

**MACAY HOLDINGS, INC.
ANNUAL CORPORATE GOVERNANCE REPORT**

TABLE OF CONTENTS

A. BOARD MATTERS	4
1) Board of Directors	4
2) Chairman and CEO.....	12
3) Succession Plan for Board of Directors and Senior Management	13
4) Other Executive, Non-Executive and Independent Directors	13
5) Changes in the Board of Directors	16
6) Orientation and Education Program	21
B. CODE OF BUSINESS CONDUCT & ETHICS	22
1) Policies.....	22
2) Dissemination of Code of Ethics or Conduct.....	22
3) Implementation of and Compliance with Code	22
4) Related Party Transactions.....	23
5) Family, Commercial and Contractual Relations	24
6) Alternative Dispute Resolution	25
C. BOARD MEETINGS & ATTENDANCE	25
1) Schedule of Meetings.....	25
2) Attendance of Directors	25
3) Separate Meetings of Non-Executive Directors	25
4) Quorum Requirement	25
5) Access to Information	26
6) External Advice.....	27
7) Change/s in existing policies	27
D. REMUNERATION MATTERS	28
1) Remuneration Process	28
2) Remuneration Policy and Structure for Executive and Non-Executive Directors	28
3) Aggregate Remuneration	28
4) Stock Rights, Options and Warrants	29
5) Remuneration of Management.....	29
E. BOARD COMMITTEES	29
1) Number of Members, Functions and Responsibilities	29
2) Committee Members	32
3) Changes in Committee Members.....	32
4) Work Done and Issues Addressed.....	33
5) Committee Program	33
F. RISK MANAGEMENT SYSTEM	33
1) Statement on Effectiveness of Risk Management System.....	33
2) Risk Policy	33

3) Control System Set Up	34
G. INTERNAL AUDIT AND CONTROL.....	35
1) Internal Control System	35
2) Internal Audit	36
H. ROLE OF STAKEHOLDERS.....	38
1) Policies and Activities	38
2) Corporate Responsibility.....	39
3) Performance-Enhancing Mechanisms for Employee Participation.	39
4) Procedures for Handling Employee Complaint	39
I. DISCLOSURE AND TRANSPARENCY.....	39
1) Ownership Structure	39
2) Does the Annual Report disclose the following:	39
3) External Auditor’s Fee	40
4) Medium of Communication	40
5) Date of Release of Audited Financial	40
6) Company Website	40
7) Disclosure of RPT	41
J. RIGHTS OF STOCKHOLDERS.....	41
1) Right to Participate Effectively in Stockholders’ Meetings	41
2) Treatment of Minority Stockholders.....	48
K. INVESTOR RELATIONS PROGRAM	49
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	49
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....	50
N. INTERNAL BREACHES AND SANCTIONS	50
Signatures	51

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
---------------------------------------------------	----

Actual number of Directors for the year	11
-----------------------------------------	----

(a) Composition of the Board (As of 25 October 2013)

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	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual/Special Meeting)	No. of Years served as Director
Alfredo M. Yao	NED	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Armando M. Yao	NED	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Jeffrey S. Yao	ED	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Carolyn S. Yao	ED	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Mary Grace S. Yao	NED	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Roberto A. Atendido	NED	Mazy's Capital, Inc.	25 October 2013	25 October 2013	Special Meeting	.42
Fernando R. Balatbat	ED	Mazy's Capital, Inc.	25 October 2013	25 October 2013	Special Meeting	.42
Antonio I. Panajon	ED	Mazy's Capital, Inc.	25 October 2013	25 October 2013	Special Meeting	.42
Albert S. Toribio	NED	Mazy's Capital, Inc.	25 October 2013	25 October 2013	Special Meeting	.42
Jesus G. Gallegos, Jr.	ID	n.a.	25 October 2013	25 October 2013	Special Meeting	.42
Roberto F. Anonas, Jr.	ID	n.a.	25 October 2013	25 October 2013	Special Meeting	.42

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

The corporate governance policies adopted by the board of directors of the Corporation are found in the Corporation's Revised Manual on Corporate Governance (the "Manual"). The Manual contains sections on Shareholders' Rights and Protection of Minority Shareholders' Interest, Disclosures, and Board Responsibilities.

The section (Sec. 6) on Shareholders' Rights and Protection of Minority Shareholders' Interest specifically –

- enjoin the Board to respect the rights of the shareholders as provided in the Corporation Code, to wit,

¹ Reckoned from the election immediately following January 2, 2012.

- Right to vote on all matters that require their consent or approval pre-emptive right to all stock issuances of the Company;
 - Right to inspect the Company's books and records;
 - Right to information;
 - Right to dividends; and
 - Appraisal right.
- state that the Board should be transparent and fair in the conduct of the annual and special stockholders' meeting of the Company.
 - make it a duty of the Board to promote the rights of shareholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.
 - state that the Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders' meaningful participation in meetings, whether in person or by proxy.
 - provide that the Board should give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

Sec. 5 of the Manual on the Reportorial or Disclosure System of the Company's Corporate Governance policies provides that all material information, i.e., anything that could potentially affect share price, and other information shall be publicly disclosed. The Board is committed to at all times fully disclose material information dealings and shall cause the filing of all required information for the interest of the stakeholders.

The general responsibility of the Board of Directors include the following:

- Conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.
- Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its fiduciary responsibility, the Corporation's objectives, and the best interest of its shareholders.
- Determine the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor its Management's performance.

The Board of Directors also has specific duties and functions to insure a high standard of best practice for the Corporation and its shareholders –

- Install a process of selection to ensure a mix of competent directors and professional officers and adopt an effective succession-planning program for Management;
- Determine the Corporation's purpose, its vision, mission, and strategies to carry out its objectives;
- Ensure that the Corporation complies with all applicable laws, regulations, and codes of best business practices;
- Identify the Corporation's major and other shareholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt of system of internal checks and balances within the Board and regularly review its effectiveness. Internal controls of the Company should also be revised continuously to maintain adequacy and effectiveness;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, associates, affiliates, joint ventures, major shareholders, directors and officers, including their spouses, children and dependent siblings, parents, and interlocking director relationships by members of the Board;
- 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
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-laws and in accordance with existing laws, rules, and regulations.

The Manual also provides the duties and responsibilities of individual directors, as follows –

- To conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company.
- To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;

- 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 rules and regulations of the Commission, and, where applicable, the requirements of other relevant regulatory agencies;
- To observe confidentiality; and
- To ensure the continuing soundness, effectiveness, and adequacy of the Corporation's control environment.

The Manual also provides for the duties and responsibilities of various Corporate Officers, namely, the Corporate Secretary, Compliance Officer, External Auditor, and Internal Auditor.

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

The Manual provides that the same shall be subject to quarterly review, unless the same frequency is amended by the Board.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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:

Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if the Director is also the Chairman.
Alfredo M. Yao	ARC Refreshments Corp.	Chairman
	Mega Asia Bottling Corp.	Chairman
	Asiawide Refreshments Corp.	Chairman
	Money Movers, Inc.	Chairman
	AMY Holdings, Inc.	Chairman
	Zest-O Corporation	Chairman
	Semexco Marketing Corp.	Chairman
	Harman Foods	Chairman
	Uni-Ipel	Chairman
	Solmac Mktg., Inc,	Chairman

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

	<p>Pharma-Rex</p> <p>Asiawide Kalbe Phil., Inc.</p> <p>ARC Holdings, Inc.</p> <p>SMI Development Corporation</p> <p>Amchem Mktg., Inc.</p> <p>Bev-Pack, Inc.</p> <p>Down Town Realty Investment Corp.</p>	<p>Chairman</p> <p>Member</p> <p>Chairman</p> <p>Chairman</p> <p>Chairman</p> <p>Chairman</p> <p>Chairman</p>
Armando M. Yao	<p>ARC Refreshments</p> <p>Mega Asia Bottling Corp.</p> <p>Asiawide Refreshments Corp.</p> <p>AMY Holdings, Inc</p> <p>Zest-O Corporation</p> <p>Semexco Marketing Corp.</p> <p>Harman Foods</p> <p>Uni-ipel</p> <p>Solmac Mktg., Inc.</p> <p>ARC Holdings, Inc.</p> <p>SMI Development Corporation</p> <p>Bev-Pack, Inc.</p> <p>Down Town Realty Investment Corporation</p>	<p>Non-Executive Director</p>
Jeffrey S. Yao	<p>ARC Refreshments Corp.</p> <p>Mega Asia Bottling Corp.</p> <p>Asiawide Refreshments Corp.</p> <p>AMY Holdings, inc.</p>	<p>Executive Director</p> <p>Executive Director</p> <p>Executive Director</p> <p>Non-Executive Director</p>

	<p>Zest-O Corporation</p> <p>Semexco Marketing Corp.</p> <p>Asiawide Kalbe Phil. Inc.</p> <p>ARC Holdings, Inc.</p> <p>SMI Development Corporation</p> <p>Amchem Mktg., Inc.</p> <p>Bev-Pack, Inc.</p> <p>Downtown Realty Investment Corporation</p>	<p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Executive Director</p> <p>Executive Director</p>
Carolyn S. Yao	<p>ARC Refreshments Corp.</p> <p>Mega Asia Bottling Corp.</p> <p>AMY Holdings, inc.</p> <p>Zest-O Corporation</p> <p>Semexco Marketing Corp.</p> <p>SMI Development Corporation</p> <p>Bev-Pack, Inc.</p> <p>Downtown Realty Investment Corporation</p>	<p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Executive Director</p> <p>Non-Executive Director</p>
Mary Grace S. Yao	<p>ARC Refreshments Corp.</p> <p>Zest-O Corporation</p> <p>Semexco Marketing Corp.</p> <p>SMI Development Corporation</p> <p>Bev-Pack, Inc.</p> <p>Downtown Realty Investment Corporation</p>	<p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p>
Antonio I. Panajon	<p>ARC Refreshments Corp.</p> <p>Asiawide Refreshments Corp.</p>	<p>Executive Director</p> <p>Executive Director</p>

	Asiawide Kalbe Phil., Inc.	Non-Executive Director
	ARC Holdings, Inc.	Non-Executive Director
Albert S. Toribio	ARC Refreshments Corp. Asiawide Refreshments Corp.	Non-Executive Director Non-Executive Director
Fernando R. Balatbat	Pharma-Rex	Executive Director
Roberto A. Atendido		

(ii) Directorships 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
Jeffrey S. Yao	Philippine Business Bank	Non-Executive
Roberto A. Atendido	Philippine Business Bank	Non-Executive

(iii) Relationship with the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Alfredo M. Yao	Mazy's Capital, Inc.	These directors are incorporators and directors of Mazy's Capital, Inc. Mr. Alfredo M. Yao and Mr. Armando M. Yao are brothers. Mr. Jeffrey S. Yao, Ms. Carolyn S. Yao, and Ms. Mary Grace S. Yao are children of Mr. Alfredo Yao. They are all relatives within the third degree of consanguinity.
Armando M. Yao		
Jeffrey S. Yao		
Carolyn S. Yao		
Mary Grace S. Yao		

(e) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual

director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines.

	Guidelines	Maximum Number of Directorships in other companies
Executive Directors	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. <i>(Section 2.2.2.1.4, Revised Manual on Corporate Governance)</i>	“low indicative limit”
Non-Executive Directors		
CEO		

(f) Shareholding in the Company

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

Name of Director	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	Total direct & indirect shares	% to Total Outstanding Shares
Alfredo M. Yao	1	0	1	0
Armando M. Yao	1	0	1	0
Carolyn S. Yao	1	0	1	0
Jeffrey S. Yao	1	0	1	0
Mary Grace S. Yao	1	0	1	0
Antonio I. Panajon	1	0	1	0
Fernando R. Balatbat	1	0	1	0
Roberto A. Atendido	1	0	1	0
Albert S. Toribio	1	0	1	0
Jesus G. Gallegos, Jr.	1	0	1	0
Roberto F. Anonas, Jr.	1	0	1	0
	11	0	11	0

2) **Chairman and CEO**

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

Yes No

Identify the Chairman and CEO

Chairman of the Board	Alfredo M. Yao
CEO/President	Antonio I. Panajon

(b) **Roles, Accountabilities and Deliverables**

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

As provided under Secs. 5 and 6 of the Amended By-laws of the Corporation.

Definition	Chairman	Chief Executive Officer
Role, Accountabilities and Deliverables	The primary duty of the Chairman is to ensure that the meetings of the Board are held in accordance with the by-laws. Under the by-laws, the Chairman shall preside at all meetings of the Board of Directors and the stockholders. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him.	<p>The President or Chief Executive Officer of the Corporation shall be responsible for the effective management of the Company. Under the by-laws of the Corporation, he is tasked with the following:</p> <ul style="list-style-type: none"> To be responsible for the general supervision of the business affairs and property of the Corporation; To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs; To establish general administrative and operating policies and to ensure that they are carried out under his supervision and control; To assign the exercise or performance of his powers, duties and functions to any other officer or officers, subject always to his supervision and control; To represent the corporation at all functions and proceedings or to designate the representative or proxy of the corporation in all

		<p>meetings at which the corporation must be present;</p> <ul style="list-style-type: none"> • To execute on behalf of the corporation all contracts, obligations and agreements which require the approval of the board of directors, except as otherwise directed by the board of directors; • To make reports to the board of directors and stockholders; • To sign certificates of stock; • To preside at meetings of the board of directors and stockholders in the absence of the Chairman; • To exercise such other powers and perform such other duties as are incident to his office or are entrusted and assigned to him by the Board of Directors.
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

Since the current Board of Directors took over only last 25 October 2013, and further considering that the Corporation is still in the process of finalizing its corporate structure, there has not been sufficient time to prepare and approve specific written policy for the succession of the President and the top key management positions. However, the Corporation intends to establish a written policy for the succession of management as soon as its corporate structure is finalized.

4) Other Executive, Non-Executive and Independent Directors

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

Under Sec. 2.2.1.2 of the Revised Manual on Corporate Governance, the Board is tasked to install a process of selection to ensure a mix of competent directors and professional officers. The Company will formalize its policy once the corporate structure is finalized.

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

Yes. The Manual provides the Nomination Committee shall consider the nature of the business of the corporations of which a candidate is a director among the guidelines in the

determination of the number of directorships for the Board (Sec. 2.2.2.1.3, Revised Manual on Corporate Governance). A candidate is also required to be at least a college graduate or with an equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education (Section 2.2.2.1, Revised Manual on Corporate Governance).

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

Sec. 2.2.1.1. of the Manual lays down the general responsibility of the Board of Directors:

- Conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.
- Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its fiduciary responsibility, the Corporation's objectives, and the best interest of its shareholders.
- Determine the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor its Management's performance.

On the other hand, Sec. 2.2.1.2 of the Manual enumerates the specific duties and functions of the Board of Directors to insure a high standard of best practice for the Corporation and its shareholders:

- Install a process of selection to ensure a mix of competent directors and professional officers and adopt an effective succession-planning program for Management;
- Determine the Corporation's purpose, its vision, mission, and strategies to carry out its objectives;
- Ensure that the Corporation complies with all applicable laws, regulations, and codes of best business practices;
- Identify the Corporation's major and other shareholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt of system of internal checks and balances within the Board and regularly review its effectiveness. Internal controls of the Company should also be revised continuously to maintain adequacy and effectiveness;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;

- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, associates, affiliates, joint ventures, major shareholders, directors and officers, including their spouses, children and dependent siblings, parents, and interlocking director relationships by members of the Board;
- 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
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-laws and in accordance with existing laws, rules, and regulations.

Finally, Sec. 2.2.1.3 of the Manual states the duties and responsibilities of individual directors, as follows –

- To conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company.
- To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- 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 rules and regulations of the Commission, and, where applicable, the requirements of other relevant regulatory agencies;
- To observe confidentiality; and
- To ensure the continuing soundness, effectiveness, and adequacy of the Corporation’s control environment.

Provide the company’s definition of “independence” and describe the company’s compliance to the definition.

The Corporation abides by the definition of “independent director” as provided in the Securities Regulation Code and its Implementing Rules and Regulations and related regulations(Art. II, Sec. 1, Amended By-laws of the Corporation).

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

The Company follows the SEC's guidelines on setting the term limit for an Independent Director. The Company will formalize its policy in accordance with SEC Memorandum Circular 9, Series of 2011, on the Term Limits for Independent Directors once its corporate structure is finalized.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Ramon B. Arnaiz	Director	25 October 2013	Resignation
Manuel N. Tordesillas	Director	25 October 2013	Resignation
Lorenzo T. Roxas	Director	25 October 2013	Resignation
Renato L. Leveriza, Jr.	Director	25 October 2013	Resignation
Nilaida S. Enriquez	Director	25 October 2013	Resignation
Tan Pei-San	Director	25 October 2013	Resignation
Udaishankar Raman	Director	25 October 2013	Resignation
Herminio M. Famatigan, Jr.	Director	25 October 2013	Resignation
Eulogio A. Mendoza	Director	25 October 2013	Resignation
Ma. Victoria C. Viñas	Director	25 October 2013	Resignation

(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
a. Selection/Appointment		
Executive Directors	The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified (<i>Amended Bylaws of Macay Holdings, Inc.</i>). The	<ul style="list-style-type: none"> Holder of at least one share of stock of the Corporation; He shall be at least a college graduate or equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education;
Non-Executive Directors		

	<p>Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations as well as the Company's By-laws.</p>	<ul style="list-style-type: none"> • Practical understanding of the business of the Corporation; • He shall be at least twenty one (21) years old; • He shall have proven to possess integrity and probity; and • He shall be assiduous. <p>The foregoing qualifications for directors shall be in addition to those required under existing applicable laws and regulations.</p> <p><i>(Section 2.2.2.1.1., Revised Manual on Corporate Governance)</i></p> <p>The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:</p> <ul style="list-style-type: none"> • The nature of the business of the corporations of which he is a director; • Age of the director; • Number of directorships/active memberships and officerships in other corporations or organizations; and • Possible conflict of interest <i>(Sec. 2.2.2.1.3., Revised Manual on Corporate Governance)</i>.
<p>Independent Directors</p>	<p>The Corporation follows the requirements of the Securities Regulation Code (SRC) and its Implementing Rules and Regulations as well as the SEC guidelines on the nomination and election of</p>	<p>An independent director shall have the qualifications and none of the disqualifications as embodied in relevant SEC regulations and in the By-laws of the Corporation. An independent Director should possess the same</p>

	Independent Directors.	qualifications as the non-executive or executive directors. <i>(Section 2.2.2.1.1., Revised Manual on Corporate Governance)</i>
b. Re-appointment		
Executive Directors	Same as above.	Same as above.
Non-Executive Directors		
Independent Directors		
c. Permanent Disqualification		
Executive Directors	Directors/ Officers elected or appointed without possessing the qualifications or possessing any of the disqualifications as enumerated herein, or in the By-laws of the corporation, shall vacate their respective positions immediately.	<ul style="list-style-type: none"> Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank quasi-bank, trust company, investment house or as an affiliated person of any of them; Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or
Non-Executive Directors		
Independent Directors		

		<p>investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <ul style="list-style-type: none"> • The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the BSP, or under any rule or regulation issued by the Commission or the 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; • Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; • Any person who has been adjudged by final judgment or order of the Commission, court,
--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

		<p>or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or the BSP, or any of its rule, regulation or order;</p> <ul style="list-style-type: none"> • Any person earlier elected as independent director who becomes an officer, employee, or consultant of the same corporation; • Any person judicially declared to be insolvent; • Any person finally found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in the foregoing paragraphs; and • Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment. <p><i>(Section 2.2.2.1.1., Revised Manual on Corporate Governance)</i></p>
d. Temporary Disqualification		
Executive Directors	<p>The Board shall provide for the temporary disqualification of a director for any of the following reasons:</p> <ul style="list-style-type: none"> • Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations. This disqualification shall be in effect as long 	
Non-Executive Directors		
Independent Directors		

	<p>as the refusal persists; and</p> <ul style="list-style-type: none"> Absence in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. <p>In addition, the Board may provide for the temporary disqualification of a director for any of the following reasons:</p> <ul style="list-style-type: none"> Dismissal or termination for cause as director of any corporation covered by Code. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. A temporary disqualified director shall, within 60 business days from such disqualification, take appropriate action to remedy such disqualification. If, after 60 days, the director refuses to take action, he may be permanently disqualified. <p><i>(Section 2.2.2.1.1., Revised Manual on Corporate Governance)</i></p>	
e. Re-instatement		
Executive Directors	Same criteria as stated in the selection/appointment of both regular and independent directors.	Same criteria as stated in the selection/appointment of both regular and independent directors.
Non-Executive Directors		
Independent Directors		

6) Orientation and Education Program

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

A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute (Sec. 4.2, Revised Manual on Corporate Governance).

(b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years

Not applicable as the current members of the Board of Directors and Senior Management were elected and/or appointed only last 25 October 2013. The Corporation shall ensure that appropriate training for its directors and officers will be part of the written policies that will be drafted.

Course attended	Date	Directors and Senior Management
Not applicable		

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

Not applicable as the current members of the Board of Directors and Senior Management were elected and/or appointed only last 25 October 2013. The Corporation shall establish a program for continuing education of its directors as part of the written policies that will be drafted.

Continuing education program	Date	Directors and Senior Management
Not Applicable		

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.

The Corporation will formalize its policies on ethical conduct and fair dealings for directors, senior management, and employees, including procedures and principles to be adopted in the event of conflicts of interest, whistle-blowing, related party transactions, use of non-public information, use of company funds, assets, and information, and similar matters, once the corporate structure is finalized.

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

Not applicable at this time.

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

Not applicable at this time. The Corporation shall establish procedures for implementing and monitoring compliance with the code of ethics/conduct as part of the overall establishment of written policies and procedures.

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

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.

The Board is tasked under Sec. 2.2.1.2 of the Revised Manual on Corporate Governance to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, associates, affiliates, joint ventures, major shareholders, directors and officers, including their spouses, children and dependent siblings, parents and interlocking director relationships by members of the Board. The Company will formalize its policies and procedures on related party transactions once the corporate structure is finalized.

(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% of more shareholders may be involved.

The Corporation has had no instance of actual conflict of interest because in compliance with the Manual on Corporate Governance, if an actual or potential conflict of interest arises on the part of a director, he fully and immediately discloses it.

Name of Director	Details of Probable Conflict of Interest
Alfredo Yao	Chairman, ARC Refreshments Corp., Mega Asia Bottling Corp., Asiawide Refreshments Corp.
Armando M. Yao	Director, ARC Refreshments Corp., Mega Asia Bottling Corp., Asiawide Refreshments Corp.
Jeffrey S. Yao	Director, ARC Refreshments Corp., Mega Asia Bottling Corp., Asiawide Refreshments Corp.
Carolyn S. Yao	Director, ARC Refreshments Corp., Mega Asia Bottling Corp., Asiawide Refreshments Corp.
Mary Grace S. Yao	Director, ARC Refreshments Corp., Mega Asia Bottling Corp.,
Antonio I. Panajon	Director, ARC Refreshment Corp.,

	Asiawide Refreshments Corp.
Albert S. Toribio	Director, ARC Refreshment Corp., Asiawide Refreshments Corp.

(ii) Mechanism

	Directors/Officers/Significant Shareholders
Company	<p>It is among the duties of a director “[t]o conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company.”</p> <p>A conflict of interest shall be considered material if the director’s personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.</p> <p><i>(Section 2.2.1.3, Revised Manual on Corporate Governance)</i></p>
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family⁴, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Mazy’s Capital, Inc.	Family/commercial	Mazy’s Capital, Inc. is the majority shareholder of the Company, the capital stock of which is majority-owned by the Yao family.

(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:

Aside from the abovementioned relationship, there is no relation of commercial, contractual or business nature that exists between holders of significant equity and the Corporation.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Not applicable	Not applicable	Not applicable

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: Currently none.

6) Alternative Dispute Resolution

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

The Corporation has not had any disputes with its stockholders, third parties, or regulatory authorities.

C. BOARD MEETINGS & ATTENDANCE

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

The Board of Directors will set the tentative dates for its meetings during the organizational meeting subsequent to the annual stockholders' meeting.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held During the Year	No. of Meetings Attended	%
Chairman	Alfredo M. Yao	25 October 2013	2	2	100%
Director	Armando M. Yao	25 October 2013	2	1	50%
Director	Jeffrey S. Yao	25 October 2013	2	2	100%
Director	Carolyn S. Yao	25 October 2013	2	1	50%
Director	Mary Grace S. Yao	25 October 2013	2	1	50%
Director	Roberto A. Atendido	25 October 2013	2	2	100%
Director	Fernando R. Balatbat	25 October 2013	2	2	100%
Director	Antonio I. Panajon	25 October 2013	2	1	50%
Director	Albert S. Toribio	25 October 2013	2	2	100%
Independent Director	Jesus G. Gallegos, Jr.	25 October 2013	2	2	100%
Independent Director	Roberto F. Anonas, Jr.	25 October 2013	2	2	100%

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

In the event of issues to be discussed in an executive session, the non-executive directors may request the executive directors and senior management present during the meeting to be excused from the board room. This may be done as often as needed. However, the meetings conducted by the present board members did not require such executive session.

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

Art. II, Sec. 2 of the Amended By-laws of the Corporation provided that "A majority of the board of directors at a meeting duly assembled shall be necessary to constitute a quorum for

the transaction of business, and the act of a majority of a quorum so present shall be valid as a corporate act.”

5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

The Corporate Secretary is tasked to “[i]nform all members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval” (Sec. 2.3.3.4., Revised Manual on Corporate Governance). Notices to meetings shall be delivered to the directors at least two days prior to the date fixed for the meeting (Article II, Sec. 4 of the Corporation’s By-laws).

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

Yes.

(a) State the policy on 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 regulatory changes, etc.?

The duties and responsibilities of the Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, are set forth under Sec. 2.3.3.4. of the Manual, as follows –

2.3.3.4 Duties and Responsibilities

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the Board and its committees, as well as other official records of the Company;
- Be loyal to the mission, vision and objectives of the Company;
- Work fairly and objectively with the Board, Management and stockholders;
- Have appropriate administrative and interpersonal skills;
- If he is not at the same time the Company’s legal counsel, be aware of the laws rules, and regulations necessary in the performance of his duties and responsibilities;
- Have a working knowledge of the operations of the Company;

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

- Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- Attend all Board meetings, except when justifiable causes, such as, illness death in the immediate family and serious accidents prevent him from doing so;
- Ensure that all Board procedures, rules and regulations are strictly followed by members;
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided in the Code and in the Manual; and
- Submit to the Commission, on or before January 30 of every year, an annual certification as to the attendance of the directors during Board meetings for the preceding calendar year.

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

Yes.

(c) 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

As a matter of practice, materials for the committee meetings are sent to the members of the committee at least two (2) days before the scheduled meeting.

6) External Advice

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

A director may, upon request, obtain external advice as may be justified a case-to-case basis.

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: None.

D. REMUNERATION MATTERS

1) Remuneration Process

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

No formal policy has been established at this time regarding remuneration for the CEO and top 4 highly compensated management officers. The Corporation is on the process of establishing such policies.

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 Executives and Non-Executive Directors is calculated.

No formal policy has been established at this time regarding remuneration and structure of compensation package for directors. The Corporation is in the process of establishing such policies.

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

No.

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors and Other Officers	Non-Executive Directors (other than Independent Directors)	Independent Directors
Not Applicable. The Corporation is not operating at this time.			

Other Benefits	Executive Directors and Other Officers	Non-Executive Directors (other than Independent Directors)	Independent Directors
Not Applicable. The Corporation is not operating at this time.			

4) **Stock Rights, Options and Warrants – None.**

(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 are no stock rights, options or warrants over the Corporation's shares available to its directors.

Director's Name	Number of Direct Options/Rights/Warrants	Number of Indirect Options/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable.				

(b) **Amendments of Incentive Programs**

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

Not applicable.

Incentive Program	Amendments	Date of Stockholders' Approval
Not applicable.		

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.

Not applicable as the Corporation is not operating at this time.

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.

The Board Committees to aid in complying with the principles of good corporate governance under the Manual are as follows –

Nomination Committee

Under Sec. 2.2.2.1 of the Manual, the Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting Director in the person of the HR Director/Manager. 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 as provided in the Manual.

Compensation and Remuneration Committee

Under Sec. 2.2.2.2, the Compensation or Remuneration Committee shall be composed of at least three (3) members one of whom shall be an independent director. Its duties and responsibilities are:

- 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.
- Designated 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.
- 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.
- 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.
- Disallow any director to decide his or her own remuneration.
- 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 and the ensuing year.
- Review (if any) 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.
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above (Sec. 2.2.2.2., Revised Manual on Corporate Governance).

Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board preferably with finance and accounting backgrounds and another with audit experience. The chair of the Audit Committee should be an independent director. Each member shall have adequate understanding at least or competent at most of the company's financial management systems and environment (Sec. 2.2.2.3.1., Revised Manual on Corporate Governance). Its duties and responsibilities are set forth in Sec. 2.2.2.3.2 of the Manual:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function includes regular receipt from Management of information on risk exposures and risk management activities;
- Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include audit scope, resources, and budget necessary to implement it;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year, and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any changes in accounting policies and practices

- Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal, and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules, and regulations;
 - Evaluate and determine the non-audit work, if any of the external auditor and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the external auditor's duties or may pose a threat to independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;
 - Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report direct to the audit committee.

The audit committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference from outside parties;

- Elevate to international standards the accounting and auditing processes, practices, and methodologies, and develop the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

2) Committee Members

The membership in the Board Committees will be constituted once the corporate structure is finalized.

3) Changes in Committee Members

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

Not applicable.

4) **Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year 2013.

Not applicable.

5) **Committee Program**

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

The programs will be finalized once the committees are constituted.

F. **RISK MANAGEMENT SYSTEM**

Since the present members of the Board of Directors only took over last October 2013, the Corporation is still in process of constituting a Risk Management Committee.

1) **Disclose the following:**

(a) Overall risk management philosophy of the company. This will be finalized once the Risk Management Committee is formed and constituted.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof. Not applicable at present.

(c) Period covered by the review. Not applicable.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness. Not applicable.

(e) Where no review was conducted during the year, an explanation why not. Where no review was conducted during the year, an explanation why not. The Company will form and finalize its Risk Management Committee and institute a risk management system once the corporate structure is finalized.

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
<u>The Corporation is still in process of establishing its policies regarding risk and risk management.</u>		

(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
The Corporation is currently assessing the risks affecting the group and is in the process of establishing a risk framework.		

(c) Minority Shareholders

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

Risk to Minority Shareholders
The Company is committed to practice good governance and to respect the rights of the shareholders as provided in the Corporation Code.

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:

The Company will finalize the establishment of control systems to assess, manage, and control the main issue/s faced by it once the corporate structure is finalized.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Not applicable.		

(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)
Not applicable.		

(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
The Audit Committee is tasked to provide oversight over the Company's risk management under the Manual.		

G. INTERNAL AUDIT AND CONTROL

Sec. 2.3.5.1 of the Manual provides that –

“The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

As a purely investment holding firm, the Company's internal audit function may operate at the level of its operating subsidiaries.”

The Corporation will determine who shall be responsible for the internal audit function once its corporate structure is finalized.

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.** Sec. 2.3.5.4 of the Manual states that the scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size, and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate.** The internal control system will be instituted once the corporate structure is finalized.
- (c) Period covered by the review.** Not applicable.
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system.** The Manual makes it a duty of the Board to “adopt a system of internal checks and balances within the Board and regularly review its effectiveness. Internal controls of the Company should also be reviewed continuously to maintain adequacy and effectiveness.”

(e) Where no review was conducted during the year, an explanation why not. The Corporation will institute an internal control system once the corporate structure is finalized.

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>Provide the Board, senior management, and stockholders reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.</p> <p><i>(Section 2.3.5.1, Revised Manual on Corporate Governance)</i></p>	<p>The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size, and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.</p> <p><i>(Section</i></p>	<p>The Manual provides that the Internal Audit Function may be performed by an Internal Auditor or a group of Internal Auditors.</p> <p><i>(Section 2.3.5.1, Revised Manual on Corporate Governance)</i></p>	<p>An Internal Auditor will be selected once the corporate structure is finalized.</p>	<p>The Internal Auditor shall report to the Audit Committee.</p> <p><i>(Section 2.3.5.2, Revised Manual on Corporate Governance)</i></p>

	2.3.5.4, Revised Manual on Corporate Governance)			
--	--------------------------------------------------	--	--	--

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

An external auditor shall be selected and appointed by the stockholders upon the recommendation of the Audit Committee. The authority to appointed the external auditor may be deleted by the shareholders to the Board, which may appointed an external auditor upon the recommendation of the Audit Committee(Section 2.3.4.1, Revised Manual on Corporate Governance).

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

Yes. The Internal Auditor shall report to the Audit Committee(Section 2.3.5.2, Revised Manual on Corporate Governance). The Audit Committee shall ensure that the internal and external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions (Sec. 2.2.2.3.2, Revised Manual on Corporate Governance).

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

None.

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

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

Not applicable.

- (f) Audit Control Policies and Procedures**

The Corporation is reviewing audit control policies and procedures to establish an appropriate framework.

- (g) Mechanism and Safeguards**

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

Auditors	Financial Analysts	Investment Banks	Rating Agencies
-----------------	---------------------------	-------------------------	------------------------

(Internal and External)			
The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. (Section 2.2.2.3.2, Revised Manual on Corporate Governance)	None.	None.	None.

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

Chairman and President.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' Welfare	Not applicable. The Corporation is a holding company.	
Supplier/contractor selection practice	The Company will institute policies on supplier/contractor selection once the corporate structure is finalized.	
Environmentally friendly value chain	Not applicable. The Corporation is a holding company.	
Community interaction	None.	
Anti-corruption programmes and procedures?	The Company will institute policies and procedures so that employees of the Corporation can carry out their tasks in accordance with the applicable Legal and Compliance framework and generally accepted standards of sound financial and administrative practices once the corporate structure is finalized. Furthermore, the Corporation is in the process of establishing a whistleblower policy.	
Safeguarding creditors' rights	No specific policy other than the general mandate to operate the Corporation in a manner consistent with good business practice.	

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

None.

- 3) Performance-enhancing mechanisms for employee participation.

The Company will institute performance-enhancing mechanisms for the Corporation's employees once the corporate structure is finalized.

- (a) What are the company's policies for its employees' safety, health and welfare?
Not applicable at present.

- (b) Show data relating to health, safety and welfare of its employees.
Not applicable.

- (c) State the company's training and development programmes for its employees.
Show the data.
Not applicable.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures
Not applicable.

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

The Company will institute procedures for handling complaints once the corporate structure is finalized and will include a whistleblower policy.

I. DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure

- (a) Holding 5% shareholding or more (As of May 15, 2013)

Shareholder	Number of Shares	Percent	Beneficial Owner
Macy's Capital, Inc.	958,941,662	89.76	Same.

Name of Senior Management	Number of Direct Shares	Number of Indirect shares/through name of record owner)	% of Capital Stock
No member of Senior Management has shareholdings in the Company amounting to 5% or more of its outstanding capital stock.			

- 2) Does the Annual Report disclose the following:

Key risks	Not applicable
Corporate Objectives	Not applicable
Financial performance indicators	Not applicable
Non-financial performance indicators	Not applicable
Dividend policy	Not applicable
Details of whistle-blowing policy	Not applicable
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Not applicable
Training and/or continuing education programme attended by each director/commissioner	Not applicable
Number of board of directors/commissioners meetings held during the year	Not applicable
Attendance details of each director/commissioner in respect of meetings held	Not applicable
Details of remuneration of the CEO and each member of the board of directors/commissioners	Not applicable

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

The contents of the previous year's Annual Report have been superseded with the change in the composition of the Board of Directors and Senior Management.

3) External Auditor's Fee

Name of auditor	Audit Fee	Non-Audit Fee
Sycip, Gorres, Velayo & Company	1,431,200.00	

4) Medium of Communication

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

Disclosures are made through the Philippine Stock Exchange and the Securities and Exchange Commission.

5) Date of Release of Audited Financial

6) Company Website

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

Business operations	Not applicable
Financial statements/reports (current and prior years)	Not applicable

Materials provided in briefings to analysts and media	Not applicable
Shareholding structure	Not applicable
Group corporate structure	Not applicable
Downloadable Annual Report	Not applicable
Notice of AGM and/or EGM	Not applicable
Company's constitution (company's by-laws; memorandum and articles of association)	Not applicable

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

There has been a change in the corporate name and composition of the Board of Directors and Senior Management, necessitating the set-up of a different website for the Corporation. The website will be set up once the corporate structure is finalized.

7) Disclosure of RPT

Related Party Transactions will be disclosed in the Consolidated Financial Statements, which will be included in the Corporation's Annual Report, SEC Form 17-A, and Definitive Information Statement.

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 in the Annual/Special Stockholders' Meeting as set forth in its By-laws

Quorum Required	Under Article I, Sec. 3 of the Amended By-laws, it is stated that "[a]t any meeting of stockholders, the holders as of record date, of a majority of the stock of the company then issued and outstanding, and represented in person or by proxy, shall constitute a quorum for the transaction of business."
------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	"At every meeting of the stockholders of the Company, every stockholder shall be entitled to one vote for each share of stock standing in his name on the books of the company; provided, however, that in the case of the election of directors, every stockholders may so vote by proxy,
--------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	provided that the proxy shall have been appointed in writing by the stockholders himself, or by his duly authorized attorney” (<i>Art. 1, Sec. 3 of the Amended By-laws</i>).
Description	“The stockholders may, at each annual meeting, appoint two persons (who need not be stockholders), to act as inspectors of election at all meetings of the stockholders until the close of the next annual meeting. If any inspector shall refuse to serve, or neglect to attend, at any meeting of the stockholders, or his office shall become vacant, the meeting may appoint an inspector in his place” (<i>Art. 1, Sec. 5 of the Amended By-laws</i>).

(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
Right to vote in person or by proxy on all matters that require their consent or approval in accordance with Section 58 of the Corporation Code (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	If a shareholder cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholders’ favor (<i>Sec. 6.2 of the Revised Manual on Corporate Governance</i>).
Right to attend and participate in the Annual Stockholders’ Meeting and to receive written notice thereof under Section 50 of the Corporation Code (<i>Art. 1, Secs. 3 and 4 of the Amended By-laws and Sec. 6.2 of the Revised Manual on Corporate Governance</i>).	The Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders’ meaningful participation in meetings, whether in person or by proxy (<i>Sec. 6.2 of the Revised Manual on Corporate Governance</i>).
Pre-emptive right to all stock issuances of the Company in accordance with Sec. 39 of the Corporation Code (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	Accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval (<i>Sec. 6.2 of the</i>

	<i>Revised Manual on Corporate Governance</i>).
Right to inspect records the Company's books and records in accordance with Section 74 of the Corporation Code (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.
Right to information (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	
Right to dividends pursuant to Section 43 of the Corporation Code (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	
Appraisal right in accordance with Title X of the Corporation Code (<i>Sec. 6.1 of the Revised Manual on Corporate Governance</i>).	

Dividends

Declaration Date	Record Date	Payment Date
Not Applicable.		

(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
Shareholders are encouraged to personally attend stockholders' meetings. If they cannot attend, they should be	Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on

<p>apprised ahead of time of their right to appoint a proxy (<i>Sec. 6.2, Revised Manual on Corporate Governance</i>).</p> <p>Stockholders can, if they so choose, communicate directly with the Board or its individual members or board committees during stockholders' meetings.</p> <p>The Board has the duty to take appropriate steps to remove excessive or unnecessary costs and other impediments to the shareholders' meaningful participation in meetings, whether in person or by proxy (<i>Sec. 6.2, Revised Manual on Corporate Governance</i>).</p>	<p>matters for their consideration or approval (<i>Sec. 6.2, Revised Manual on Corporate Governance</i>).</p> <p>Notice of the time and place of holding any annual meeting, or any special meeting of the stockholders, shall be given to the stockholders at least fifteen (15) business days before the date set for such meeting (<i>Art. I, Sec. 4 of the Amended By-laws</i>).</p> <p>The Chairman, who act as the presiding officer at stockholders' meetings, can open the floor for any questions and comments of stockholders.</p> <p>Minority shareholders have the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company (<i>Sec. 6.2, Revised Manual on Corporate Governance</i>).</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

a. Amendment to the company's constitution

The Corporation complies with the procedures under the Corporation Code in cases of amendments to its Articles of Incorporation or By-laws. Any proposed amendments to the Corporation's Articles of Incorporation or By-laws are stated in the Information Statement disseminated to stockholders prior to a stockholders meeting, with a brief statement of the rational for the amendment, and submitted for approval of the stockholders at said meeting.

b. Authorization of additional shares

The Corporation complies with the procedures under the Corporation Code in cases of authorization of additional shares, including securing shareholder approval.

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

The Corporation complies with the procedure under the Corporation Code in cases of transfer of all or substantially all assets, which in effect results in the sale of the company, including securing shareholder approval.

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

Notice of the time and place of holding any annual meeting, or any special meeting of the stockholders, shall be given either by posting the same enclosed in a postage prepaid envelope, addressed to each stockholder of record, at the address left by such stockholder with the secretary of the company or at his last known post office address or by delivering the same to him in person at least fifteen (15) business days before the date set for such meeting(Art. I, Sec. 4 of the Amended By-laws).The Corporation likewise complies with SEC and PSE regulations concerning the dissemination of notice and agenda through the Information Statement prior to any stockholders meeting, which normally results in the notice of stockholders meeting and agenda to be sent to stockholders of record at least 21 business days prior to the meeting.

- a. **Date of sending out notices:** At least 15 business days prior to the date of the meeting under the By-laws, but in compliance with regulations the notices of meeting are normally sent at least 21 business days prior to the meeting.
- b. **Date of Annual/Special Stockholders' Meeting:**May 8, per Amended By-laws.

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

Not applicable.These occurred prior to the change in current ownership and management.

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

Not applicable.These occurred prior to the change in current ownership and management.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: Not applicable.These occurred prior to the change in current ownership and management.

(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:

None.

(f) Stockholders' Attendance

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

Not applicable.These occurred prior to the change in current ownership and management.

Type of	Names of	Date of	Voting	% of SH	% of SH in	Total %
---------	----------	---------	--------	---------	------------	---------

Meeting	Board members/ Officers present	Meeting	Procedure (by poll, show of hands, etc.)	Attending in Person	Proxy	of SH attendance
Not Applicable						

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

Yes. The stockholders may, at each annual meeting, appoint two persons (who need not be stockholders), to act as inspectors of election at all meetings of the stockholders until the close of the next annual meeting. If any inspector shall refuse to serve, or neglect to attend, at any meeting of the stockholders, or his office shall become vacant, the meeting may appoint an inspector in his place (Art. I, Sec. 5 of the Amended By-laws).

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

The Corporation abides by the basic principle of "one common share, one vote" (Art. I, Sec. 3 of the Amended By-laws).

(g) Proxy Voting Policies

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

	Company Policies
Execution and acceptance of proxies	Every stockholder is entitled to vote by proxy (Art. I, Sec. 3 of the Amended By-laws).
Notary	Notarization is not required.
Submission of Proxy	The instrument authorizing a proxy to act shall be exhibited to the secretary and to the inspectors of election and shall be lodged with the secretary at least ten (10) days before the scheduled time of the meeting (Art. I, Sec. 3 of the Amended By-laws).
Several Proxies	There is no prohibition on the appointment of several proxies.
Validity of Proxy	The determination of the validity of proxy is based on the list of stockholders as of record date. Any doubt about the validity of a proxy should be resolved in the shareholders' proxy (Sec. 6.2 of the Revised Manual on Corporate Governance).
Proxies executed abroad	There is no prohibition on the execution of

	proxies abroad.
Invalidated proxy	Invalidated proxies shall not be counted.
Validation of proxy	Validation of proxy is done by the inspectors of election.
Violation of proxy	None.

(h) Sending of Notices

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

Policies	Procedure
<p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy.</p>	<p>Notice of the time and place of holding any annual meeting, or any special meeting of the stockholders, shall be given to each stockholder of record at least fifteen (15) business days before the date set for such meeting.</p> <p>The notice of every meeting shall state briefly the objects of the meeting, and no other business shall be transacted at such meeting except by consent of all the stockholders of the Company.</p> <p>No notice of any meeting need be published in any newspaper.</p> <p>The stockholders of the company may, by unanimous consent, in writing, waive notice of the time, place and purpose of any meeting of stockholders and any action taken at a meeting held pursuant to such waiver shall be valid and binding (<i>Art. I, Sec. 4 of the Amended By-laws</i>).</p>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive the Definitive Information Statements and Management Report and Other Materials	The stockholders as of record date, as provided by the Corporation's stock and transfer agent, are entitled to receive the Definitive Information Statements and Management Report and other materials.
Date of Actual Distribution of Definitive Information Statement and Management	The company shall, as far as practicable, issue the call for the ASM to all

Report and Other Materials held by market participants/certain beneficial owners	shareholders within a reasonable time before the date set for the ASM or Special Meeting.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	
State whether CD format or hard copies were distributed	Not applicable.
If yes, indicate whether requesting stockholders were provided hard copies	Not applicable.

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

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

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

2) Treatment of Minority Stockholders

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

Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company (Sec. 6.2 of the Revised Manual on Corporate Governance).

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

Yes. Candidates nominated are pre-screened and shortlisted by the Nomination Committee in accordance with the qualifications as provided in the Manual (Sec. 2.2.2.1.1 of the Revised Manual on Corporate Governance).

K. INVESTOR 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.**

Reports or disclosures required under the Manual shall be prepared by the responsible Committee or officer and submitted through the Corporation’s Compliance Officer(Sec. 5.1 of the Revised Manual on Corporate Governance).

- 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 e-mail) of the officer responsible for investor relations.**

	Details
(1) Objectives	To be completed once the corporate structure is finalized.
(2) Principles	
(3) Modes of Communications	Disclosures made through the Philippine Stock Exchange.
(4) Investor Relations Officer	To be appointed once the corporate structure is finalized.

- 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 Corporation shall comply with requirements of the Corporation Code and other applicable rules and regulations in cases of mergers, and sales of substantial portions of the Corporation’s assets.

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

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

None. This may be undertaken once the corporate structure is finalized.

Initiative	Beneficiary
Not applicable.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

The Company does not yet have a formal performance evaluation in place for the Board, its committees, individual directors, and the CEO/President.

	Process	Criteria
Board of Directors	Not applicable.	
Board Committees		
Individual Directors		
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

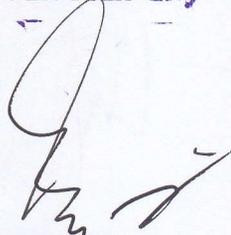
Sec. 8 of the Revised Manual on Corporate Governance imposes the following penalties, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of the Manual:

Violations	Sanctions
<i>First Violation</i>	The subject person shall be reprimanded.
<i>Second Violation</i>	Suspension of office shall be imposed. The duration of suspension shall depend on the gravity of the violation.
<i>Third Violation</i>	Removal

The Compliance Officer shall be responsible for determining violation/s after due 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. (Section 8.3, Revised Manual on Corporate Governance).

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 Caloocan City on MAR 3 2014.

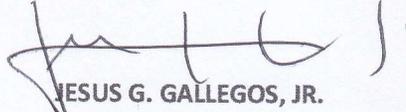
Signatures



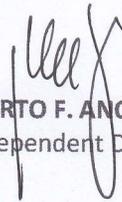
ALFREDO M. YAO
Chairman of the Board



ANTONIO I. PANAJON
President



JESUS G. GALLEGOS, JR.
Independent Director



ROBERTO F. ANONAS, JR.
Independent Director

SUBSCRIBED AND SWORN to before me this _____ day of MAR 3 1 2014 20____, affiants exhibiting to me their _____, as follows:

NAME	PROOF OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
Alfredo M. Yao	Passport No. XX5202965	29 December 2009	DFA-Manila
Antonio I. Panajon	Passport No. EB6199264	24 August 2012	DFA -Manila
Jesus G. Gallegos, Jr.	Passport No. EB7847350	11 April 2013	DFA-Manila
Roberto F. Anonas, Jr.	Passport No. EB1877070	07 February 2011	DFA - MANILA

ROBERTO F. SANTOS, JR.

Notary Public

Commission No. NC-239

Until 31 December 2014

IBP No. 947901 / 12.27.13 RSM

PTR No. 9794225 / 01.02.14 Pasig City

MCLE Compliance No. IV-0010593 / 20.12.12

Attorney Roll No. 59570

Doc. No. 97
Page No. 21
Book No. 43
Series of 2014.