

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2014**
2. Exact Name of Registrant as Specified in its Charter **PRYCE CORPORATION**
3. Address of Principal Office Postal Code **1203**  
**17<sup>th</sup> Floor PRYCE CENTER**  
**1179 Chino Roces Avenue**  
**corner Bagtikan Street**  
**Makati City**
4. SEC Identification Number **168063**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-065-142-000**
7. Issuer's Telephone number, including area code **(+632) 899-4401**
8. Former name or former address, if changed from the last report **N/A**

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7
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#### (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) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Salvador P. Escaño	ED	N/A	Pryce Development Corporation	August 30, 1989 (founding director)	July 3, 2014	Annual	25
Nilo S. Ezequiel	ED	N/A	-do-	June 22, 2005	July 3, 2014	Annual	9
Efren A. Palma	ED	N/A	-do-	September 27, 2002	July 3, 2014	Annual	12
Ramon R. Torralba, Jr.	NED	N/A	-do-	August 30, 1989 (founding director)	July 3, 2014	Annual	17
Simeon S. Umandal	NED	N/A	-do-	September 27, 2002	July 3, 2014	Annual	12
Enerlito G. de Mesa	ID	N/A	-do- (no existing relationship)	June 30, 2010	July 3, 2014 (3years)	Annual	3*
Roland Joey R. de Lara	ID	N/A	-do- (no existing relationship)	July 30, 2003	July 3, 2014 (1year)	Annual	1*

\* for purposes of applying term limits, terms served by the independent director prior to January 2, 2012 are not included in this computation, in accordance with SEC Memorandum Circular No. 9, Series of 2011.

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

### **CORPORATE GOVERNANCE POLICY AND BOARD RESPONSIBILITIES**

*Ref. Revised Manual on Corporate Governance [hereafter "RMCG"] Sec. II.B.*

**Compliance with the principles of good corporate governance shall start with the Board of Directors which shall be primarily responsible for the governance of the Corporation.**

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

It is the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

In sum, the Board's primary responsibilities are to:

- i. install a process of selection to ensure a mix of competent directors and officers;
- ii. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- iii. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- iv. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- v. Adopt a system of internal checks and balances which shall be subject to continuing review;
- vi. Identify key risk areas and key performance indicators, monitor these factors with due diligence, and ensure the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls;
- vii. Establish policies to ensure the integrity and transparency of related party transactions;
- viii. Establish an alternative dispute resolution policy or policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities;
- ix. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- x. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

#### **Treatment of All Shareholders**

*Ref. RMCG Sec. V.*

It shall be the duty of the directors 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 shall ensure that the following rights are respected:

- i. Stockholders' voting rights, especially the right to elect, remove, and replace directors and vote on certain corporate acts requiring their vote, in accordance with the by-laws of the Company and the Corporation Code.
- ii. 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.
- iii. 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, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- iv. Shareholders shall have the right to receive dividends subject to the discretion of the Board and subject to

existing laws and regulations and the terms of the Company's rehabilitation plan.

- v. 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 for under the Corporation Code

**Rights of Minority Shareholders**

Ref. RMCG Sec. V.A.4.b. and c.

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. They 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." Furthermore, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

**Disclosure**

Ref. RMCG Sec. IV.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders, both through appropriate procedures prescribed by the Philippine Stock Exchange, in the Company's Annual Report, and in and through other reports and disclosures required under pertinent laws and regulations.

The following shall be disclosed:

- i. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- ii. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

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

**The Board reviews the vision and mission as and if needed.**

- (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:

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Salvador P. Escaño	Pryce Gases, Inc.	Executive - Chairman
	Pryce Development Corporation	Executive - Chairman
	Oro Oxygen Corporation	Non-Executive
	Mindanao Gardens, Inc.	Executive - Chairman
	Pryce Plans, Inc.	Executive - Chairman
Nilo S. Ezequiel	Pryce Gases, Inc. Mindanao Gardens, Inc.	Non-Executive Non-Executive
Ramon R. Torralba, Jr.	Pryce Gases, Inc. Mindanao Gardens, Inc.	Non-Executive Non-Executive
Efren A. Palma	Pryce Gases, Inc. Oro Oxygen Corporation Pryce Plans, Inc.	Executive Executive Non-Executive

(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.
Salvador P. Escaño	Crown Equities, Inc.	Non-Executive

(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:

**Apart from the information provided under item (i) preceding, the Company knows of no other relation among the Board of Directors that may link them to significant shareholders in the Company or the Group.**

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A	N/A	N/A

(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? **The Directors are enjoined to submit to a low indicative limit.** In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **No definite limit is set.** If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Low Indicative Limit	No definite number set
Non-Executive Director		
CEO		

#### **LIMITATION FOR DIRECTORSHIPS**

*Ref. RMCG Sec. II.C.1.c and d.*

Directors are enjoined to submit themselves to a low indicative limit on membership in other corporate boards. While no formal, definite limit for board seats has been set, no director currently holds more than one seat in another publicly listed company. By way of policy the task is given to the Nomination Committee to ensure that the ability of the Director to serve as such is not compromised. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board: (i) the nature of the business of the Corporations which he is a director; (ii) age of the director; (iii) number of directorships/active memberships and officerships in other corporations or organizations; and (iv) possible conflict of interest. The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

By way of policy, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

(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, 2014]**

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Salvador P. Escaño	33,492,660	0	1.67%
Nilo S. Ezequiel	179,796	0	0.01%
Ramon R. Torralba, Jr.	13,806	0	0.00%
Efren A. Palma	100	0	0.00%
Simeon S. Umandal	0	574,950	0.03%
Enerlito G. de Mesa	50	0	0.00%
Roland Joey R. de Lara	100	0	0.00%
<b>TOTAL</b>	<b>33,686,512</b>	<b>574,950</b>	<b>1.71%</b>



iii. Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? **No**. 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	Salvador P. Escaño
CEO	Salvador P. Escaño
President	Nilo S. Ezequiel

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Presiding Officer of the Board	General and Administrative Manager
Accountabilities	<p><u>Ref. RMCG Sec. II.B.2.</u></p> <p><b>It is the duty of the Chairman to:</b></p> <ul style="list-style-type: none"> <li>- ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</li> <li>- supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management, and the directors; and,</li> <li>- maintain qualitative and timely lines of communication and information between the Board and Management.</li> </ul>	<p><u>Ref. By-Laws Article IV Sec. 4</u></p> <p><b>It is the duty of the Chief Executive Officer to:</b></p> <ul style="list-style-type: none"> <li>- initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board, including those for executive training, development and compensation;</li> <li>- have general supervision and management of the business affairs and property of the corporation;</li> <li>- ensure that the administrative and operational policies of the corporation are carried out under his supervision and control;</li> <li>- appoint, remove, suspend, or discipline employees of the corporation, prescribe their duties, and determine their salaries;</li> <li>- oversee the preparation of the budgets</li> </ul>

		<p>and the statements of accounts of the corporation;</p> <ul style="list-style-type: none"> <li>- prepare such statements and reports of the corporation as may be required of him by law;</li> <li>- represent the corporation at all functions and proceedings”</li> <li>- execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;</li> <li>- make reports to the Board of Directors and stockholders;</li> <li>- sign certificates of stock; and,</li> <li>- perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</li> </ul>
Deliverables	<b>Progressive and well-performing board.</b>	<b>Profitable and well-managed company.</b>

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

**VACANCIES**

*Ref. By-Laws, Article III Sec. 3*

Vacancies occurring in the Board other than by removal of stockholders or expiration of the term may be filled by the vote of at least a majority of the remaining directors if still constituting a quorum, or otherwise by the stockholders at a meeting called for the purpose, which director so elected will serve only for the expired term of his predecessor. Nominees for Director shall be submitted to the Nomination Committee for evaluation to see if they possess all the qualifications and none of the disqualifications set under the company’s by-laws, its RMCG, and with relevant rules and regulations.

*Ref. By-Laws, Article IV Sec. 3*

*Ref. RMCG II.B.4.*

The Board is likewise responsible for appointing the officers of the Corporation (whether resulting from a vacancy or from expiration of term). It is the Board’s duty to ensure that the officers selected are competent.

v. 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?  
**Yes.** Please explain.

Ref. RMCG Secs. II.B. 1. and 4.

**It is the duty of the Board to install a process of selection to ensure a mix of competent directors and officers. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors). The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.**

**At present, the Company’s board is composed of directors who have business, finance, accounting and legal backgrounds.**

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

Ref. RMCG II..B. 1. and 5.

**While there is no formal policy that non-executive directors are required to have experience in the industry, a majority of the Company’s incumbent NED’s have at least 15 years of experience in the industry of the Company or its subsidiaries.**

**Nevertheless, all directors are mandated to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.**

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	To ensure that the operation of the Company is profitable, that all decision-making at the operational level is consistent with existing policies, and that any and all operational, administrative, and financial issues encountered are brought to the attention of and addressed by the Board sitting as a body.	To ensure a broader view on the impact of proposed policies other than from the management side.	To ensure that independent and impartial views on issues to be addressed are provided based on the director’s competence.

Accountabilities	<u>Ref. RMCG Sec. II.B.1.</u> In general, the directors sitting as a Board is tasked to formulate policies to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.		
Deliverables	Management perspective in policy formulation.	More extensive perspective in policy formulation.	Independent perspective in policy formulation.

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

Ref. Rule 38 Secs. 2 and 6 of the Implementing Rules and Regulations (IRR) of the Securities Regulation Code (SRC)

The Company's definition of independence in relation to the selection and nomination of independent directors adheres to IRR of the SRC. Thus, the independent directors are persons who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company. The independent directors are not directors, officers or substantial stockholders of the Company, its substantial stockholders, or its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing), nor a relative or nominee of any of the foregoing. They do not own more than two percent (2%) of the Company, its substantial stockholders, or its related companies or its substantial shareholders. They have not been employed in any executive capacity or as professional adviser by the Company, or any of its related companies or by any of its substantial shareholders within the last five (5) years nor are they retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms. They had not engaged and do not engage in any transaction whether by themselves or with other persons or through a firm of which they are partners or companies of which they is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

All nominees as independent director should have the foregoing qualifications before they are included in the Final List of Nominees.

Does the company have a term limit of five consecutive years for independent directors? **No.** 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? **No.** Please explain.

Ref. Securities and Exchange Commission Memorandum Circular [MC] 9, s. 2011

The Company adheres to the Commission's set term limits under MC 9, where independent directors may serve for 5 consecutive years, with a "cooling-off" period of 2 years, and may again be elected for 5 consecutive years before being perpetually disqualified for election as independent director.

vi. 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: **None.**

Name	Position	Date of Cessation	Reason
N/A			

(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	<u>Ref. RMCG Sec. II.C.1.</u>	<u>Ref. RMCG Sec. II.C.1.i.</u>
(ii) Non-Executive Directors	<p><b>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</b></p> <p><u>Ref. SRC IRR Rule 38 Sec. 8</u></p> <p><b>For independent directors, it shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s are elected during the stockholders' meeting.</b></p>	<p><b>To be qualified, a nominee as director should be a holder of at least one share of stock, at least a college graduate or have sufficient practical experience in managing the business to substitute for such formal education, at least twenty one (21) years old, have been proven to possess integrity and probity, is assiduous.</b></p> <p><b>Furthermore, he should have all the qualifications and none of the disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations.</b></p> <p><u>Ref. SRC IRR Rule 38 Sec. 8</u></p> <p><b>As additional requirements for independent directors, they shall, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company. The</b></p>
(iii) Independent Directors		
<b>b. Re-appointment</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>Specific slot/s for independent directors shall not be filled-up by unqualified nominees.</p> <p>In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.</p>	<p>independent directors are not directors, officers or substantial stockholders of the Company, its substantial stockholders, or its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing), nor a relative or nominee of any of the foregoing. They do not own more than two percent (2%) of the Company, its substantial stockholders, or its related companies or its substantial shareholders. They have not been employed in any executive capacity or as professional adviser by the Company, or any of its related companies or by any of its substantial shareholders within the last five (5) years nor are they retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms. They had not engaged and do not engage in any transaction whether by themselves or with other persons or through a firm of which they are partners or companies of which they is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.</p>
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<u>Ref. RMCG Sec. II.C.1.</u>	<u>Ref. RMCG Sec. II.C.1.ii.</u>
(ii) Non-Executive Directors		
(iii) Independent Directors	<p>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</p>	<p>The following are permanently disqualified:</p> <ul style="list-style-type: none"> <li>- Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: involves the purchase or sale of securities as defined in the Securities Regulation Code; 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, arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them;</li> </ul>

	<p><i>Ref. RMCG Sec. VII</i></p> <p><b>If the cause for disqualification arises while the director is in office, notice and hearing shall be observed. The Compliance Officer shall be responsible for determining disqualification through notice and hearing and shall recommend to the Chairman of the Board the removal of the director, for further review and approval of the Board.</b></p>	<ul style="list-style-type: none"> <li>- Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; or, engaging in or continuing any conduct or practice in any of the above capacities or willfully violating laws that govern securities and banking activities;</li> <li>- The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or other 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;</li> <li>- 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 oath, perjury or other fraudulent act or transgressions;</li> <li>- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP;</li> <li>- Any person judicially declared to be insolvent.</li> </ul>
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		<p>- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and,</p> <p>- Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p> <p><i>Ref. SEC MC 9 s. 2011</i></p> <p>In addition for independent directors under SEC MC 9 s. 2011, if the independent director has served for more than 10 years as such.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors		<i>Ref. RMCG Sec. II.C.1.ii.</i>
(ii) Non-Executive Directors	<i>Ref. RMCG Sec. II.C.1.</i>	The following are the causes for temporary disqualification:
(iii) Independent Directors	<p>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</p> <p><i>Ref. RMCG Sec. VII</i> If the cause for disqualification arises while the director is in office, notice and hearing shall be observed. The Compliance Officer shall be responsible for determining disqualification through notice and hearing and shall recommend to the Chairman of the Board the suspension of the director while the cause for temporary disqualification exists, for further review and approval of the Board.</p>	<p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>- Being under preventive suspension by the Corporation;</p> <p>- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and,</p> <p>- Conviction that has not yet become final</p>



		referred to in the grounds for the disqualification of directors.
<b>e. Removal</b>		
(i) Executive Directors	<u>Ref. Corporation Code of the Philippines Sec. 28.</u>	
(ii) Non-Executive Directors		
(iii) Independent Directors	<p>“Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the</p>	<p><u>Ref. RMCG VII.B.</u></p> <p>Commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p> <p><u>Ref. RMCG Sec. II.C.1.ii.</u></p> <p>Possession of any cause for permanent disqualification under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company shall likewise be cause for removal.</p> <p>Also, failure to remedy within sixty (60) business days from temporary disqualification, take the appropriate action to remedy or correct the disqualification, unless a longer period is determined by the Board upon consideration of the circumstances, will cause the temporary disqualification to become permanent.</p>

	<p>meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.”</p> <p><u>Ref. RMCG VII.C.</u></p> <p>For violations of the RMCG, notice and hearing is observed. Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	
<b>f. Re-instatement</b>		
(i) Executive Directors	<u>Ref. RMCG II.C.1.ii.</u>	
(ii) Non-Executive Directors	If a director temporarily suspended , within sixty (60) business days from temporary disqualification or such longer period approved by the Board, is able to take the appropriate action to remedy or correct the disqualification.	
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	<u>Ref. RMCG Sec. VII.C.</u>	<u>Ref. RMCG Sec. VII.B.</u>
(ii) Non-Executive Directors	For violations of the RMCG, notice and hearing is observed. The Compliance Officer shall be responsible for determining violation/s	
(iii) Independent Directors		

	<p>through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p><i>Ref. RMCG Sec. II.C.1.ii.</i></p> <p>The existence of any cause for temporary disqualification shall be sufficient ground for suspension unless the same is remedied within the period prescribed under the RMCG.</p>
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Voting Result of the last Annual General Meeting

Name of Director	Votes Received
<b>Salvador P. Escaño</b>	<b>1,879,441,367</b>
<b>Nilo S. Ezequiel</b>	<b>1,879,441,367</b>
<b>Ramon R. Torralba, Jr.</b>	<b>1,879,441,367</b>
<b>Efren A. Palma</b>	<b>1,879,441,367</b>
<b>Simeon S. Umandal</b>	<b>1,879,441,367</b>
<b>Enerlito G. de Mesa</b>	<b>1,879,441,367</b>
<b>Roland Joey R. De Lara</b>	<b>1,879,441,367</b>

vii. Orientation and Education Program

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

**Relative to corporate governance, all new directors are provided a copy of the RMCG by way of orientation to the corporate governance practices adopted and implemented by the Company.**

- b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: **The Directors and Senior Management have not attended any training or external course on corporate governance in the past three years, considering the length of their directorship in the Board and/or business experience and competence.**
- c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. **(ref. previous item)**

Name of Director/Officer	Date of Training	Program	Name of Training Institution
N/A	N/A	N/A	N/A

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

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

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><u>Ref. RMCG Sec. II.B.5.i.</u></p> <p><b>A director is mandated to full disclosure of actual or potential conflict of interest.</b></p> <p><u>Ref. RMCG Sec. II.C.3.</u></p> <p><b>The Nomination Committee considers possible conflict of interest in determining the number of board directorships.</b></p>	<p><u>Ref. Code of Conduct Article XI. Sec. 4</u></p> <p><b>Employees must not engage in business directly or indirectly in competition with that of the Company or of its subsidiaries/affiliates.</b></p>	
(b) Conduct of Business and Fair Dealings	<p><u>Ref. RMCG Sec. II.B.5.i.</u></p> <p><b>A director is mandated to conduct fair business transactions with the Corporation, including full disclosure of actual or potential conflict of interest, and to ensure that personal interest does not bias Board decisions.</b></p>	<p><u>Ref. Code of Conduct Article XI. Sec. 4</u></p> <p><b>Employees must not engage in conduct prejudicial to the Company’s interests.</b></p>	
(c) Receipt of gifts from third parties	<p><u>Ref. Code of Conduct Article XII Sec. 3</u></p> <p><b>Bribery or receiving gifts in whatever form from suppliers or customers in business with the Company in exchange for any act, decision, or service connected with the performance of the person’s duties or functions is punishable.</b></p>		

<p>(d) Compliance with Laws &amp; Regulations</p>	<p><u>Ref. RMCG II.B.4.iii</u></p> <p><b>It is the Board’s duty to ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.</b></p> <p><u>Ref. RMCG II.B.5.v.</u></p> <p><b>It is the duty of a director to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies</b></p> <p><b>Full and faithful compliance with laws, rules, and regulations is enjoined.</b></p>	<p><b>Full and faithful compliance with laws, rules, and regulations is enjoined.</b></p>
<p>(e) Respect for Trade Secrets/Use of Non-public Information</p>	<p><u>Ref. RMCG Sec. II.B.5.vi.</u></p> <p><b>It is the duty of a director to observe confidentiality.</b></p>	<p><u>Ref. Code of Conduct Article XI. Section 3.</u></p> <p><b>Strict prohibition from reproducing Company records and/or divulging to any person or firm any information relating to the business of the Company without prior permission and clearance.</b></p>
<p>(f) Use of Company Funds, Assets and Information</p>	<p><u>Ref. RMCG Sec. II.B.5.vii.</u></p> <p><b>It is the duty of a director to ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment for the protection of corporate assets.</b></p> <p><u>Ref. RMCG Sec. II.B.5.vi.</u></p> <p><b>It is the duty of a director to observe confidentiality.</b></p>	<p><u>Ref. Code of Conduct Article XI. Section 6.</u></p> <p><b>Strict prohibition against use of Company property for personal purposes.</b></p> <p><u>Ref. Code of Conduct Article XI. Section 7.</u></p> <p><b>Strict prohibition against use of Company equipment, trademarks, and logos, or facsimiles thereof without Management permission.</b></p> <p><u>Ref. Code of Conduct Article XI. Section 3.</u></p> <p><b>Strict prohibition from divulging to any person or firm any information relating to the business of</b></p>

		<p>the Company without prior permission and clearance.</p> <p><i>Ref. Code of Conduct Article XI. Section 18.</i></p> <p>Accountability as to properties within their area of responsibility and turn-over in good condition upon separation from employment.</p>
(g) Employment & Labor Laws & Policies	<p><b>Full and faithful compliance with laws, rules, and regulations, including employment and labor laws, is enjoined.</b></p>	
(h) Disciplinary action	<p><i>Ref. RMCG Sec. VII</i></p> <p><b>Penalties for non-compliance with the RMCG, including and up to removal from office, are provided and imposed.</b></p>	<p><i>Ref. Code of Conduct Article XII.</i></p> <p><b>Penalties for violation of the Code of Conduct, including and up to dismissal from employment, are provided and imposed.</b></p>
(i) Whistle Blower	<p><b>The Company is currently developing a policy to incentivize whistleblowers and protect them from retaliatory action, while at the same time deterring bogus reporting.</b></p>	
(j) Conflict Resolution	<p><i>Ref. RMCG Sec. II.B.4.viii.</i></p> <p><b>It is the Board's duty to establish an alternative dispute resolution policy or policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities.</b></p>	

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 Administration and Personnel / Human Resources Department is the department tasked to implement the code of conduct. A system of monitoring compliance and reporting and penalizing violations is provided in the code.**

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	<i>Ref. RMCG Sec. II.B.4.vii.</i>
(2) Joint Ventures	<i>Ref. RMCG Sec. IV.B.</i>
(3) Subsidiaries	<p><b>The Board is primarily tasked to establish policies to ensure the integrity and transparency of related party transactions. The Company adheres to the policy of full public disclosure of related party transactions. Transactions with related parties not in the ordinary course of business will be subject to review and approval by the Board.</b></p>
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	<p><b>All related party transactions are fully disclosed in the Company's Annual Report and Audited Financial Statements (Note 21 in pages 58-59 of the Notes to the Audited Financial Statements for FY 2014).</b></p>

(b) Conflict of Interest

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

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

**The Company notes no actual or probable conflict of interest to which its directors, officers of 5% + shareholders may be involved.**

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(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	<p><i>Ref. RMCG Sec. II.B.5.i.</i></p> <p><b>A director is mandated to conduct fair business transactions with the Corporation, including full disclosure of actual or potential conflict of interest, and to ensure that personal interest does not bias Board decisions.</b></p>
Group	<p><i>Ref. Code of Conduct Article XI. Sec. 4</i></p> <p><b>Employees must not engage in conduct prejudicial to the Company's interests.</b></p>

	<p><u>Ref. RMCG Sec. II.C.2.b.iv.</u></p> <p><b>The Compensation and Remuneration Committee is tasked to develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</b></p> <p><u>Ref. RMCG Sec. VII</u> <u>Ref. Code of Conduct Article XII</u></p> <p><b>Offenses involving conflict of interest or non-disclosure thereof may be penalized by up to removal from office in the case of a director or termination from employment in the case of an officer.</b></p>
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5) Family, Commercial and Contractual Relations

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

**The Company is not aware of any relation of a family, commercial, contractual or business nature that exists between the holders of its significant equity.**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A	N/A	N/A

(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
Hinundayan Holdings Corporation (HHC)	Commercial/Contractual	<b>The Company had granted advances to HHC in the ordinary course of business. HHC has likewise granted advances to the Company, also in the ordinary course of business.</b>

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

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



The Company is not aware of 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
N/A	N/A	N/A

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	<p><u>Ref. RMCG Sec. II.B.4.iv.</u></p> <p>The Board is tasked to Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program</p>
Corporation & Third Parties	<p>Currently, the Corporate Secretary and the Corporate Information Officer are tasked as frontline in investor relations, while any other potential or actual disputes with other parties are referred to the proper officer/s within whose area of responsibility the nature of the dispute or potential dispute concerns.</p>
Corporation & Regulatory Authorities	<p><u>Ref. RMCG Sec. II.B.4.viii.</u></p> <p>The Board is tasked to establish an alternative dispute resolution policy or policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities</p>

### C. BOARD MEETINGS & ATTENDANCE

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

A tentative schedule for regular meetings is set on a yearly basis; however, to promote efficiency and ensure that company operations and transactions are not delayed, the same is subject to change when any matter requiring the approval of the Board arises or are seen to arise.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Salvador P. Escaño	July 3, 2014	14	14	100%
Member	Nilo S. Ezequiel	July 3, 2014	14	14	100%
Member	Ramon R. Torralba, Jr.	July 3, 2014	14	14	100%
Member	Efren A. Palma	July 3, 2014	14	8	57%
Member	Simeon S. Umandal	July 3, 2014	14	14	100%
Independent	Enerlito G. de Mesa	July 3, 2014	14	8	57%
Independent	Roland Joey R. de Lara	July 3, 2014	14	8	57%

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

For the year 2014, the non-executive directors did not hold a separate meeting without the presence of any executive.

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

The minimum quorum requirement set in the Company's By-Laws is a majority of the number of directors set in the Company's Articles of Incorporation. The number of directors under the Company's Articles (as amended) is seven (7); thus, a majority is four (4).

- 5) Access to Information

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

The Company exerts efforts to provide board papers at least seven days before the meeting, unless the matter to be discussed is of such urgency that the board papers cannot be provided in advance, or the special meeting cannot be scheduled earlier.

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

- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Ref. RCMG Sec. II.D.

**The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties. Considering his varied functions and duties, he must possess administrative and interpersonal skills and must work fairly and objectively with the Board, Management, and the stockholders. If he is not the general counsel, then he must have knowledge of the laws, rules, and regulations necessary in the performance of his duties and responsibilities. He must also have some financial and accounting skills and a working knowledge of the Corporation's operations.**

**The duties and responsibilities and responsibilities of the Corporate Secretary are to: (i) gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation; (ii) as to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting in such a manner as to ensure that the members are provided accurate information to enable them to arrive at intelligent decisions on matters requiring their approval; (iii) assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations; (iv) attend all Board meetings , maintain record of the same, and ensure the safekeeping and integrity of the minutes of all meetings and of the other official records of the Corporation; and (v) submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;**

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

**Yes, the corporate secretary has been trained and, furthermore, has experience in legal, accountancy, and corporate secretarial practices.**

- (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	N/A
Audit	Any request for information from any director addressed to the Chairman for the purpose of preparing in advance for committee meetings, and so approved by the Chairman will be honored by the Company in accordance with the approval.  <u>Ref. RMCG Secs. II.D.2.ii. and iii.</u>  The Corporate Secretary is tasked to put the Board on notice
Nomination	
Remuneration	

	before every meeting in such a manner as to ensure that the members are provided accurate information to enable them to arrive at intelligent decisions on matters requiring their approval and to assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
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
Any request from any director addressed to the Chairman of the Board for the purpose of obtaining external advice, and so approved by the Chairman, will be honored by the Company in accordance with the approval.	

7) Change/s in existing policies

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

**The Company notes no substantial or major 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.**

Existing Policies	Changes	Reason
N/A	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	<i>Ref. RMCG Sec. II.C.2.</i>  <b>Among the duties and responsibilities of the Compensation and Remuneration Committee are to:</b>	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		

(5) Stock Options and other financial instruments	<p>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</p>
(6) Others (specify)	<p>- designate amount of remuneration, which shall be in a sufficient level to attract and retain officers who are needed to run the company successfully;</p> <p>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of officers;</p> <p>- review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on salaries and benefits policies</p> <p><u>Ref. By-Laws Article IV Section 13.</u></p> <p>The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent, or otherwise, and receiving compensation therefor.</p>

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

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

The executive directors are remunerated for the positions held in the Company as above-stated. Each Director, whether executive or non-executive, receives a *per diem* allowance of ten thousand pesos (P10,000) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, solely for the provision of service as Director.

Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
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Executive Directors	<p><u>Ref. RMCG Sec. II.C.2.</u></p> <p><b>Among the duties and responsibilities of the Compensation and Remuneration Committee are to:</b></p> <ul style="list-style-type: none"> <li>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of directors, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</li> <li>- designate amount of remuneration, which shall be in a sufficient level to attract and retain directors;</li> </ul>
Non-Executive Directors	<ul style="list-style-type: none"> <li>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;</li> <li>- disallow any director to decide his or her own remuneration.</li> </ul> <p><u>Ref. Item 10., Executive Compensation, of the Annual Report.</u></p> <p><b>The executive directors are remunerated for the positions held in the Company as above-stated. Each Director, whether executive or non-executive, receives a <i>per diem</i> allowance of ten thousand pesos (P10,000) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, solely for the provision of service as Director.</b></p>

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.

Ref. Item 10., Executive Compensation, of the Annual Report

**Each Director, whether executive or non-executive, receives a *per diem* allowance of ten thousand pesos (P10,000) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, solely for the provision of service as Director.**

**In accordance with the Company's by-laws, said per diem allowances was approved by the Company's Board. There has been no change in the per diem allowance, whether in the amount of the frequency thereof in the past 3 years.**

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

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	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	P 10,000 per director per board meeting attended		
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
<b>Total</b>	<b>P 560,714</b>		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	N/A	N/A	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

There is no director who owns or is 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
N/A	N/A	N/A	N/A	N/A

(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:

There have been no amendments or discontinuation of any incentive programs during the period under review.

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

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
Benjamin P. Escaño - SVP (NMO)	P 1.7M
Sonito N. Mole - Regional Head (SMO)	
Jose Ma. C. Ordenes - VP Operations Monitoring	
Simeon S. Umandal - 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Audit	1	0	2	<p><u>Ref. RMCG Sec. II.C.3.</u></p> <p>The Audit Committee is tasked to:</p> <ul style="list-style-type: none"> <li>- check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;</li> <li>- perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;</li> <li>- review and pre-approve all internal and external audit plans, their nature, scope, resources, budget, expenses, and frequency before the conduct of actual audit;</li> <li>- perform oversight and direct interface functions with the internal and external auditors, review audit reports and financial statements before submission to the Board;</li> <li>- elevate to international standards the accounting and auditing processes, practices and methodologies;</li> <li>- develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company;</li> <li>- evaluate and determine any non-audit work of the external auditor, periodically review non-audit fees paid in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses, and ensure that any non-audit work will not conflict with the duties of the external auditor as such; and,</li> <li>- supervise the establishment of an effective financial reporting and internal control system, taking into account: the extent of Management's responsibility in the preparation of the financial statements and the delineation of its functions with that of the external auditor; the effectiveness of internal control systems that will ensure the integrity of financial reports and protection of corporate assets; the effectiveness of internal audit plans in</li> </ul>			

				achieving the functions and objectives of internal audit; and, the Corporation's compliance with the Commission's financial reporting requirements.
Nomination	2	0	1	<p><u>Ref. RMCG II.C.1.</u></p> <p>The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under applicable laws, rules, regulations, the Company's by-laws and RMCG.</p> <p>In consultation with the executives or management committee/s, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.</p> <p>The Nomination Committee shall consider the guidelines set in the RMCG in the determination of the number of directorships for the Board.</p>
Remuneration	1	1	1	<p><u>Ref. RMCG Sec. II.C.2.</u></p> <p>The Compensation and Remuneration Committee is tasked to:</p> <ul style="list-style-type: none"> <li>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</li> <li>- designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully;</li> <li>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.</li> <li>- develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly</li> </ul>

				<p>conflict in their performance of duties once hired.</p> <p>- disallow any director to decide his or her own remuneration.</p> <p>- provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.</p> <p>- review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</p>			
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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
N/A	N/A	N/A	N/A	N/A	N/A	N/A

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	<b>Enerlito G. de Mesa</b>	<b>July 30, 2010</b>	<b>1</b>	<b>1</b>	<b>100%</b>	<b>4</b>
Member (ED)	<b>Efren A. Palma</b>	<b>June 21, 2007</b>	<b>1</b>	<b>1</b>	<b>100%</b>	<b>6</b>
Member (ID)	<b>Roland Joey R. De Lara</b>	<b>June 27, 2013</b>	<b>1</b>	<b>1</b>	<b>100%</b>	<b>1</b>

Disclose the profile or qualifications of the Audit Committee members.

**Following is the profile of the audit committee members:**

- **Mr. Enerlito G. de Mesa de Mesa has over thirty years of experience in business and management gained both in the Philippines and in the United States. While in the United States, he was employed in managerial and managerial support positions with companies providing management services and legal solutions. He holds a Bachelor's Degree in Commerce from the Polytechnic University of the Philippines.**

- Mr. Efren A. Palma is a Certified Public Accountant. He joined SGV & Co. in 1986, after which he worked for the Alcantara Group of Companies in 1989 as senior internal auditor. He was later promoted as Finance Manager for one of the construction companies of the Alcantaras in Iligan City before joining Pryce Gases, Inc. in 1996. He holds a Bachelor's Degree in Commerce from Immaculate Concepcion College in Ozamis City.

- Mr. Roland Joey R. de Lara is the Chief Executive Officer of Klinserv, Inc. and is Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City. He has likewise previously served as independent director of the Company for the years 2003-2006 and again in 2009-2010.

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

Ref. RMCG Sec. II.C.3.

With respect to the Company's external auditors, the Audit Committee is to:

- review and pre-approve all internal and external audit plans, their nature, scope, resources, budget, expenses, and frequency before the conduct of actual audit;

- perform oversight and direct interface functions with the external auditors, review audit reports and financial statements before submission to the Board;

- evaluate and determine any non-audit work of the external auditor, periodically review non-audit fees paid in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses, and ensure that any non-audit work will not conflict with the duties of the external auditor as such; and,

- supervise the establishment of an effective financial reporting and internal control system, taking into account the delineation of its functions with that of the external auditor.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Salvador P. Escaño	June 21, 2007	1	1	100%	6
Member (ED)	Efren A. Palma	June 21, 2007	1	1	100%	6
Member (ID)	Roland Joey R. de Lara	June 27, 2013	1	0	0%	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the
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						Committee
Chairman	Ramon R. Torralba	July 30, 2008	0	N/A	N/A	5
Member (ED)	Salvador P. Escaño	June 21, 2007	0	N/A	N/A	6
Member (ID)	Enerlito G. de Mesa	June 30, 2010	0	N/A	N/A	4

(e) Others (Specify) **No other committee/s.**

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
N/A	N/A	N/A	N/A	N/A	N/A	N/A

### 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	N/A	N/A
Audit	N/A	N/A
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (specify)	N/A	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	N/A	N/A
Audit	Review and approval of financial statements	Addressing and recommending write-off of non-performing advances
Nomination	Recommendation of nominees to the board.	Evaluating possible replacements to vacancy in seat of independent director and assessing nominees therefor.
Remuneration	Continuous review of remuneration packages.	No significant issue addressed; though ongoing rehabilitation proceedings involving the company is always taken into account.
Others (specify)	N/A	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	N/A	N/A
Audit	Continuous review of financial reports, performance of oversight functions in the areas of risk and crisis management, reviewing internal and external audit plans, development of financial management system to ensure integrity in control processes, and elevation of the Company's accounting and auditing processes to international standards.	All programs, functions and duties must be discharged taking into account the ongoing rehabilitation proceedings involving the Company and the potential or possible outcome(s) thereof.
Nomination	As may be needed, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business and future expansionary prospects; Continue pre-screening and shortlisting all candidates nominated to become a member of the board of directors	
Remuneration	Continuous review of executive remuneration policies and packages to attract competent directors and key officers.	
Others (specify)	N/A	N/A

#### F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*Ref. RMCG Sec. II.B.4.vi.*

The Board is tasked to continuously identify potential key risk areas and key performance indicators, monitor these factors with due diligence, and ensure the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls.

*Ref. RMCG Sec. II.C.3.b.ii.*

The Audit Committee is tasked to perform oversight financial management functions specifically in the

areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

*Ref. RMCG Sec. II.F.4.c.*

The scope and particulars of a system of effective organizational and procedural controls are based on the degree of risk faced, among other factors.

*Ref. "Major risk factors and their management in PGI's LPG and industrial gas business" in Item 1. of the Annual Report for 2014.*

As to the Liquefied Petroleum Gas (LPG) and other gases business of the Company's subsidiary, Pryce Gases, Inc. (PGI), mitigation of the risks identified are done through consistent and systematic application of management policies, procedures and practices concerning safety. There are continual tasks on analyzing, evaluating and controlling the different types of risks involved. Decisions are thereafter made on how acceptable the risk might be and the need for further actions to be undertaken, either to eliminate the risks or reduce them to a tolerable level. Risk management includes such elements as identification of possible risk reduction measures (which could be preventive or mitigative) and risk acceptability. PGI's risk management and mitigation system covers at least the following areas:

- Continuous identification of hazards and consequence analysis thereof (utilizing the Structure What If Technique or 'SWIFT');
- Fire prevention and fire-protection management program;
- Regular emergency response training and drill, and continued evaluation thereof;
- Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and
- Training and continuing education of its personnel on safety and risk management

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

*Ref. RMCG Sec. II.B.4.vi.*

The Board has reviewed and continuous to review the adequacy of the Company's risk management system. It continuously identifies potential key risk areas and key performance indicators, monitor these factors with due diligence, with a view to ensuring the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls.

- (c) Period covered by the review; **2014**

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

Review is conducted at least once a year but has been reviewed more often in actuality. Criteria for review is whether the system, or the components or procedures therein, has resulted in or is seen to likely result in elimination or reduction of the risk/s identified.

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

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
<b>NON - FINANCIAL</b>		
<b>Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:</b>		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	Education of clients on why Company's products are so priced.  Providing manageable payment terms for clients.	To educate customers on benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks
(b) local market's unanticipated feeble response to designed marketing/ sales programs	Continuous evaluation and improvement of marketing strategies.	Capturing target markets.
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure	Adjustments in pricing of the products and services and provision of discounts.	
(d) ingrained cultural practices like backyard burial.	Lobbying with the municipal offices for the passage of appropriate ordinance against such practices which are considered health hazards.	Prohibition of said practices.
Risk of a reduced capacity to continually maintain the park to its committed first class standards.	Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.	Sustained capacity to maintain the park.
Over-optimistic estimation of area for new memorial park development	Careful study of area using criteria to measure stability and growth of market's buying capacity and degree of robustness of local economy.	To achieve sustainable revenue and profit for each new memorial park development.
Other developers putting up their		Sustaining competitiveness and



memorial park despite limited market		continuously addressing and adjusting to needs of target market.
<b>FINANCIAL</b>		
- foreign currency risk	Continuous monitoring of foreign exchange rate movements	To minimize impact of rate movements in the operations of the Company.
- credit risk	Continuous monitoring of accounts, including advances to related parties.	Minimize exposure to single counterparty or group. Ensure credit quality is good.
- liquidity risk	Identifying events that would trigger liquidity problems.	Ensure contingency plans are in place and potential sources of funds are identified in each event.
- price risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial assets.
- interest rate risk	Prompt repayment of restructured debts.	To minimize impact of floating interest rates on the equity of the Group.
- capital risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions and always considering pending rehabilitation proceedings of the company.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

(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
<p><i>Ref. "Major risk factors and their management in PGI's LPG and industrial gas business" in Item 1. of the Annual Report for 2014.</i></p> <p><b>For a discussion of the management of non-financial risks in connection with PGI's business, please refer to item F.1.(a) of this section. Financial risks are addressed on a consolidated basis in the Audited Financial Statements of the Company and management of said risks are intertwined on account of the ongoing rehabilitation proceedings of both the Company and PGI.</b></p>		

(c) Minority Shareholders

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

The Company having no controlling shareholder, no such risk is identified.

<b>Risk to Minority Shareholders</b>
N/A

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<b>NON - FINANCIAL</b>		
<b>Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:</b>		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	Continuous identification of risk factors and trigger events and evaluation against previous or similar occurrences.	Education of clients on why Company's products are so priced.  Providing manageable payment terms for clients.
(b) local market's unanticipated feeble response to designed marketing/ sales programs		Continuous evaluation and improvement of marketing strategies.
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure		Adjustments in pricing of the products and services and provision of discounts.
(d) ingrained cultural practices like backyard burial.		Lobbying with the municipal offices for the passage of appropriate ordinance against such practices which are considered health hazards.
Risk of a reduced capacity to continually maintain the park to its committed first class standards.		Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.

Over-optimistic estimation of area for new memorial park development		Careful study of area using criteria to measure stability and growth of market's buying capacity and degree of robustness of local economy.
Other developers putting up their memorial park despite limited market		
<b>FINANCIAL</b>		
- foreign currency risk	Continuous monitoring of foreign exchange rate movements	To minimize impact of rate movements in the operations of the Company.
- credit risk	Continuous monitoring of accounts, including advances to related parties.	Minimize exposure to single counterparty or group. Ensure credit quality is good.
- liquidity risk	Identifying events that would trigger liquidity problems.	Ensure contingency plans are in place and potential sources of funds are identified in each event.
- price risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial assets.
- interest rate risk	Prompt repayment of restructured debts.	To minimize impact of floating interest rates on the equity of the Group.
- capital risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions and always considering pending rehabilitation proceedings of the company.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><i>Ref. "Major risk factors and their management in PGI's LPG and industrial gas business" in Item 1. of the Annual Report for 2014.</i></p> <p><b>For a discussion of the management of non-financial risks in connection with PGI's business, please refer to item F.1.(a) of this section. Financial risks are addressed on a consolidated basis in the Audited Financial Statements of the Company and management of said risks are intertwined on account of the ongoing rehabilitation proceedings of both the Company and PGI.</b></p>		

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Oversight of Control and Risk Management Systems .	Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

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

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

*Ref. RMCG Sec. II.F.1.*

**Internal audit and control is the assurance that key organizational and procedural controls are effective, appropriate, and complied with, that governance, operations, and information systems are effective, that financial and operational information are accurate and reliable with the end in view of effective and efficient operations, that its assets are safeguarded at all times, and that laws, rules, regulations, and contracts are complied with.**

- (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 continuously review and evaluate the effectiveness of the internal control systems of the company. While the control systems are currently effective and adequate, the Board is committed to ensuring continuous review of the system to ensure the implementation of any and all improvement in the system necessitated by modernizations in technology, amendments in current laws and regulations, and changes in the landscape of the industry and its market.**

- (c) Period covered by the review; **2014**

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

Review is conducted at least once a year but has been reviewed more often in actuality. Criteria for review is whether the system, or the components or procedures therein, has resulted in or is seen to likely result in enhanced effectivity and efficiency of governance, operations, and information systems, accuracy and reliability of financial and operational information, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, 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
<p><u>Ref. RMCG Sec. II.F.1.</u></p> <p>To assure the Board that key organizational and procedural controls are effective, appropriate, and complied with, that governance, operations, and information systems are effective, that financial and operational information are accurate and reliable with the end in view of effective and efficient operations, that its assets are safeguarded at all times, and that laws, rules, regulations, and contracts are complied with.</p>	<p>Internal financial, procedural, and operational controls.</p>	<p>In-house</p>	<p>Paz T. Cabrera</p>	<p>Reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.</p>

(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?

**The Company does not outsource the internal audit function.**

(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?

**There is no restriction on the internal auditor’s communication with the Chairman of the Board and with the Chairman and members of the Audit Committee. The Chairman of the Board and the Audit Committee may order access to records, properties, and personnel as may be required for internal audit purposes.**

(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.

**No internal audit staff has resigned from the Company during the period in question (CY 2014).**

<b>Name of Audit Staff</b>	<b>Reason</b>
<b>N/A</b>	<b>N/A</b>

(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>Internal Audit is a continuous process. Progress is continuously being made.</b>
<b>Issues<sup>6</sup></b>	<b>No significant issues.</b>
<b>Findings<sup>7</sup></b>	<b>No significant findings.</b>
<b>Examination Trends</b>	<b>No examination trends that will result in adverse results to the Company.</b>

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

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

(f) Audit Control Policies and Procedures

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<b>Effective and appropriate procedural controls</b>	<b>Continuous implementation and improvement</b>

6 “Issues” are compliance matters that arise from adopting different interpretations.

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

Effective governance, operations, and information systems	of control systems.
Accurate and reliable financial operation	
Safeguarding of assets	
Compliance with laws, rules, regulations, and contracts	

(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
<p><u>Ref. RMCG Sec. II.F.</u></p> <p>The Internal Auditor reports directly to the Audit Committee.</p> <p><u>Ref. RMCG Sec. II.E.</u></p> <p>An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Board, after consultations with the Audit Committee.</p> <p>The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of said report shall be given by the corporation to the external auditor before its submission.</p> <p>The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.</p> <p>The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.</p> <p>If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.</p>	N/A	N/A	N/A

(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.

**It is the Chief Executive Officer or the President that will attest to the Company's compliance with the SEC Code of Corporate Governance.**

#### H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<b>Commitment and concern to give clients value for investments.</b>	<b>Continuous improvement of products and services through research and innovation.</b>
Supplier/contractor selection practice	<b>Best value for Company's money.</b>	<b>Intensive selection and evaluation process.</b>
Environmentally friendly value-chain	<b>Activities relative to these are currently put on hold due to the ongoing rehabilitation proceedings involving the Company.</b>	
Community interaction		
Anti-corruption programmes and procedures	<b>Strict prohibition.</b>	<b>Implementation of appropriate and responsive policies against bribery and preferences.</b>
Safeguarding creditors' rights	<b>Respect for creditor's rights.</b>	<b>Compliance with orders of the rehabilitation court.</b>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
**No.**

3) Performance-enhancing mechanisms for employee participation.

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

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

**Safety, health, and welfare, especially in the business of PGI, is a primary concern considering the nature of its product. All new employees of the group, especially of PGI, are required to attend product knowledge seminars to ensure safety in handling the Company's products. To assist in the protection of the welfare of its employees, one of the benefits given by the Company to its employees is the retirement benefit plan, details of which are disclosed in page 29 of the Notes to the Audited Financial Statements for 2014 under "Retirement Obligations."**



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

**All new employees of the group, especially of PGI, are required to attend product knowledge seminars to ensure safety in handling the Company's products.**

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

**Employees should be incentivized based on sales/revenue performance.**

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

**The due process procedures in the Company's Code of Conduct are always observed in dealing with employee malfeasance. The Group is currently in the process of enhancing its Code of Conduct through the finalization of whistleblower policies to ensure that employees are protected from retaliation.**

## I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>Guild Securities, Inc.</b>	<b>1176638339</b>	<b>58.83%</b>	<b>Various Clients</b>
<b>Pryce Development Corporation</b>	<b>197,105,962</b> (direct – 183,404,055; indirect – 13,701,907)	<b>9.86%</b>	<b>Pryce Development Corporation</b>
<b>Hinundayan Holdings Corp.</b>	<b>160,708,000</b>	<b>8.04%</b>	<b>Hinundayan Holdings Corp.</b>

**No member of Senior Management holds 5% or more of the total outstanding shares of the Company.**

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

2) Does the Annual Report disclose the following:

		Remarks
Key risks	YES	
Corporate objectives	YES	
Financial performance indicators	NO	Disclosed in Management Report with the Information Statement.
Non-financial performance indicators	NO	Disclosed in Management Report with the Information Statement.

Dividend policy	YES	Though no dividend was declared
Details of whistle-blowing policy	NO	Whistle-blowing policy still to be finalized.
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	The directors have not attended any training or continuing education program for the period under review.
Number of board of directors/commissioners meetings held during the year	NO	Disclosed in this ACGR.
Attendance details of each director/commissioner in respect of meetings held	NO	Disclosed in this ACGR.
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. **Please see "Remarks" column above.**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Diaz Murillo Dalupan & Company	P 560,714.00 (VAT exclusive)	P 0.00

4) Medium of Communication

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

- PSE EDGE Portal
- Press Releases
- Mails (Registered, Ordinary, Electronic, Courier)

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

6) Company Website

**The Company website is under construction.**

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

Business operations	Yes
Financial statements/reports (current and prior years)	N/A
Materials provided in briefings to analysts and media	N/A
Shareholding structure	N/A
Group corporate structure	N/A
Downloadable annual report	N/A

Notice of AGM and/or EGM	N/A
Company's constitution (company's by-laws, memorandum and articles of association)	N/A

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

**The Company's website is still under construction.**

**7) Disclosure of RPT**

RPT	Relationship	Nature	Value
Josefina Multi-Ventures Corporation	Under Common Control	Advances (assumption of loan obligation)	P 15,574,663

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?

Ref. RMCG Sec. II.B.4.vii.

Ref. RMCG Sec. IV.B.

**The Board is primarily tasked to establish policies to ensure the integrity and transparency of related party transactions. The Company adheres to the policy of full public disclosure of related party transactions. Transactions with related parties not in the ordinary course of business will be subject to review and approval by the Board.**

**All related party transactions are fully disclosed in the Company's Annual Report and Audited Financial Statements (Note 21 in page 59 of the Notes to the Audited Financial Statements for FY 2014 ).**

**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>	<b>Majority of outstanding capital stock.</b>
------------------------	---

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Motion / Objection.
Description	The Chairman requests any motion for approval of the proposed ratification. After a motion, if any, and a second to the motion, if any, the Chairman will hear any objections. Should there be none, the act is deemed ratified.

(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 <u>not</u> in The Corporation Code
<p>Stockholders' voting rights, especially the right to elect, remove, and replace directors and vote on certain corporate acts requiring their vote, in accordance with the by-laws of the Company and the Corporation Code.</p>	N/A
<p>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.</p>	
<p>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, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p>	
<p>Shareholders shall have the right to receive dividends subject to the discretion of the Board and subject to existing laws and regulations and the terms of the Company's rehabilitation plan.</p>	
<p>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 for under the Corporation Code</p>	

vi. Dividends

Ref. Item 5. Market for Registrant's Common Equity and Related Stockholder Matters, Dividend History, in the Annual Report

For the period under review and considering the pending rehabilitation proceedings involving the Company, no dividends were declared. Payment of cash dividends on the Shares in the future will depend upon the Company's earnings, cashflow, financial condition, capital investment requirements and other factors (including certain restrictions on dividends imposed by the terms of the Company's trust agreement in connection with its LTCP flotation.)

Declaration Date	Record Date	Payment Date
N/A	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
<p>It has been the policy of the Board and of the Company to, at each stockholders' meeting, include in the agenda for the meeting an item for "Other Matters." During the actual conduct of the meeting, the Chairman, at that point in the meeting, opens the floor for questions by the stockholders on any matter concerning the Company, which questions will be addressed by the Chairman himself or by the appropriate director or officer concerned, or by the auditor or the Company's rehabilitation receiver for matters concerning their respective areas of responsibility. Even prior to the same, the Chairman, after every item in the agenda, solicits questions on the matters taken up in the previous item.</p>	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution

**The Company will adhere to Section 16 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.**

- b. Authorization of additional shares

**The Company will adhere to Section 38 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.**

- c. Transfer of all or substantially all assets, which in effect results in the sale of the company.

**The Company will adhere to Section 40 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.**

In such an event, the Company will, in accordance with the provisions of the Corporation Code, call a stockholder's meetings for the approval of the corporate act. The Company will furthermore comply with the requirements under Section 20 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and provide each stockholder an information statement containing all disclosures required to enable the stockholder to raise all questions, issues, and concerns regarding the proposed action. In any case, dissenting stockholders are entitled to exercise their appraisal right when applicable and in accordance with the provisions of the Corporation Code.

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?

**The Company is not able to observe the said minimum notice requirement since, under its By-Laws, the record date for determining which stockholders are entitled to notice and to vote may not be set more than 20 days prior to the stockholders' meeting. Thus, the stockholders entitled to notice are not yet known or ascertained 21 business days prior to the stockholders' meeting.**

- a. Date of sending out notices: **June 19, 2014.**
- b. Date of the Annual/Special Stockholders' Meeting: **July 3, 2014.**

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

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

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Previous Meeting held on June 27, 2013	1,879,441,367	0	0
Approval of the Annual Report and the Audited Financial Statements for 2013	1,879,441,367	0	0
Ratification of all acts and transactions of the Board of Directors and the Management from June 1, 2013 to May 31, 2014	1,879,441,367	0	0
Reappointment of the accounting firm of Diaz Murillo Dalupan & Co. as the Company's external auditor	1,879,441,367	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: **July 3, 2014 (via uploading of 17-C report to the PSE EDGE Disclosure System).**

- (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:

**No significant modifications were made or noted in the conduct of and procedures governing the stockholders' meeting.**

Modifications	Reason for Modification
N/A	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	Salvador P. Escaño Ramon R. Torralba, Jr. Nilo S. Ezequiel Efren A. Palma Simeon S. Umandal Enerlito G. De Mesa Roland Joey R. De Lara Jose Ma. C. Ordenes Erica P. Encabo	July 3, 2014	By motion / objection	3.46%	90.51%	93.97%
Special	N/A	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?

**No, it does not. The votes during the stockholders' meetings are counted and validated by the Corporate Secretary.**

(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, a shareholder is entitled to one vote for each common share held. The Company has no other class of shares apart from common shares.**

(g) Proxy Voting Policies

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

Ref. RMCG Sec. V.B.

Ref. By-Laws Article II Section 7

Ref. SRC IRR Rule 20 Sec. 11.b.xvii

	Company's Policies
Execution and acceptance of proxies	Stockholders encouraged to attend meetings in person but notified in advance of right to appoint a proxy. Proxies must be in writing
Notary	No requirement for notarization.
Submission of Proxy	Proxy must be in the hands of the Corporate Secretary at least ten days before the date of the meeting.
Several Proxies	There is no restriction on number of proxies held.

Validity of Proxy	Valid only for the meeting for which it was presented unless otherwise stated in the proxy.
Proxies executed abroad	Must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Doubts as to the validity of the proxy resolved in the stockholder's favor.  Proxy may be revoked: (i) through an instrument in writing presented to and recorded with the Corporate Secretary at least three days before the meeting; or, (ii) by the stockholder's personal presence at the meeting. Decisions of the Corporate Secretary as to the validity of the proxy are final and binding unless set aside by a court of competent jurisdiction.
Validation of Proxy	Doubts as to the validity of the proxy resolved in the stockholder's favor.
Violation of Proxy	There is no provision to address a violation of the proxy.

(h) Sending of Notices

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

Policies	Procedure
Timely dispatch of notice	<u>Ref. By-Laws Article II Section 4.</u>  Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least 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.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	395
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 19, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 19, 2014
State whether CD format or hard copies were distributed	CD format.
If yes, indicate whether requesting stockholders were provided hard copies	Stockholders may request and will be provided hard copies; however, no such request was



	received. Hard copies were nonetheless provided to all stockholders who attended the Annual Stockholders' Meeting.
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(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.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	YES

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

**There was no such disclosure of the dividend policy nor the amount of dividends since no dividend was declared.**

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p><u>Ref. RMCG Sec. V.</u></p> <p><b>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. They 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." Furthermore, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</b></p>	

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

**There is no restriction as to minority stockholders' right to nominate candidates for director, but all nominations are still subject to pre-screening and shortlisting procedures conducted by the Nomination Committee.**

**K. INVESTORS RELATIONS PROGRAM**

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

**The Company’s internal and external communications policies are reviewed as needed to keep pace with new developments in technology. Major company announcements are approved by the Chief Executive Officer.**

- 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	Full, Fair, and Timely Disclosure.
(2) Principles	
(3) Modes of Communications	Internet, Telephone, Company Website (Pryce Corporation and Pryce Gases, Inc.), Courier Service, Mail (Registered, Ordinary, Electronic), PSE EDGE System, Press Releases
(4) Investors Relations Officer	Simeon S. Umandal (Corporate Secretary) and/or Erica P. Encabo (Corporate Information and Compliance Officer); (+632) 899-4401

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

**The Company will adhere to the requirements and procedures under the Corporation Code and the Securities Regulation Code and its Implementing Rules and Regulations as to notice and stockholder vote requirements for the approval of said acts, and any notice to existing stockholders of the acquired company in the event a tender offer is mandatory.**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **N/A. There is no such event for the period under review.**

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

**Any proposal for social responsibility initiatives are noted but action thereon is put on hold in the meantime on account of the ongoing corporate rehabilitation proceedings involving the Company that may restrict the use of its funds and assets.**

Initiative	Beneficiary
N/A	N/A

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

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

	Process	Criteria
Board of Directors	<p><i>Ref. RMCG Sec. VI.B.</i></p> <p>The Board may establish an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code. The creation and implementation of such self-rating system may be disclosed in the corporation's annual report.</p>	<p>The performance of the Board and Directors are assessed based on the effective and efficient performance of their duties under the Company's by-Laws and the RMCG. The performance of the Company is likewise taken into account in assessing the policies implemented by the Board.</p>
Board Committees		
Individual Directors		<p>The performance of the Chief Executive Officer and President are assessed against the backdrop of the performance of the Company.</p>
CEO/President		

**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
Any violation of the RMCG	First Violation – Reprimand
	Second Violation – Suspension, with the duration dependent on gravity of violation
	Third Violation – Removal from Office or Removal from Directorship

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on April 27, 2015.

**SIGNATURES**




**SALVADOR P. ESCAÑO**

Chairman of the Board and Chief Executive Officer

*[in the United States for medical reasons]*

**ENERLITO G. DE MESA**

Independent Director



**ERICA P. ENCABO**

Corporate Information and Compliance Officer



**ROLAND JOEY R. DE LARA**

Independent Director

**AT MAKATI CITY**

**SUBSCRIBED AND SWORN** to before me on April 27, 2015, affiants exhibiting to me competent evidence of their identity as follows:

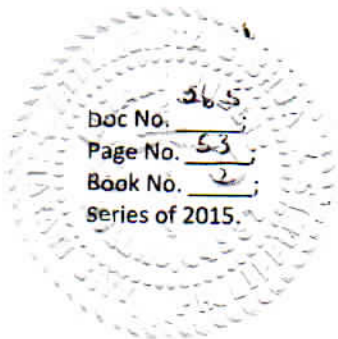
Salvador P. Escañó  
Roland Joey R. De Lara  
Erica P. Encabo

CEI

DL# C10-75-021861 to expire in 11.14.2015

T.N 179-558-285-000

DL# N25-97-031995 to expire 12.15.2017



**ATTY. NENITA C. CHUA**  
NOTARY PUBLIC - MAKATI CITY  
COMM. NO. M-280 / UNTIL 31 DEC 2015  
1179 DON CHING ROCES AVE., MAKATI  
PTR NO. 4760015 / 01/08/15 / MAKATI CITY  
IBP NO. 983007 / 01/06/15 / MANILA II  
MCLE NO. IV-0015859 / 8 April 2013  
ROLL NO. 44937