibilities including corresponding disciplinary action against hem/her
(i) Whistle Blower	None	None	None
(j) Conflict Resolution	None	None	None

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

Yes.

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

The company implements and monitors compliance through each of the committees (whenever applicable), or its substitutes, who shall report regularly to the board of directors.

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	All related party transaction have to be on an arms-length basis if the company gets the most competitive product from related party
(2) Joint Ventures	Same as above
(3) Subsidiaries	N/A
(4) Entities Under Common Control	N/A
(5) Substantial Stockholders	Same as #1 and #2.
(6) Officers including spouse/children/siblings/parents	No such related party transaction.
(7) Directors including spouse/children/siblings/parents	No such related party transaction.
(8) Interlocking director relationship of Board of Directors	The Board member has to have knowledge of industry if he/she serves on the board of subsidiary.

(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	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

(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	No formal mechanism in place
Group	No formal mechanism in place

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>7</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	Not applicable	Not applicable

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None	Not applicable	Not applicable

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	Not applicable	Not applicable
None	Not applicable	Not applicable

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	None
Corporation & Third Parties	None
Corporation & Regulatory Authorities	None

**C. BOARD MEETINGS & ATTENDANCE**

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

The meetings of the Board are scheduled every month.

<sup>7</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Gregorio Ma. Araneta III	11-20-2013	2	2	100%
Member	Carlos R. Araneta	11-20-2013	2	2	100%
Member	Crisanto Roy. B. Alcid	11-20-2013	2	2	100%
Member	Luis M. Araneta	11-20-2013	2	2	100%
Independent	Perry L. Pe	11-20-2013	2	2	100%
Independent	Alfredo de Borja	11-20-2013	2	2	100%
Member	Santiago Araneta	11-20-2013	-(newly elected)	-	-
Independent	Alfredo D. Roa III	11-20-2013	2	2	100%
Member	Alfonso Araneta	11-20-2013	-(newly elected)	-	-

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

None.

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

A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be a valid corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board

5) Access to Information

(a) How many days in advance are board papers<sup>8</sup> for board of directors meetings provided to the board?

No later than seven (7) days

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

Yes, the members of the Board Members are given independent access to Management and the Corporate Secretary.

<sup>8</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.

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

The role of the company secretary are:

- i. To record or see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law
- ii. To keep or cause to be kept record books showing the details required by the law with respect to the stock certificates of the corporation including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred
- iii. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same
- iv. To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given
- v. To certify to such corporate acts, countersign, corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations
- vi. To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control
- vii. perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President

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

Yes.

(e) Committee Procedures

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

Yes  No

Committee	Details of the procedures
Executive	The members of the Board are given independent access to Management and the Corporate Secretary.  The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
Audit	Same as above.
Nomination	Same as above
Remuneration	Same as above.
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
Members of the Board may have access to independent professional advise	The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may hire independent professional advice at the Company's expense.

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
None	N/A	N/A

**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	Based on trade benchmark	Based on trade benchmark
(2) Variable remuneration	None	None
(3) Per diem allowance	None	None

(4) Bonus	None	None
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	N/A	N/A

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Based on trade bench mark	N/A	N/A
Non-Executive Directors	None	N/A	N/A

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
No.	

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	2,433,222	4,986,778	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	None
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	2,433,222	4,986,778	None

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>	None	None	None

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	None	None	None	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	None	None

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
President	Total for the year 2012 . . . . P4,039,920
Vice President	
Legal Officer	
Chief Finance Officer	
Corporate Secretary	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3 (see <sup>9</sup> below .)	None	One	None.	See <sup>10</sup> below	See <sup>11</sup> below.	See <sup>12</sup> below.

<sup>9</sup> Two of the members of the executive committee are non board members

<sup>10</sup> There is an effective and appropriately constituted Committee who received relevant and timely information required to properly accomplish their duties.

<sup>11</sup> The members of the Committee shall meet when necessary throughout the year to adopt and review the key strategic and operational matters such as but not limited to Internal control, major investments, funding decision, identification and proper treatment of financial risk.

<sup>12</sup> Recommends approval to the Board, any Corporate Act.

Audit	Two	None	One	In process.	See <sup>13</sup> below.	See <sup>14</sup> below.	Oversight, review, and evaluate.
Nomination	two (2)	None	one(1)	None.	See <sup>15</sup> below.	Recommend candidates for appointment.	Recommendation

- <sup>13</sup>
- a. Provide oversight over the senior management’s activities in managing credit, market liquidity, operational, legal and other risk of the Corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
  - b. Provide oversight of the Corporation’s internal and external auditors;
  - c. Review and approve audit scope and frequency and the annual internal audit plan;
  - d. Discuss with the external auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
  - e. Be responsible for setting up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any questions or resignation or dismissal;
  - f. Monitor and evaluate the adequacy and effectiveness of the Corporation’s internal control system;
  - g. Receive and review reports of internal and external auditors and regulatory agencies where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
  - h. Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
    - i. Any change/s in accounting policies and practices;
    - ii. major judgmental areas
    - iii. significant adjustments resulting from the audit
    - iv. going concern assumption
    - v. compliance with accounting standards
    - vi. compliance with tax, legal, and stock exchange requirements
  - i. Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a compliance Unit for this purpose.
  - j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation’s total expenditure on consultancy, The non-audit work should be disclosed in the annual report.
  - k. Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors have free and full access to all the Corporation’s records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of the internal auditing examinations, performing work, and communicating results and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

- <sup>14</sup>
- a. Oversight function.
  - b. Review and approval.
  - c. Set up internal audit department.
  - d. Monitor and evaluation.
  - e. Receive and review reports.
  - f. Review financial statements.

<sup>15</sup> The Committee assesses and recommends to the Board candidates for appointment of executive and non executive directors positions. The committee also makes recommendations to the Board on its composition.

Remuneration	two (2)	None	one(1)	None.	See <sup>16</sup> below.	Determine remuneration /compensation policy.	Assessment.
Others (specify)							

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(ED)	Gregorio Ma. Araneta III	11, 20, 2013				
Member (ED)	Crisanto Roy B. Alcid	11, 20, 2013				
Member (ED)	Carlos R. Araneta	11, 20, 2013				
Member	Atty. Christine Base	11, 20, 2013				

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11, 20, 2013	5			2yrs
Member (ED)	Gregorio Ma. Araneta III	11, 20, 2013	5	5	100	15 yrs
Member (ED)	Crisanto Roy Alcid	11, 20, 2013	5	5	100	2 yrs
Member	N/A					
Member	N/A					

Disclose the profile or qualifications of the Audit Committee members.

#### **Alfredo De Borja**

Filipino, 69 years old, is an independent director of the company. He is also the President and a Director of Makiling Ventures, Inc.(Real Estate Development) and E. Mauricio, Inc. (Furniture mfg. & exporter), Director of ICCP Ventures, Inc., ICCP Management Corp., Rustances Supercenters, Inc., RFM-Science Park of the Philippines, Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Dev't. Corp., Cebu Light Industrial Park, Inc. and Araneta Properties, Inc.

#### **Gregorio Ma. Araneta III**

Filipino, 65 years old, is the vice chairman and CEO and Director of the Company, He is also the chairman of the Board of Autobus Transport System, Inc., Gregorio Araneta Management Corporation(GAMACOR), GAMMA Holdings Corp., and GAMMA Properties, Inc.

Mr. Araneta is the president of Araza Resources Corporation, Envirotest Corporation, Enviroclean Corporation, Carmel Development, Inc., Gregorio Araneta Incorporated. He is also a Director of LBC Development Bank and Asia International Travel Corp. Mr. Araneta Studied at the University of San Francisco and Ateneo de Manila where he earned his Bachelor of Arts Degree in Economics.

<sup>16</sup> Responsible in determining the Company's policy on executive remuneration and is specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. The committee also monitors the compensation packages of other senior executives in the group below the Board level.

**Crisanto Roy B. Alcid**

Filipino, 44 years old, is currently the President of Araneta Properties, Inc. He was the Chief Finance Officer of Araneta Properties, Inc. and concurrently the President of Envirotest, Inc, Carmel Development Corp., and Roycomm Holdings, Inc. He is also the Executive Vice President of Araneta Properties, Inc., Gregorio Araneta Management Corporation, Gregorio Araneta, Inc. and Araza Resources Corporation. Before joining the Araneta group, he was formerly connected with Atala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid holds a Bachelor of Science Degree in Management Engineering from Ateneo de Manila University.

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

In relation to the external auditor, the audit committee has the following responsibilities:

1. Review and evaluate the professional qualifications, performance and independence of the external auditor and the lead partner.
2. Review and approve with the external auditor, before the audit commences, the nature and scope of the audit plans, including scope, audit resources and expenses.
3. Review and approve the fees, remuneration and terms of engagement of the external auditor for audit and non-audit services.
4. Evaluate and approve non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor in relation to their significance to the auditor.
5. Review the reports or communications of the external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management and other material issues that affect the audit and financial reporting, and ensure that management or the Board will promptly address the issues raised.
6. Ensure that the external auditor complies with auditing standards.
7. Ensure that the external auditor or the lead, engagement, or handling partner having primary responsibility for the audit or review of the corporation is rotated at least once every five years.

## (c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11, 20, 2013	5			2 yrs
Member (ED)	Gregorio Ma. Araneta III	11, 20, 2013	5	5	100%	15 yrs
Member (ED)	Crisanto Roy B. Alcid	11, 20, 2013	5	5	100%	2 yrs
Member	N/A					
Member	N/A					

## (d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11, 20, 2013	1	1	100%	2 yrs
Member (ED)	Carlos R. Araneta	11, 20, 2013	1	1	100%	15 yrs
Member (ED)	Gregorio Ma. Araneta III	11, 20, 2013	1	1	100%	15 yrs
Member (ID)	N/A					
Member	N/A					

(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	None					
Member (ED)	None					
Member (NED)	None					
Member (ID)	None					
Member	None					

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	None	N/A
Audit	None	N/A
Nomination	None	N/A
Remuneration	None	N/A
Others (specify)	None	N/A

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	Oversight and supervision on management.	Various.
Audit	Oversight and supervision on Audit.	Various.
Nomination	Vet nominees.	Various.
Remuneration	Review compensation	Various.
Others (specify)	None.	n/a

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	None.	n/a
Audit	None.	n/a
Nomination	None.	n/a
Remuneration	None.	n/a
Others (specify)	None.	n/a

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

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

The Company's principal financial instruments consist of cash and cash equivalents, receivables and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables, AFS investments, accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company has minimal exposure to any significant foreign currency risk because most of its financial instruments are denominated in Philippine peso. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial asset and as such, has no material impact to the financial statements. The Board of Directors reviews and approves the policies for managing each of these risks such as:

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

(c) Period covered by the review;

The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

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

There is constant review and monitoring of Company's risk to be able to assessing the soundness and

effectiveness of the risk management system

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

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
Cash handling and placement	Fluctuating interest rates	Find the best placement rates
Receivable and AFS Investments	Collectability factor	Ensure provision for D/A based on prevailing interest rate
Foreign Currency	Minimal exposure	Most of the financial instrument are denominated in Philippine peso

(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
Liquidity risk	Failure of management to meet its contractual obligation	<p>Ensure to have sufficient fund liquidity to meet its liability when due, under both normal and stressed conditions, without unacceptable losses or risking adverse effect to the Company’s credit standing.</p> <p>The management uses historical figures and experiences and relevant forecast from its collection and disbursements to monitor inflows and outflows.</p>

(c) Minority Shareholders

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

Risk to Minority Shareholders
No risk.

3) Control System Set Up

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Cash handling	Regular monitoring of banking system	Uses its bank network that could provide relevant information on a real time basis to immediately identify and properly act such risk.
Receivable and AFS Investments	Regular monitoring of investments and exchange market	Using internet and other relevant facility to gather information on an annualize basis to be able to provide and make any action for counter such risk
Property and equipment	Regular monitory the viability and availability of such assets	Uses the historical method in determining the usable life to able to depreciate the said assets based on the generally accepted accounting practice
None	N/A	N/A

(b) Group

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
None	N/A	N/A

(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>
Management Committee	Provide systems, controls, procedures and as well as policies are always on top of the operating process	Monitoring of all the systems, procedures and as well as policies are always on top of the operating process

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

The company's audit committee charter is currently in process.

(a) Explain how the internal control system is defined for the company;

Internal control system is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is expose

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

The directors reviewed the soundness and adequacy of the system from time to time to immediately resolve any exposure to risk due to weak internal control system.

- (c) Period covered by the review;

The Company’s Internal Control System takes place in a day-to-day operations and normal business process to be able to monitor if the systems of control working adequately.

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

There is constant review and monitoring of Company’s System and Control to be able to assess the soundness and effectiveness of said Internal control system.

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

Not applicable.

2) Internal Audit

The Company do not have Internal Auditor, instead it hired the services of Sycip, Gorres, Velayo & Co., an Auditing firm to handle all audit and check and balance related activity.

- (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
Review with management and the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.	Mere review with management and head of the internal group.	Performed by the audit committee. (In-house)	SGV and Co.,	The internal auditor/audit committee shall report to the Board of Directors.
Review and approve the annual audit plans prepared by the	Review and approval which should cover the evaluation of	Performed by the audit committee. (In-house)		The internal auditor/audit committee shall report to

internal audit group and major changes to the plans if any.	adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with applicable laws, rules and regulations.			the Board of Directors.
Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.	Mere review with management.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.
Require the internal audit group to submit an annual report to the committee and management of its activities and performance relative to the audit plan approved by the committee.	To require submission.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.

(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?

No, they were nominated during the Annual Stockholders' Meeting.

(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?

1. Review with management and the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.
2. Review and approve the annual audit plans prepared by the internal audit group and major changes to the plans if any.
3. Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.
4. Require the internal audit group to submit an annual report to the committee and management of its activities and performance relative to the audit plan approved by the committee.

3) External auditor’s are given independent access to all accounting and other business records  
 (d)Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
None	

(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>	<b>None</b>
<b>Issues<sup>17</sup></b>	N/A
<b>Findings<sup>18</sup></b>	N/A
<b>Examination Trends</b>	N/A

[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>17</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>18</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".

Policies & Procedures	Implementation
None	

(g) Mechanisms 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):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
None.			

(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.

Chief executive officer.

**H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
Customers' welfare	None	
Supplier/contractor selection practice	None	
Environmentally friendly value-chain	None	
Community interaction	None	
Anti-corruption programmes and procedures?	None	
Safeguarding creditors' rights	None	

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

None

3) Performance-enhancing mechanisms for employee participation.

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

None

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

None.

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

None

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

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.

None.

#### I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>Carmel Development, Inc.</b>	<b>499,999,997</b>	<b>32.03%</b>	<b>99% held by Gregorio Ma. Araneta III</b>
<b>Gamma Properties Inc.</b>	<b>437929,567</b>	<b>28.05%</b>	<b>50% held by Gregorio Ma. Araneta III</b>
<b>PCD Nominee</b>	<b>756,815,031</b>	<b>46.48%</b>	
<b>LBC Express, Inc.</b>	<b>195,043,074</b>	<b>12.49%</b>	
<b>Olongapo Mabuhay Express Corporation</b>	<b>124,855,422</b>	<b>8.00%</b>	<b>80% held by Ma. Joy A. Cruz</b>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
n/a			
<b>TOTAL</b>			

No member of senior management holds 5% shareholding or more.

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No, as it is not required under SEC form 17-A.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No, as it is not required under SEC form 17-A.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	No, as it is not required under SEC form 17-A. It is disclosed in a separate certification on attendance through SEC for 17-C.
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

Name of auditor	Audit Fee	Non-audit Fee
SGV and Co.	P500,000.00 per year	P48,568.25

4) Medium of Communication

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

The company sends written notices to each stockholder to disseminate important information regarding the company.

5) Date of release of audited financial report:

Audited financial report current year 2012 From 17-A disclosed on April 13, 2013.

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Have not provided such briefings to analysts and media
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
Advances against Salary	Loan granted to employees	Emergency loan repayable over a period of ten months.	One Salary.
Advances for liquidation.	Fund issued to employees for his/her official business work.	The fund is liquidated no more than seven days from the date of issuance of fund.	Depending on the complexity of work to be done.

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?

The company makes sure that RPT's are entered into on arm's length terms comparable to unrelated 3<sup>rd</sup> parties.

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

<b>Quorum Required</b>	Majority of the outstanding capital stock must be present or represented by proxy.
------------------------	--

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

Explain the system used to approve corporate acts.

<b>System Used</b>	Ratification of acts of management and the board during stockholders meeting
<b>Description</b>	Acts of management are submitted for ratification by the stockholders during the annual stockholders meeting

#### (c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
No difference	No difference

#### Dividends

Declaration Date	Record Date	Payment Date
None	N/A	N/A

#### (d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
During stockholders meeting, a time is allocated for the investing public to presents their question the Board and the Management	Part of the agenda

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

All issued discussion are crucial that are immediately acted upon, decide and approved by the stockholders during the Annual Meeting Agenda is sent to the shareholders in advances so they can prepare matters to discuss those issue if any.

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

Yes.

- a. Date of sending out notices:

October 25, 2013

- b. Date of the Annual/Special Stockholders' Meeting:

November 20, 2013

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

None

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

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the annual stock holders meeting held on November 16, 2011.	1131605068 shares	0	0
Presentation and approval of the Financial Statements as of December 31,2011.	1131605068 shares	0	0
Ratification of the acts of the Board of Directors and officers.	1131605068 shares	0	0
Appointment of External auditors.	1131605068 shares	0	0

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

The results were disclosed with the PSE 10 minutes after or on November 20, 2013.

- (e) Modifications

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

Modifications	Reason for Modification
None.	n/a

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Gregorio Ma. Araneta III 2. Carlos Araneta 3. Crisanto Roy Alcid 4. Perry Pe 5. Alfredo de Borja 6. Alfredo Roa 7. Luis Araneta 8. Alfonso Araneta	November 20, 2013	Show of hands	1%	99%	72.49%
Special	None	n/a	n/a	n/a	n/a	n/a

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

If the votes are casted by ballot, an external auditor and the transfer agents would count the votes.

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

Yes one vote carries one share

(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	Proxies must be in the Hand of the Corporate Secretary not later than 10 days before the time set for the meeting. A forum for validation shall be conducted not later than 7 days before any meeting.
Notary	No formal policy as to Notary.
Submission of Proxy	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Several Proxies	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.

Validity of Proxy	Unless otherwise provided, the proxy shall be valid only for the meeting at which it was presented to the secretary.
Proxies executed abroad	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Invalidated Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Validation of Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Violation of Proxy	No formal policy as to violation of proxy

(h) Sending of Notices

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

Policies	Procedure
Regular Meeting via personally, via mail, or by publication.	Personally or via mail, two weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation. The notice shall state the place, date, hour of the meeting, and the purpose or purposes for which the meeting is called.
Special Meeting via personally, via mail, or by publication.	Same as above.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	2248
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	October 25, 2013
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	October 25, 2013
<b>State whether CD format or hard copies were distributed</b>	Hard Copies
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	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

The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
Right to vote on all matters that require their consent or approval	<ol style="list-style-type: none"> <li>1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</li> <li>2. Cumulative voting shall be used in the election of directors.</li> <li>3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ol>
Pre-emptive right to all stock issuances of the Company	All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.
Right to inspect corporate books and records	All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

Right to information	See <sup>19</sup> below.
Right to dividends	See <sup>20</sup> below.
Appraisal right.	See <sup>21</sup> below.
Promotion of rights	See <sup>22</sup> below.

- 
- <sup>19</sup> 1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.
3. The minority share holders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

- <sup>20</sup> 1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

<sup>21</sup> The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

<sup>22</sup> The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the

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

Yes

#### K. INVESTORS RELATIONS PROGRAM

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

None

- 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	Timely disclosures of material information
(2) Principles	Enable investors to make appropriate investment decision
(3) Modes of Communications	Disclose information to SEC/PSE, upload it on Company website
(4) Investors Relations Officer	None

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

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

The Company has not gone through such transaction and have not set policy for such.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
Sponsor of GK (Gawad Kalinga) housing project of National Housing Authority located at Isabela Cultural GK San Jose, Del Monte, Bulacan	Homeless residence of Caloocan and San Jose Del Monte, Bulacan

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

exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

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

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>	Periodic self-appraisal	Board discussion, participation and voting
<b>Board Committees</b>	Periodic self-appraisal	Meeting targets set by the committee
<b>Individual Directors</b>	Periodic self-appraisal	Board discussion, participation and voting
<b>CEO/President</b>	Periodic self-appraisal of management	Monitoring Corporate objectives

#### 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
First violation	Reprimand or much higher sanction depending on the complexity of offence
Second Violation	Suspension or much higher sanction depending on the complexity of offence
Third Violation	Removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**

\_\_\_\_\_  
**GREGORIO MA. ARANETA III**  
**Chairman of the Board**

\_\_\_\_\_  
**CRISANTO ROY B. ALCID**  
**President**

\_\_\_\_\_  
**PERRY L. PE**  
**Independent Director**

\_\_\_\_\_  
**ALFREDO de BORJA**  
**Independent Director**

\_\_\_\_\_  
**CHRISTINE P. BASE**  
**Corporate Secretary and Corporate Information Officer**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ , affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

**NOTARY PUBLIC**

Doc No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_