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# SECURITIES AND EXCHANGE COMMISSION

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ACGR

**MAKATI FINANCE**  
FINANCIAL SERVICES AND ADVISORY

February 29, 2016

**The Markets & Securities Regulation Department**  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, Mandaluyong City

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**  
Director, Markets & Securities Regulation Department

**The Disclosure Department**  
**THE PHILIPPINE STOCK EXCHANGE, INC.**  
3<sup>rd</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

Gentlemen:


In compliance with the SEC Memorandum Circular No. 5 Series of 2013 of Makati Finance Corporation, please find attached the Annual Corporate Governance Report (SEC Form – ACGR) of Makati Finance Corporation for the year 2015.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

Very truly yours,

**Makati Finance Corporation**  
Registrant

By:



**MARCOS E. LAROSA**  
Chief Finance Officer

2<sup>nd</sup> Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines  
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121



# COVER SHEET

2 8 7 8 8  
S.E.C. Registration Number

M A K A T I F I N A N C E

C O R P O R A T I O N

(Company's Full Name)

2<sup>N<sup>D</sup></sup> F l o o r , M a k a t i

F i n a n c e C e n t e r 7 8 2 3

M a k a t i A v e . , M a k a t i C i t y

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

**MARCOS E. LAROSA**  
Contact Person

**897- 0749**  
Company Telephone Number

1 2  
Month

3 1  
Day

Fiscal Year

2015

**ACGR**  
FORM TYPE

0 7  
Month

Last Thursday of

Day

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **MAKATI FINANCE CORPORATION**
3. **7823 MAKATI AVENUE, POBLACION, MAKATI CITY** **1210**  
Address of Principal Office Postal Code
4. SEC Identification Number **28788** 5. (SEC Use Only)  
Industry Classification Code  

6. BIR Tax Identification Number **000-473-966**
7. **(0632) 896-02-21**  
Issuer's Telephone number, including area code
8. **N/A**  
Former name or former address, if changed from the last report



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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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(a) Composition of the Board (Definitive Information Statement)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Lawrence Ee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	31 July 2014	30 July 2015	Annual Meeting	1 year
Juan Carlos Del Rosario	(NED)	Amalgamated Investment Bancorporation (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	30 July 2015	Annual Meeting	19 years
Rene B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	1996	30 July 2015	Annual Meeting	19 years
Max O. Borromeo	(ED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	9 Mar. 2000	30 July 2015	Annual Meeting	15 years
Teresita B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	28 Mar. 2001	30 July 2015	Annual Meeting	13 years
Michael Wee	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	30 July 2015	Annual Meeting	17 years
Joel S. Ferrer	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998	30 July 2015	Annual Meeting	17 years
Eric B. Benitez	(NED)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	25 Mar. 1998 up to 28 Mar. 2001, and 23 Jun. 2011 up to present	30 July 2015	Annual Meeting	7 years
Francisco C. Eizmendi Jr	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	14 June 2007	30 July 2015 served as ID for 7 years	Annual Meeting	8 years
Eugenio E. Reyes	(ID)	n/a	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee; No relation to nominator	16 Oct. 2003	30 July 2015 served as ID for 11 years	Annual Meeting	12 years
Jose V. Cruz	(NED)	Amalgamated Investment Bancorporation (AIB)	Corporate Secretary, based on the shortlisted candidates of the Nomination Committee	24 June 2010	30 July 2015	Annual Meeting	5 years

<sup>1</sup> Mr. Lawrence Ee replaces Mr. Isidro B. Benitez in July 31, 2014.



- (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 Corporation's Manual of Corporate Governance embodies the general policy that The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Manual is aimed at increasing transparency and accountability in a company's operation. It prescribes standards for board governance, qualifications and responsibilities of the board chairman, chief executive officer and the board of directors.*

*It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders (Creditors, Industry, Customers, Community and Employees). The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.*

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

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

*The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.*

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

*The Board of Directors conducts regular reviews of the Company's vision and mission, strategies and corporate governance practices on an annual basis.*

- (d) Directorship in Other Companies**

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

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

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



Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
LAWRENCE EE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
TERESITA B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
RENE B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
MAX O. BORROMEO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
ERIC B. BENITEZ	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JOSE V. CRUZ	AMALGAMATED INVESTMENT BANCORPORATION	EXECUTIVE DIRECTOR
MICHAEL WEE	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR
JUAN CARLOS DEL ROSARIO	AMALGAMATED INVESTMENT BANCORPORATION	NON EXECUTIVE DIRECTOR

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
N/A	N/A	N/A

(iii) Relationship within the Company and its Group

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

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

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NONE	NONE
Non-Executive Director	NONE	NONE
CEO	NONE	NONE



(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
TERESITA B. BENITEZ	407,591	270,318	0.32%
RENE B. BENITEZ	5,533,758	208,376	2.74%
ERIC B. BENITEZ	5,044,492	65,559	2.82%
JOEL S. FERRER	2,111,089		1.01%
MICHAEL WEE	8,671,642		4.14%
MAX O. BORROMEO	422,412	848,433	0.61%
JUAN CARLOS G. DEL ROSARIO	29		0.00%
EUGENIO E. REYES	15		0.00%
FRANCISCO C. EIZMENDI JR.	15		0.00%
JOSE V. CRUZ	1		0.00%
<b>TOTAL</b>	<b>22,991,045</b>	<b>1,392,686</b>	<b>11.64%</b>

2) Chairman and CEO

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

Yes  No

Identify the Chair and CEO:

Chairperson of the Board	Teresita B. Benitez
CEO/President	Max O. Borromeo

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<i>The Chairman of the Board is responsible for setting the overall business direction. He shall:</i>	<i>The Chief Executive Officer is in charge of preparing executing the business plan as outlined by the Chairman. He shall:</i>
Deliverables	<ol style="list-style-type: none"> <li>1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.</li> <li>2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;</li> <li>3. Maintain qualitative and timely lines of communication and</li> </ol>	<ol style="list-style-type: none"> <li>1. Exercise general supervision over all officers of the corporation;</li> <li>2. Exercise general supervision over all contracts and agreements which the corporation may enter into;</li> <li>3. Submit an annual report of the operations to the Board of Directors;</li> </ol>



	<i>information between the Board and Management.</i>	<p>4. <i>Sign, indorse and deliver all checks, drafts, bills of exchange, promissory notes and orders of payment of sums of money in the name and in behalf of the corporation;</i></p> <p>5. <i>Exercise such other powers and perform such other duties as the Board of Directors may fix or delegate.</i></p>
Accountabilities		

**3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions?**

*The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation. To this end, the Board of Directors reviews the qualifications of various candidates for top executive and corporate positions. This practice has enabled the Board of Directors to elect new officers to the following positions during the 2015 Organizational Board Meeting: Chairman, Vice Chairman and President, without any disruption in its operations.*

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

*The Board of Directors, with the guidance of its Executive Directors and the Compensation Committee, constantly evaluates the top officer-level requirements of the Corporation.*

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

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 Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.*

*The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:*

- *The nature of the business of the Corporation which he is a director or an officer;*
- *Age of the director;*
- *Number of directorships/active memberships and officerships in other corporations or organizations; and possible conflict of interest.*

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

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			



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

The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

- A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
- C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

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

The Corporation complies with SEC Memorandum Circular No. 9-2011, and limits terms of independent directors to five (5) consecutive years. In addition, should the Corporation desire to re-elect the independent director after the two (2) – year "cooling off" period, the ID may serve for another five (5) consecutive years pursuant to SEC MC No. 9-2011, or such other period as may be prescribed by the Securities and Exchange Commission. At this time, the Corporation's independent directors have not yet exceeded the term limits prescribed under SEC MC No. 9-2011.

**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
none			

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



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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>Screening by the Nomination Committee <i>The Nomination Committee is responsible for annually reviewing all nominees for Directors to ensure that the diverse experience and background of the members of the Board, particularly in the Corporation's industry. Under the Corporation's Manual of Corporate Governance, the Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.</i></p> <p><i>The Directors are elected annually during the Annual Stockholders' Meetings.</i></p>	<p><u>Qualifications</u></p> <ul style="list-style-type: none"> <li>○ Holder of at least one (1) share of stock of the Corporation;</li> <li>○ He shall be at least a college graduate or have sufficient experience in managing businesses to substitute for such formal education;</li> <li>○ He shall be at least twenty one (21) years old;</li> <li>○ He shall have proven to possess integrity and probity; and</li> <li>○ He shall be assiduous.</li> </ul>
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	<i>The Corporation complies with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulations Code which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in</i>

		<p>any covered company and includes, among others, any person who:</p> <ul style="list-style-type: none"> <li>A. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;</li> <li>B. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;</li> <li>C. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;</li> <li>D. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</li> <li>E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;</li> <li>F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered</li> </ul>
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		<p>company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or</p> <p>G. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.</p> <p>An independent director shall have the following qualifications:</p> <p>(i) He shall have at least one (1) share of stock of the corporation;</p> <p>(ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;</p> <p>(iii) He shall possess integrity/probity; and</p> <p>(iv) He shall be assiduous.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	same as Appointment of Directors	same as Appointment of Directors
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	The Committee pre-screens and shortlists all candidates nominated to Become a member of the board of directors in accordance with the qualifications and disqualifications under the Manual.	<ul style="list-style-type: none"> <li>o Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities</li> </ul>



	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p>Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <ul style="list-style-type: none"> <li>o Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</li> </ul> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or</p>
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		<p>suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, articipation or association with a member or participation of the organization;</p> <ul style="list-style-type: none"> <li>○ Any person convicted by final judgment or order by a court or competent administrative body of any offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</li> <li>○ Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</li> <li>○ Any person judicially declared as insolvent;</li> </ul>
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		<ul style="list-style-type: none"> <li>○ Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</li> <li>○ 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 .</li> </ul>
(ii) Non-Executive Directors	Same as Executive Director	Same as Executive Director
(iii) Independent Directors	Same as Executive Director	<p><i>In addition to the disqualifications of a regular Director, Independent Directors have the following disqualifications.</i></p> <p><i>Disqualification under the Manual of Corporate Governance: Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>Disqualification under the Amended IRR of the SRC: No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:</i></p> <p><i>(i) He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate</i></p>



		<p>Governance;</p> <p>(ii) His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;</p> <p>(iii) Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.</p> <p>(iv) Such other disqualifications which the covered company's Manual on Corporate Governance provides.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>The Board may provide for the temporary disqualification of a director for any of the following reasons.</p> <ul style="list-style-type: none"> <li>○ Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</li> <li>○ Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</li> <li>○ Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has</li> </ul>



		<p>cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <ul style="list-style-type: none"> <li>○ If any of the judgments or orders cited in the ground for permanent disqualification has not yet become final.</li> </ul>
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	<p>In addition to the grounds for disqualification of a regular Director, the Independent Directors may likewise be temporarily disqualified on the following grounds:</p> <p>If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>The Corporation abides by Sec. 28 on Removal of Directors, as follows:</p> <p>Any director of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of a corporation for the purpose of removal of directors, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock.</p>	<p>A director may be removed from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.</p>



	<i>Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of this Code.</i>	
(ii) Non-Executive Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>
(iii) Independent Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>
<b>f. Re-instatement</b>		
(i) Executive Directors	<i>Directors who were removed may be reinstated by their election by the Stockholders in its Special or Annual Meeting.</i>	<i>The Nominations Committee is responsible for short-listing and screening all candidates for the Board of Directors, including those to be reinstated.</i>
(ii) Non-Executive Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>
(iii) Independent Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>
<b>g. Suspension</b>		
(i) Executive Directors	<i>Any suspension of a Director shall be made pursuant to the same procedures for their removal under Sec. 28 of the Corporation Code. The suspension of a Director produces the same effect of depriving said Director, and the shareholders who elected him, from participating and voting during the meetings of the Board and hence, the application of the aforesaid Sec. 28, absent any other procedures under the Corporation Code or other regulations or laws.</i>	<i>A director may be suspended from office if he is disqualified under the Manual of Corporate Governance, SEC Rules and Regulations, the Securities Regulations Code, the Corporation Code, or under any other grounds provided under the law.</i>
(ii) Non-Executive Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>
(iii) Independent Directors	<i>Same as Executive Directors</i>	<i>Same as Executive Directors</i>



Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Mr. LAWRENCE EE	170,553,829
Mr. JUAN CARLOS DEL ROSARIO	170,553,829
Ms. TERESITA B. BENITEZ	170,553,829
Mr. MAX O. BORROMEEO	170,553,829
Mr. RENE B. BENITEZ	170,553,829
Mr. ERIC B. BENITEZ	170,553,829
Mr. JOSE V. CRUZ	170,553,829
Mr. FRANCISCO C. EIZMENDI, JR.	170,553,829
Mr. JOEL S. FERRER	170,553,829
Atty. EUGENIO E. REYES	170,553,829
Mr. MICHAEL WEE	170,553,829

**6) Orientation and Education Program (Director's Profile)**

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

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

*As of October 2015, 3 members of the Board and four of the Key Officers have attended an accredited corporate governance training program certified by Philippine Securities Consultancy Corporation and SEC.*

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<b>Board of Directors(3)</b>			
Teresita B. Benitez	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
Eugenio E. Reyes	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
Francisco C. Eizmendi, Jr.	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
<b>Management Key Officers (4)</b>			
Maxcy Francisco R. Borromeo	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
Marcos E. Larosa	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
Aldrin Francis B. Pontanares	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC
Wilma P. Fundan	October 10, 2015	SEC-PSE Corporate Governance Forum	SEC

**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:

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



Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>Company policy prohibits employees from directly engaging in any activity, practice, or act, in conflict with the interests of MFC, which include but are not limited to the following:</p> <p>(1) Acceptance of outside employment in an organization that does business with, or is a competitor of MFC;</p> <p>(2) Financial interest in a firm that does business with MFC, and the interest is sufficient to affect his decisions or actions, except as specifically approved by the President or Senior Managing Director;</p> <p>(3) Acceptance of gifts from any person or firm doing business with MFC under circumstances which might influence you in the conduct of business with the donor;</p> <p>(4) Conduct (employment, disloyal, and/or prejudicial to MFC).</p>		
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action	<p>MFC adopts a positive approach in disciplining erring employees. Positive discipline is primarily a “corrective” approach in maintaining discipline among its employees. The following progressive actions shall serve as guide in initiating disciplinary actions against erring employees: (i) <u>VERBAL WARNING</u> : a verbal reprimand calling the attention of an employee about an infraction/s against company rules and regulations. Normally given for first offenses; (ii) <u>WRITTEN WARNING</u> : a written formal reprimand calling the attention of an employee about serious and or habitual infraction/s against company rules % regulations. This puts the employee under observation for 30 days; (iii) <u>SUSPENSION</u>: Having the employee not report to work and go without pay for serious or habitual infraction/s against company rules &amp; regulations. This puts an employee under observation for 60 days; (iv) <u>DECISION LEAVE</u>: a one-on-one session between the employee and his immediate superior to discuss the problem/s with the end view of making the employee decide on whether or not he would continue working with the company. A one</p>		
(i) Whistle Blower	<p>MFC has established business integrity channels that serve as communication facilities such as telephone, email, fax, website and face to face meetings, enabling individuals to freely report fraud, violation of laws, rules and regulations, or misconduct to people at authority without fear of retaliation.</p>		
(j) Conflict Resolution			

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

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

*There is an ongoing monitoring by HR Department and the Management.*

4) Related Party Transactions



**(a) Policies and Procedures**

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>Any and all transactions with possible conflict of interest should be with prior disclosure and done on an arms length, market based parameters</i>
(2) Joint Ventures	<i>Same</i>
(3) Subsidiaries	<i>Same</i>
(4) Entities Under Common Control	<i>Same</i>
(5) Substantial Stockholders	<i>Same</i>
(6) Officers including spouse/children/siblings/parents	<i>Same</i>
(7) Directors including spouse/children/siblings/parents	<i>Same</i>
(8) Interlocking director relationship of Board of Directors	<i>Same</i>

**(b) Conflict of Interest**

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

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

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

**(ii) Mechanism**

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

	Directors/Officers/Significant Shareholders
Company	Amalgamated Investment Bancorporation
Group	Lending rate is compared with other financial institution's rate

**5) Family, Commercial and Contractual Relations**

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

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



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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>Amalgamated Investment Banking Corp</i>	<i>Lender of Funds</i>	<i>MFC borrows funds from AIB which is covered by a PN</i>

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

#### 6) Alternative Dispute Resolution

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

It has never been happened and if with conflict a disclosure will be made.

	Alternative Dispute Resolution System
Corporation & Stockholders	N/A
Corporation & Third Parties	N/A
Corporation & Regulatory Authorities	N/A

#### C. BOARD MEETINGS & ATTENDANCE

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

*The Board of Director's meetings is scheduled three months before the date of next meeting.*

*January 20, 2015 (Wednesday, 3:00 pm)*

*April 29, 2015 (Wednesday, 3:00 pm)*

*July 30, 2015 (Thursday, immediately after the Annual Stockholder's Meeting)*

*October 28, 2015 (Wednesday, 3:00 pm)*

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rene B. Benitez	07/30/15	4	4	100
Member	Juan Carlos Del Rosario	07/30/15	4	4	100
Member	Jose V. Cruz	07/30/15	4	4	100
Treasurer	Joel S. Ferrer	07/30/15	4	4	100
President	Max O. Borromeo	07/30/15	4	4	100
Member	Eric B. Benitez	07/30/15	4	4	100
Vice Chairperson	Teresita B. Benitez	07/30/15	4	4	100
Member	Michael Wee	07/30/15	4	4	100
Independent	Francisco C. Eizmendi, Jr.	07/30/15	4	4	100
Independent	Eugenio E. Reyes	07/30/15	4	4	100



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

*Yes, these meetings are the Organizational meetings, Nomination Committee meetings, Audit Committee meetings, Executive Committee meetings and Compensation Committee meetings.*

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

Yes

- 5) Access to Information

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

*The board papers for the Board of Directors meetings have been provided seven (7) days in advance.*

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

Yes

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

*The Corporate Secretary performs the following duties:*

- a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;*
- b. Be loyal to the mission, vision and objectives of the corporation;*
- c. Work fairly and objectively with the Board, Management and stockholders;*
- d. Have appropriate administrative and interpersonal skills;*
- e. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;*
- f. Have a working knowledge of the operations of the corporation;*
- g. Inform the members of the Board, in accordance with the bylaws, 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;*
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*
- j. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer.*

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

*The Corporate Secretary is a lawyer by profession and obtained his law degree from the University of the Philippines. He is also well-versed in accountancy, having obtained his BS Business Administration, cum laude, from the same University. He is currently legal counsel, director and/or corporate secretary of several Philippine Corporations.*

- (e) Committee Procedures

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

Yes

No

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



Committee	Details of the procedures
Executive	Pursuant to policies on transparency and to minimize procedural barriers, all of the Committee Members have free and direct access to the Corporate Secretary, President, Chief Executive Officer, Chief Operating Officer, Treasurer and other officers of the Corporation. They may also freely request for data or other information which may be needed to enable them to prepare in advance for their respective meetings. Communications may be made through personal meetings, mobile numbers, landline numbers and email addresses.
Audit	
Nomination	
Remuneration	
Others (specify)	

## 6) External Advice

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

Procedures	Details
The corporation may create a Board of Advisers which shall be composed of such numbers, who may or may not be a stockholder of the corporation, to be fixed and appointed by the Board of Directors.	The Board of Advisers shall advise the Board of Directors and the Executive Committee on such matters as the Board of Directors and the Executive Committee may require. The Board of Advisers shall be entitled to such compensation or per diem as may be fixed by the Board of Directors.

## 7) Change/s in existing policies

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

Existing Policies	Changes	Reason
N/A	N/A	N/A

## D. REMUNERATION MATTERS

### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	NONE	YES
(2) Variable remuneration	NONE	NONE
(3) Per diem allowance	NONE	NONE
(4) Bonus	YES	YES
(5) Stock Options and other financial instruments	NONE	NONE
(6) Others (specify)	NONE	NONE

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



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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration and increase in remuneration is decided by the Compensation Committee every year based on performance of the corporation.		
Non-Executive Directors	NONE	NONE	NONE

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

Remuneration Scheme	Date of Stockholders' Approval
N/A	

### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	3,052,640	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	200,000	1,600,000	400,000
(d) Bonuses	685,153	2,346,497	303,165
(e) Stock Options and/or other financial instruments	NONE	NONE	NONE
(f) Others (Specify)	NONE	NONE	NONE
<b>Total</b>	<b>3,937,793</b>	<b>3,946,497</b>	<b>703,165</b>

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



**4) Stock Rights, Options and Warrants**

**(a) Board of Directors**

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

**(b) Amendments of Incentive Programs**

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

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

**5) Remuneration of Management**

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

Name of Officer/Position	Total Remuneration
MAXCY FRANCISCO JOSE R. BORROMELO	Php 8,815,354
MARCOS E. LAROSA	
ALDRIN FRANCIS B. PONTANARES	
WILMA P. FUNDAN	
NAPOLEON B. MALONG JR.	

**E. BOARD COMMITTEES**

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

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	4					
Audit		3	1				
Nomination		5					
Remuneration		3	1				
Others (specify)							



2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Max O. Borromeo	07/30/15	2	2		
Member (NED)	Teresita B. Benitez	07/30/15	2	2		
Member (NED)	Juan Carlos Del Rosario	07/30/15	2	2		
Member (NED)	Rene B. Benitez	07/30/15	2	2		
Member (NED)	Lawrence Ee	07/30/15	2	2		

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francisco C. Eizmendi, Jr.	07/30/15	2	2		
Member (NED)	Teresita B. Benitez	07/30/15	2	2		
Member (NED)	Lawrence Ee	07/30/15	2	2		
Member (NED)	Juan Carlos Del Rosario	07/30/15	2	2		

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

*The Audit committee shall be composed of at least three (3) members of the Board, the Chairman of which should be one (1) whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.*

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

*Duties and responsibilities:*

- *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 shall include regular receipt from Management of information on risk exposures and risk management activities;*
- *Perform oversight functions over the corporation'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 corporation. The plan shall include the 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 corporation'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 change/s 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 external auditor and to the corporation's overall consultancy expenses. The 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. The non-audit work, if allowed, should be disclosed in the corporation's annual report.*

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairperson (NED)	<i>Teresita B. Benitez</i>	07/30/15	1	1		
Member (ED)	Max O. Borromeo	07/30/15	1	1		
Member (NED)	Eric B. Benitez	07/30/15	1	1		
Member (NED)	Rene B. Benitez	07/30/15	1	1		
Member (NED)	Michael Wee	07/30/15	1	1		

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Eugenio E. Reyes	07/30/15	1	1		
Member (NED)	Juan Carlos Del Rosario	07/30/15	1	1		
Member (NED)	Jose V. Cruz	07/30/15	1	1		
Member (NED)	Eric B. Benitez	07/30/15	1	1		

**(e) Others (Specify)**

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>		<i>NONE</i>
Member (ED)						
Member (NED)						
Member (ID)						

**3) Changes in Committee Members**

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

Name of Committee	Name	Reason
Executive	<i>N/A</i>	
Audit	<i>N/A</i>	
Nomination	<i>N/A</i>	
Remuneration	<i>N/A</i>	



Others (specify)	N/A	
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#### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Review process & control measures	Strategy to reduce repo inventory
Audit	Review provisioning process	Sufficient provision for bad debts
Nomination	Identify directorship candidates	Directorship comply with policies set
Remuneration	Performance based review	Comply with policy & reward performance
Others (specify)		

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	CARAVAN / SALE	REDUCTION OF MC INVENTORY
Audit	DOING ACCRUAL & PROVISIONING	ACCRUAL METHOD
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (specify)	N/A	N/A

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

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

Quarterly, during the Board of Directors's meeting, the directors identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability. Periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.

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

The board discussed the proposal by management to explore new product lines to include financing of trucks, collateralized business loans, personal loans of employees of related companies and other options. The board encouraged the management to diversify its portfolio and identify areas for growth since bulk of existing portfolio pertains to Motorcycle Financing.

##### (c) Period covered by the review;

January – December 2015

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

Quarterly, during the Board of Directors' meeting, the directors review risk exposure with the help of aging of accounts analysis for each product line plus financial and liquidity ratios.



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

*Not applicable*

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
Credit Risk	Setting limits for borrowers based on credit worthiness. Obtaining security, where appropriate and limits duration of exposure. Credit applications go through a rigid process of screening before the granting of credit. Tools like aging of receivables are used to assess impairment.	Choosing markets & borrowers which has better capacity to repay their loan, reduces probable loss. If parties fail to discharge their obligations, loss exposure is managed. Collaterals coupled with rigid screening lessen risk and loss exposure.
Interest rate risk	A prudent policy on managing the assets and liabilities to ensure that exposure to interest rate fluctuations are kept within acceptable limits. The interest rates are benchmarked against market interest rates.	Ensure level of profitability is sufficient to cover for overhead expenses and expected profit. Too high interest rates discourage clients to avail of loans from products offered.
Liquidity risk	Maintain, continually identify & arrange for level of funds sufficient to finance capital & operational requirements.	Regularly evaluate projected (budgeted) and actual cash flows. Continually source fund raising activities.
Human risk	Employee screening & interview, orientation & training and background checks are implemented. Annual drug test is done. Install strict controls on monies, accountable forms and meticulous review of proper documentation and authority for each transaction is a must.	Exposure to losses due to employee incompetence, theft, fraud & embezzlement is to be kept at minimum.

(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
<i>Same as Company as we are not a Group of Companies</i>	<i>Same as Company as we are not a Group of Companies</i>	<i>Same as Company as we are not a Group of Companies</i>

(c) Minority Shareholders

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

Risk to Minority Shareholders
<i>The rights of the Minority Shareholders are fully protected and kept intact in the manual. The Shareholders have the right to elect, replace and remove directors and vote on certain corporate acts in accordance with the Corporation Code. They also have pre-emptive rights and the right to information and dividends.</i>
<i>The Board gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</i>



### 3) Control System Set Up

#### (a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Limits loan grants based on credit worthiness: capacity to pay, historical paying habits , employment status or number of years in business, reputation in industry & neighborhood, number of years in residence. Obtaining security/collateral, where appropriate and limiting duration of exposure is another tool we employ in granting loans.	At least three (3) people evaluates and signs off on the merit of the borrower based on documents submitted and background investigation done before any release or approval is triggered. Monthly, aging of accounts are analyzed and used to gauge the collectivity and impairment index.
Interest rate risk	Financial ratios are generated regularly and contribution margins per product line offered are computed to determine extent of profitability.	Interest rates on funds sourced are externally benchmarked on market, therefore additional measures to ensure profitability is cost cutting, low wastage and asset/supplies losses.
Liquidity risk	Regularly evaluate projected (budgeted) and actual cash flows. Monitor trend of actual collections and disbursements. Monitor market interest rates vis-à-vis actual interest rates on existing borrowings. Continually source fund raising activities.	To monitor funds availability and control, daily cash count is made while matching of deposit slips versus collections received as per OR issued is diligently done. Daily monitor of OR issued by collectors are done. Monthly cash flow analysis is done compared with budget. Good credit standing with existing lending institutions is maintained to ensure operating funds availability.
Human risk		Annual drug testing. Regular lifestyle check. Conduct internal audits. Constant review on control system and ensure adherence in implementation.

#### (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)
Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies	Same as Company as we are not a Group of Companies

#### (c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Periodic review of FS and discussion	Discussed thoroughly in



	with external audit outfit.	<i>Section E.2.b</i>
Nomination Committee	Ensure nominees are qualified to monitor and give valued added inputs to the operations of the Company.	<i>Discussed thoroughly in Section A.5</i>
Executive Committee	Regular Management Committee meetings with review of operational and financial performance.	Reviews frequently and regularly the performance and activities of the Corporation and makes recommendations and approvals as needed

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

*Makati Finance Corporation (MFC) promulgates and adopts Audit Committee Charter as a framework and blueprint to ensure accurate and transparent financial disclosures and the observance of adequate risk controls. The Audit Committee shall assist the MFC Board of Directors and Management by providing oversight functions over the following:*

- *Integrity of the Corporation's financial reporting process*
- *Internal Controls and risk management system*
- *Statutory audit of the annual financial accounts*
- *Independence of external audit firm*
- *Effectiveness of anti-fraud, ethics and compliance systems.*

*The Audit Com is composed of at least three (3) directors, who shall have adequate understanding of the company's financial management systems and environment. The Chairman of the Audit Com shall be an independent director.*

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

The Audit Com has the specific responsibility of assisting and providing oversight functions over Management and in monitoring the integrity of the financial statements of the Company and any other financial reports. If the Audit Com is not satisfied with any aspect of the financial reporting by MFC, such concerns shall be brought to the attention of the Board of Directors or Management, at the discretion of the Audit Com. Provide oversight Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. Review the reports submitted by the internal and external auditors; Review the quarterly, semi-annual and annual financial statements before their submission to the Board.

**(c) Period covered by the review; Annually**

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

The Audit Com shall, from time to time, review the following practices:

- 1.1 Revenue recognition – timing on recognition of sale
- 1.2 Changing estimates – altr basis of estimates to make the numbers
- 1.3 Abuse of materiality concept – argument on what is significant or non-significant to the bottom line
- 1.4 Capitalization and deferral of expenses

The Audit Com shall prepare an Audit Committee self-assessment chart to gauge its performance against its purpose.



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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure effective, appropriate and complied with organizational and procedural controls	Nature and complexity of business; 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	In-house	NAPOLEON MALONG	Reporting to the Audit Committee

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

YES

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

YES

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Jover Bano	Career opportunity
Dionisio Juntilla, Jr.	Career opportunity
Arvin Perez	Work Abroad
Francis Singson	Father got sick

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

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

Progress Against Plans	
Issues <sup>6</sup>	
Findings <sup>7</sup>	
Examination Trends	

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

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



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

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

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

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

Policies & Procedures	Implementation
Revenue Recognition	
Changing Estimates	
Abuse of Materiality concept	
Capitalization and deferral of expenses	

**(g) Mechanisms and Safeguards**

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Perform oversight functions over the corporation's internal and external auditors. It must 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.</p> <p>Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination.</p>			



External auditor should be rotated or changed every five (5) years or earlier.			
Organize an internal audit department and discuss terms and conditions of engagement and removal.			

(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.

**MS. TERESITA B. BENITEZ – Chairperson**  
**MR. MAX O. BORRAMEO - President**

**H. ROLE OF STAKEHOLDERS**

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

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

- (a) Right to vote on all matters that require their consent or approval;*
- (b) Pre-emptive right to all stock issuances of the corporation;*
- (c) Right to inspect corporate books and records;*
- (d) Right to information;*
- (e) Right to dividends; and*
- (f) Appraisal right.*

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

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



YES

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

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

*The company required all employees to undergo an annual medical examination to ensure their physical condition and suitability for the job. The periodic check-up shall be paid for by the company, according to the plan chosen.*

*The Company has a funded, tax-qualified defined benefit pension plan covering all its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.*

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

Annual Physical Examination – May 2015  
Group Life Insurance – enrolled/renewed yearly  
Personal Accident Insurance – cover all employees doing field work  
Group Medical Insurance – enrolled/renewed yearly  
Drug Testing – random on a regular basis

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

The company provides training to its personnel, which are classified as Functional Training, Orientation and General Training, and Career Training. They are:

1. Monthly Orientation for New Hires
2. IFCA Training for Newly Hired Employees
3. Accounting Processes for Branch Staff
4. IFCA for Managers
5. IFCA for Accountants
6. Refresher Course for All Branch Staff
7. Refreshers Course for Accounting Processes for Branch Managers and Branch Staffs
8. Credit Process for Credit Sales Representatives
9. Advance Excel for Accountants
10. Leadership Trainings for Managers
11. Handling Difficulty for Managers
12. Customer Service Training for All Branch Staffs

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

*The company shall have the prerogative to grant performance bonuses to its employees. Amount of bonuses is upon the discretion of management, but in general, basis of the performance bonus shall be the over-all performance of the company for the fiscal year and the employee's individual performance and contribution during the particular period.*

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 HR Department is the one handling all complaints coming from clients. HR Dept. will require the complainant a written affidavit thru fax or email. After identifying concerned party or employee, he/she will be given a notice to explain. Upon verification and thorough study of the HR regarding the case, disciplinary or positive actions shall be initiated or imposed.*

**I. DISCLOSURE AND TRANSPARENCY**

1) **Ownership Structure**



(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Amalgamated Investment Bancorp.	147,559,784	70.41226%	Record and Beneficial Owner
Pikeville Bancshares, Inc.	14,874,146	7.09761%	Record and Beneficial Owner
<b>TOTAL</b>	<b>162,433,930</b>	<b>77.509871%</b>	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
TERESITA B. BENITEZ	407,591	270,318	0.32%
RENE B. BENITEZ	5,533,758	208,376	2.74%
ERIC B. BENITEZ	5,044,492	65,559	2.82%
JOEL S. FERRER	2,111,089		1.01%
MICHAEL WEE	8,671,642		4.14%
MAX O. BORROMEO	422,412	848,433	0.61%
JUAN CARLOS G. DEL ROSARIO	29		0.00%
EUGENIO E. REYES	15		0.00%
FRANCISCO C. EIZMENDI JR.	15		0.00%
JOSE V. CRUZ	1		0.00%
<b>TOTAL</b>	<b>22,991,045</b>	<b>1,392,686</b>	<b>11.64%</b>

2) Does the Annual Report disclose the following:

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

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
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<b>R. G. MANABAT &amp; CO. (KPMG)</b>	<b>*P672,000.00</b>	<b>*P67,200.00</b>

*\*vat inclusive*

**4) Medium of Communication**

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

Company website [www.makatifinance.ph](http://www.makatifinance.ph)

Annual Report

PSE and SEC disclosure

**5) Date of release of audited financial report: April 08, 2015**

**6) Company Website**

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

Business operations	<b>Yes</b>
Financial statements/reports (current and prior years)	<b>Yes</b>
Materials provided in briefings to analysts and media	
Shareholding structure	<b>Yes</b>
Group corporate structure	<b>Yes</b>
Downloadable annual report	<b>Upgrading of website on-going</b>
Notice of AGM and/or EGM	
Company's constitution (company's by-laws, memorandum and articles of association)	

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

**7) Disclosure of RPT**

RPT	Relationship	Nature	Value
Amalgamated Investment Bancorporation	Parent	Unsecured, 30-day non-interest bearing receivable	P101,006
Amalgamated Investment Bancorporation	Parent	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate	P484,500,000
Amalgamated Investment Bancorporation	Parent	Interest payment for Notes Payable	P31,048.706
Amalgamated Investment Bancorporation	Parent	Broker's fee payable to Parent	P2,187,500
Amalgamated Investment Bancorporation	Parent	Cash Dividend on 9M shares of AIB equal to Php 4 per share	P36,000,000

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?



**J. RIGHTS OF STOCKHOLDERS**

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

**(a) Quorum**

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

The annual meeting of the stockholders shall be held on the last Thursday of July in each year, if not a legal holiday, and if a legal holiday, then on the next business day following. The stockholders owning or representing a majority of the subscribed capital stock shall elect by a plurality vote a Board of Directors and shall transact such other business as may properly be brought before such meeting.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or by order of the majority of the members of the Board of Directors, or upon request of any stockholder owning at least ten percent (10%) of the outstanding capital stock.

<b>Quorum Required</b>	At least two-third (2/3) of the number of directors
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

System Used	Voting
Description	<p>At every meeting of stockholders, each stockholder with voting privilege shall be entitled to one vote for each share of the stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder with voting privilege shall be entitled to cumulate his votes in the manner provided by law. Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. This instrument appointing a proxy shall be presented to and lodge with the Secretary at or prior to the time of the meeting.</p> <p>Except as otherwise provided by law, all corporate actions requiring the approval of the Stockholders shall be decided by the affirmative vote of the majority of the issued and outstanding capital stock of the corporation.</p>

**(c) Stockholders' Rights**

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Rights of Investors/Minority Interests	
Voting Right	
Pre-emptive Right	
Power of Inspection	
Right to Information	
Right to Dividends	



Appraisal Right	
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**Dividends**

Declaration Date	Record Date	Payment Date
July 30, 2015	August 27, 2015	September 22, 2015

**(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

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

*The Company sends out notices to the AGM at least fifteen business days in advance of the date for which the meeting is called.*

- Date of sending out notices: July 08, 2015
- Date of the Annual/Special Stockholders' Meeting: July 30, 2015

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

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

Resolution	Approving	Dissenting	Abstaining

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

*July 31, 2015 or one day after the Annual Stockholders Meeting*

**(e) Modifications**

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

Modifications	Reason for Modification
N/A	



**(f) Stockholders' Attendance**

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	11	July 30, 2015				
Special	N/A	none				

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

*NONE. But required the external auditor to observe the voting.*

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

*Yes, only one class of share.*

**(g) Proxy Voting Policies**

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

	Company's Policies
Execution and acceptance of proxies	
Notary	
Submission of Proxy	
Several Proxies	
Validity of Proxy	
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

*Each stockholder may vote by proxy provided the proxy has been appointed in writing by the stockholder himself or his duly authorized attorney. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. This instrument appointing a proxy shall be presented to and lodge with the Secretary at or prior to the time of the meeting.*

**(h) Sending of Notices**



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

Policies	Procedure
Notices will be send to shareholders 21 business Days prior to actual Annual Meeting	Written notice of every meeting of the stockholders starting the date, time and place of the meeting, accompanied by the agenda of the matters to be take up and by the proxy or information statement and/or materials as may be required by law or regulation shall be sent by personal delivery or by mail to each qualified stockholder thereat at such addresses as it appears in the books of the corporation or by publication in a newspaper of general circulation within such period as may from time to time to be required by law or regulation.
	When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	100
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 08, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 08, 2015
State whether CD format or hard copies were distributed	Distributed Hard copy and link to website were made available
If yes, indicate whether requesting stockholders were provided hard copies	Hard copy

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

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



The amount payable for final dividends.	Stated
Documents required for proxy vote.	Stated

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

**2) Treatment of Minority Stockholders**

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

Policies	Implementation
<p>The Board shall be committed to respect the following rights of the stockholders:</p> <p>2.a.1 Voting Rights  2.a.2 Pre-emptive Right  2.a.3 Power of Inspection  2.a.4 Right to information  2.a.5 Right to Dividends  2.a.6 Appraisal Right</p>	
<p><b>Directors' Duty to Promote Shareholder Rights</b>  It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person . The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.</p>	

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

*The shareholders have the right to elect, replace and remove directors and vote on certain corporate act in accordance with the Corporation code. They also have pre-emptive rights and the right to information and dividends.*

**K. INVESTORS RELATIONS PROGRAM**

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

*The Executive Committee has the responsibility for the review and approval of any major company announcements.*

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



	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

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

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

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary

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

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

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

**N. INTERNAL BREACHES AND SANCTIONS**

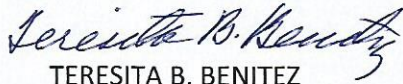
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	Reprimand
Second Violation	Suspension
Third Violation	Maximum penalty or removal from office



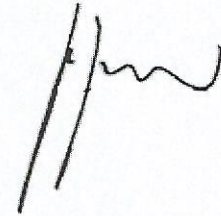
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**



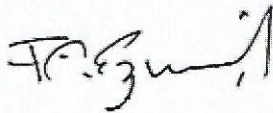
TERESITA B. BENITEZ

Chairperson of the Board



MAX O. BORROMEEO

President



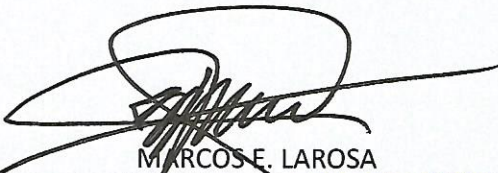
FRANCISCO C. EIZMENDI JR.

Independent Director



EUGENIO E. REYES

Independent Director



MARCOS E. LAROSA

Chief Finance Officer

MAKATI CITY

MAR 01 2016

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

<u>NAME/NO.</u>	<u>GOVT.I.D.</u>	<u>PLACE OF ISSUE</u>
TERESITA B. BENITEZ	TIN:138-606-517	
MAX O. BORROMEEO	TIN: 108-479-305	
FRANCISCO C. EIZMENDI JR.	TIN: 119-132-505	
EUGENIO E. REYES	TIN : 116-244-865	
MARCOS E. LAROSA	TIN : 206-361-568	

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 Page No. 88  
 Book No. 75  
 Series of 2016

**ATTY. VIRGILIO R. BATALLA**  
 NOTARY PUBLIC FOR MAKATI CITY  
 APPT. NO. M32  
**NOTARY PUBLIC**  
 ROLL OF ATTY. NO. 48348  
 MCLE COMPLIANCE NO. IV-0016333-4/10/13  
 I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29,2007  
 PTR No. 532-3505 JAN. 04, 2016  
 EXECUTIVE BLDG. CENTER  
 MAKATI AVE. COR., JUPITER ST. MAKATI CITY