

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year 2012
2. Exact Name of Registrant as Specified in its Charter SOUTH CHINA RESOURCES, INC.
3. Enzo Building 399 Senator Gil Puyat Ave. Makati City 1200
Address of Principal Office Postal Code
4. SEC Identification Number ASO92-06441 5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number 001-945-016-000 
7. (02) 804-1978
Issuer's Telephone number, including area code
8. 3F Low Rise Pacific Star Building Gil Puyat Avenue cor Makati Ave, Makati City 1200
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	5
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Actual number of Directors for the year	5
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Edgardo P. Reyes	ED			Sept 1992	May 31,2013	Annual	20 yrs.
Wilfrido P. Reyes	ED			Sept 1992	May 31,2013	Annual	20 yrs.
Belen R. Castro	NED			Sept 1992	May 31,2013	Annual	20 yrs.
Manuel G. Arteficio	ID			May 2007	May 31,2013	Annual	1 yr (as per SEC Cir. 9-2011 effective Jan 02,2012)
Francisco M. Bayot, Jr.	ID			May 2008	May 31,2013	Annual	1 yr (as per SEC Cir. 9-2011 effective Jan 02,2012)

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

Corporate governance is the key to maintaining the trust of the shareholders. The Board of Directors believes 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. The Company's Code of Corporate Governance governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders. The Code of Corporate Governance ensures that the rights of minority shareholders and other stakeholders are guaranteed, and aims to increase shareholder value, ensure long-term profitability, and contribute to the country's continuous development and stability.

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

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

The Board of Directors reviews and approves the vision and mission of the Company as often as deemed necessary.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Edgardo P. Reyes	Soc Land Development Corp.	Non - Executive
Wilfrido P. Reyes	Soc Land Development Corp.	Executive - Chairman
Belen R. Castro	Soc Land Development Corp.	Non - Executive
Manuel G. Arteficio	Soc Land Development Corp.	Non - Executive

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Not Applicable	Not Applicable	Not Applicable

(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
Not Applicable	Not Applicable	Not Applicable

(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: Yes

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

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	<p>The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.</p> <p>The Chief Executive Officer (“CEO”) and other executive directors may be covered by a lower indicative limit for membership in other boards.</p>	<p>The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, nonexecutive directors who serve as fulltime executives in other corporations. In any case, the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards the serve should not be compromised.</p>
Non-Executive Director	<p>There can be a higher indicative limit for all other directors, which in any case, the capacity of directors to serve with diligence shall not be compromised.</p>	
CEO	<p>The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.</p> <p>The Chief Executive Officer (“CEO”) and other executive directors may be covered by a lower indicative limit for membership in other boards.</p>	

(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
Edgardo P. Reyes	229,853,123	0	25.4023%
Wilfrido P. Reyes	226,853,123	0	25.0708%
Belen R. Castro	231,353,122	0	25.5681%
Manuel G. Arteficio	100,000	0	0.0111%

Francisco M. Bayot, Jr.	400,000	0	0.0442%
TOTAL	688,559,368		76.0965%

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

The Position of Chairman and CEO is held by the same person however Checks and balance are in place as the Board gets the benefit of independent views & perspectives with Independent Directors comprising 40% of the Board.

Identify the Chair and CEO:

Chairman of the Board	Edgardo P. Reyes
CEO	Edgardo P. Reyes

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<ul style="list-style-type: none"> a. Ensure that the meetings of the Board of Directors are held in accordance with the by-laws; b. Supervise the preparation of the agenda of the meeting in coordination with the Secretary, taking into consideration the suggestions of the other officers and directors; c. Maintain qualitative and timely lines of communication and information between the Board of Directors and Management; and d. Exercise such powers and perform such duties as the Board of Directors may assign to him. 	<ul style="list-style-type: none"> a. To have general management of the business affairs and operations of the corporation pursuant to such policies as may be set by the Board of Directors; b. To formulate long-range projects, plans, and programs, including those for executing training, development, and compensation, along the corporate objectives, policies, and goals developed by the Board of Directors; c. To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control; and d. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.
Accountabilities	<p>Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance.</p> <p>Ensure effective communication with stakeholders.</p>	<p>Be responsible to the Board for the performance of the business consistent with the agreed plans, strategies and policies.</p> <p>He provides leadership and guidance to the company's executives, and evaluates their performance.</p>

		He oversees the operation of the business and evaluates the performance of the company.
Deliverables	Promote effective relationships and communications between directors. Annual Management Report.	President's Annual Report.

- 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 acknowledges that the positions of the CEO/Managing Director/President or top key management require experience, competence and integrity.

The Board of Directors through its Nomination and Remuneration Committee (NRC), reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions that requires Board approval to ensure that only qualified, competent, honest and highly motivated officials are appointed. The NRC likewise assesses the effectiveness of the Board's processes in the election or replacement of directors.

The Company also engages services of professional recruitment or reputable job placement agencies or organizations to source candidates for management and executive level jobs.

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

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

Yes, the Company prefers to have directors who have experience in different fields or industries. This is consistent with the Company's vision mission statement, to strengthen its core business and enhanced shareholders' value through investments diversifications.

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, at least one of the non-executive director, has experience in the sector or industry the company belongs to.

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

	Executive	Non-Executive	Independent Director
Role	An Executive Director is a member of both the Board of Directors and management. His/her role is to design, develop and implement strategic plans for the Company and is also responsible for the day-to-day operation thereof, including managing committees and staff and developing business plans in collaboration with the Board of Directors.	A non-executive director is a member of the Board of Directors who does not form part of the executive management team. The role of a Non-Executive Director is the same with the Independent Director.	An independent director is a person having many years of experience and acts as a guide for the company. The role they play in a company broadly includes improving corporate credibility and governance standards, play a vital role in risk management.

			Independent Director plays an active role in various committees to ensure good governance.
Accountabilities	Accountable to the Board of Directors, Shareholders and Stakeholders.	Accountable to the Board of Directors, Shareholders and Stakeholders.	Accountable to the Board of Directors, Shareholders and Stakeholders.
Deliverables	Executive directors shall provide guidance on the company's operations and activities	Non-executive directors shall guide the board in fulfilling its fiduciary and statutory duties and responsibilities	Independent directors shall exert such impartial influence as shall help assure that the board fulfills its duties

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

The Company defines an Independent Director as one 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.

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 Company is in the process of amending its Code of Corporate Governance to comply with SEC Memorandum Circular No. 9, series of 2011 which took effect on January 2, 2012.

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

(a) Resignation/Death/Removal

There was no resignation or death or removal of Board of the Directors for the year 2012.

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

Name	Position	Date of Cessation	Reason
NA	NA	NA	NA

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		

(i) Executive Directors	The Nomination and Remuneration Committee passes upon the qualifications of nominees for executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees.	The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for election as executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(ii) Non-Executive Directors	The Nomination and Remuneration Committee passes upon the qualifications of nominees for non - executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees.	The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(iii) Independent Directors	The Nomination and Remuneration Committee passes upon the qualifications of nominees for independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees, and form part of the Information Statement which is distributed to all stockholders entitled to vote. During the meeting for the election of directors, stockholders vote for or against the election of such independent directors.	The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for election as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, and SRC Rule 38.
b. Re-appointment		
(i) Executive Directors	The Nomination and	The Nomination and

	<p>Remuneration Committee passes upon the qualifications of persons nominated for re-election as executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees.</p>	<p>Remuneration passes upon the qualifications of persons nominated for re-election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.</p>
(ii) Non-Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for re-election as non-executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees.</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for re-election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.</p>
(iii) Independent Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for re-election as independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees, including the date of first appointment as independent director and any relationship between the nominating stockholder and the nominee for independent director, and form part of the Information Statement which is distributed to all stockholders entitled to</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of persons nominated for reelection as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, SRC Rule 38, as well as SEC Memorandum Circular Nos. 9 (Series of 2009 and 2011) regarding qualifications of and term limits for independent directors.</p>

	vote. During the meeting for the election of directors, stockholders vote for or against the re-election of such independent directors.	
c. Permanent Disqualification		
(i) Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an executive director, it shall make a recommendation to the board of directors.</p> <p>Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive/non executive/Independent director should be disqualified from continuing in office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>Article 4 Section E of Revised Corporate Governance Code provides the grounds for permanent disqualification of executive directors.</p>
(ii) Non-Executive Directors		<p>Article 4 Section E of Revised Corporate Governance Code provides the grounds for</p>

		permanent disqualification of non-executive directors.
(iii) Independent Directors		Article 4 Section E of Revised Corporate Governance Code provides the grounds for permanent disqualification of independent directors.
d. Temporary Disqualification		
(i) Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an executive director, it shall make a recommendation to the board of directors.</p> <p>Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If</p>	Article 4 Section E of Revised Corporate Governance Code provides the grounds for temporary disqualification of executive directors.

	<p>the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
<p>(ii) Non-Executive Directors</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of nonexecutive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an nonexecutive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Manual on</p>	<p>Article 4 Section E of Revised Corporate Governance Code provides the grounds for temporary disqualification of non-executive directors.</p>

	<p>Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
(iii) Independent Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive</p>	<p>Article 4 Section E of Revised Corporate Governance Code provides the grounds for temporary disqualification of</p>

	<p>directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an independent director, it shall make a recommendation to the board of directors.</p> <p>Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent</p>	<p>independent directors.</p>
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	<p>disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
e. Removal		
(i) Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an executive director, it shall make a recommendation to the board of directors.</p> <p>Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive director should be disqualified and removed from office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a</p>	<p>Article 4 Section E of Revised Corporate Governance Code provides the grounds for disqualification of executive directors.</p>

	director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
(ii) Non-Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of non-executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of a non-executive director, it shall make a recommendation to the board of directors.</p> <p>Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that a non-executive director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	Article 4 Section E of Revised Corporate Governance Code provides the grounds for disqualification of non-executive directors.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the Bylaws, Manual on Corporate	Article 4 Section E of Revised Corporate Governance Code provides the grounds for disqualification of non-independent directors.

	<p>Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an independent director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
f. Re-instatement		
(i) Executive Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be</p>	<p>Should an executive director who is temporarily disqualified or suspended based on the criteria provided in Article 4 section E of the Revised Code of Corporate Governance be able to remedy or correct the disqualification within the 60-day period , the board shall declare the director as having regained his qualification and order his reinstatement.</p>

	<p>disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	
<p>(ii) Non-Executive Directors</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of non-executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a</p>	<p>Should a non- executive director who is temporarily disqualified or suspended based on the criteria provided in Article 4 section E of the Revised Code of Corporate Governance be able to remedy or correct the disqualification within the 60-day period , the board shall declare the director as having regained his qualification and order his reinstatement.</p>

	<p>director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the Bylaws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a</p>	<p>Should an independent director who is temporarily disqualified or suspended based on the criteria provided in Article 4 section E of the Revised Code of Corporate Governance be able to remedy or correct the disqualification within the 60-day period, the board shall declare the director as having regained his qualification and order his</p>

	<p>recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	<p>reinstatement.</p>
g. Suspension		
<p>(i) Executive Directors</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary</p>	<p>Article 4 Section E of the company's Revised Code of Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.</p>

	<p>disqualification or suspension of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the</p>	
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	<p>said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
<p>(ii) Non-Executive Directors</p>	<p>The Nomination and Remuneration Committee passes upon the qualifications of non-executive directors based on the criteria provided in the Bylaws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day</p>	<p>Article 4 Section E of the company's Revised Code of Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.</p>

	<p>period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
(iii) Independent Directors	<p>The Nomination and Remuneration Committee passes upon the qualifications of independent directors based on the criteria provided in the Bylaws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in</p>	<p>Article 4 Section E of the company's Revised Code of Corporate Governance provide for the criteria for the temporary disqualification or suspension of an independent director.</p>

	<p>office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Manual on Corporate Governance provides that a temporarily disqualified director shall, within 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. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the</p>	
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	president, or on written demand of majority of the stockholders.	
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Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Edgardo P. Reyes	688,559,468
Wilfrido P. Reyes	688,559,468
Belen R. Castro	688,559,468
Manuel G. Arteficio	688,559,468
Francisco M. Bayot, Jr.	688,559,468

6) Orientation and Education Program

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

The Company does not have a formal orientation program however, new directors are provided with reference reading materials to assist them in understanding better the business and operations of the Company. Among the reading materials provided are: (1) Audited Financial Statements, (2) SEC Form 20-IS- Information Statement/ Annual Report, (3) Revised Manual of Corporate Governance, (4) Amended Articles of Incorporation, (5) Amended By-laws, (6) Code of Ethics and Code of Conduct, (7) Definitive Information Statement, (8) Board Committee Charters, (9) Minutes of Annual Stockholders' Meeting, (10) Other relevant write-ups, references or industry Reports

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

There has been no any in-house training and external courses attended by Directors and Senior Management for the past three (3) years.

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

There has been no 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

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

B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director’s personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.</p> <p>Whenever an employee and/or immediate family member would benefit personally from an investment or purchasing decision of the Company and he would normally make, or be a party to such decisions, the employee MUST:</p> <ul style="list-style-type: none"> • Declare the interest; and • Play no part in the decision-making process. 		
(b) Conduct of Business and Fair Dealings	<p>The Company does not seek competitive advantages through illegal or unethical business practices. Each Director, Executive Officer and Employee should endeavor to deal fairly with the Company’s stakeholders/customers, service providers, suppliers, and competitors. No Director, Executive Officer or Employee should take undue advantage of anyone through manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any unfair dealing practices.</p>		
(c) Receipt of gifts from third parties	<p>Directors, executive officers and employees of the Company must not: Solicit or accept any gifts, entertainment, or other benefits that may influence, is perceived to influence, or is intended to influence Company business. All offered gratuities must be immediately reported to their immediate supervisor; or Solicit or accept personal fees, commissions, or other forms of remuneration related to any transactions involving the Company.</p>		
(d) Compliance with Laws & Regulations	<p>Directors, executive officers and employees of the Company must have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</p> <p>They should also keep abreast with industry developments and business trends in order to promote the Corporation’s competitiveness.</p>		

	Directors, officers and employees shall uphold right conduct and shall personally adhere to the norms and restrictions imposed by applicable laws, rules and regulations. They shall not accept demands brought on by prevailing business conditions or perceived pressures as excuses to violate any law, rule or regulation.
(e) Respect for Trade Secrets/Use of Non-public Information	Directors, Officers and employees shall maintain and safeguard the confidentiality of information entrusted by the Company, customers, business partners or such other parties with whom the Company relates, except when disclosure is authorized or legally mandated. They should not trade the company's securities using price sensitive information that is not normally available publicly, and obtained by reason of position, contact within, or other relationship with the Company.
(f) Use of Company Funds, Assets and Information	Directors, Officers and Employees shall use company property and resources including company time, supplies and software, efficiently, responsibly and only for legitimate business purposes only. They shall safeguard company assets from loss, damage, misuse or theft and shall respect intellectual property rights.
(g) Employment & Labor Laws & Policies	The Company has an Employees' Manual of Policies and Procedures which provides for employee rights, obligations and sets policies on employee-related matters to ensure uniformity and consistency in the interpretation and implementation of Human Resources Policies and Programs, which are consistent with and in accordance with relevant provisions of the Labor Code of the Philippines.
(h) Disciplinary action	Any officer or employee that commits a violation of the Code of Ethics shall be subject to disciplinary action (including termination), without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing laws, rules or regulations.
(i) Whistle Blower	It is the policy of the Company to support and encourage its directors, officers and employees to report and disclose improper or illegal activities, and to fully investigate such reports and disclosures. It is also the Company's policy to address any complaints that allege acts or attempted acts of interference, reprisal, retaliation, threats, coercion or intimidation against directors, officers and employees who report, disclose or investigate improper or illegal activities and to protect those who come forward to report such activities.
(j) Conflict Resolution	<p>The Audit Committee will handle resolution of reported illegal or unethical behaviour involving Senior Management or any Board Member.</p> <p>Whenever there is conflict concerning employees of the company, HR Department usually calls for an Administrative hearing where both parties are invited to attend together with their Department Head. This is done to give both parties an opportunity to voice out their sentiments and arguments after which , HRD will meet both the Department Heads to discuss the problem/issues and come out with a solution on how to resolve the conflict.</p>

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

Yes.

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

It is expected that all employees follow the company's policies and procedure as stated in the handbook. From time to time, policies and procedures are reiterated by sending a reminder through email or giving out memos.

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	Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(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	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

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

Directors/Officers/Significant Shareholders	
Company	<p>The basic principle to be observed is that a director, officer, significant shareholder should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, officer, significant shareholder, he should fully and immediately disclose it and should not participate in the decision-making process. A person who has a continuing material conflict of interest should seriously consider resigning from his position.</p>
Group	<p>A conflict of interest shall be considered material if personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.</p> <p>The Audit Committee has been created to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders. The External Auditor is engaged to review the related party transactions. The Company submits itself to oversight by government and regulatory institutions and agencies. The Company engages third-party institutions to evaluate the fairness of major related party transactions.</p>

5) Family, Commercial and Contractual Relations

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

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

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

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

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	To ensure a high standard of best practices for the Corporation and its stockholders, the Board shall establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

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

Board of Directors' meetings are scheduled at the beginning of the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Edgardo P. Reyes	May 31,2013	6	6	100%
Member	Wilfrido P. Reyes	May 31,2013	6	6	100%
Member	Belen R. Castro	May 31,2013	6	6	100%
Independent	Manuel G. Arteficio	May 31,2013	6	6	100%
Independent	Francisco M. Bayot, Jr.	May 31,2013	6	6	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No, because the Board of Directors is composed only of 5 members. However, all resolutions of the Board are

unanimously adopted and ratified by all members.

5) Access to Information

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

Five (5) days.

(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, who should be a Filipino citizen and a resident of the Philippines pursuant to the Corporation Code of the Philippines, is an officer of the Corporation and, is 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; for informing the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval; and ensuring that all Board procedures, rules and regulations are strictly followed by the members.

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

Yes.

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	Each member of the Executive Committee has direct access to management as well as any officer or employee of the company. The committee can directly consult and confer with management and company employees to request or direct the preparation of documents and information necessary or in connection with any matter that is of concern to the committee.
Audit	Members of the Audit Committee are directly provided materials and reports by the company's external auditors and Internal Audit Group. In turn, the members of the Audit Committee can directly consult and confer with the company's external auditors and Internal Audit Group to ask questions and request documents pertaining to any matter that is of interest to

⁵ 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.

	the Audit Committee. They may also request information, data and clarification from any officer of the Corporation in the performance of their duties and responsibilities.
Nomination	The Corporate Secretary provides the members of the Nomination Committee the resumes of each person nominated for appointment to a position requiring board approval. Each committee member may directly request additional information or documents from the Corporate Secretary or any officer or employee of the Corporation relating to any matter that is of interest to the committee.
Remuneration	Members of the Compensation and Remuneration Committee can directly consult and confer with any member of management or employee of the Corporation to ask questions and request reports and other documents relating to any issue that is of interest to the committee.

6) External Advice

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

Procedures	Details
Legal advice	Refer to corporate secretary or legal counsel for advice and guidance of the legal aspect of the issues involved and its implications and/or consequence.
Independent opinion on financial matters and related regulatory concerns	Refer to external auditors on the correct accounting treatment and consequent financial disclosure requirement.

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:

There has been no change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company.

Existing Policies	Changes	Reason
none		

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	Through the Remuneration Committee	Chairman approves the salaries for Management Officers based on Approved Guidelines.
(2) Variable remuneration	None	None
(3) Per diem allowance	Based on Article III, Section 11 of the Amended By-Laws.	None
(4) Bonus	As mandated by Law.	As mandated by Law.
(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	Under the company's By-laws, directors do not receive any stated salary for their services, but per diems in the amount determined by the board of directors may be allowed for attendance at each meeting.		As benchmarked, the directors may receive a standard per diem of Ten Thousand Pesos (PHP 10,000.00),
Non-Executive Directors			

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.

Yes. Actions of the Board are presented to the stockholders for their ratification. Anything that's not provided for in the By-Laws would have to be presented to the stockholders for their approval.

Remuneration Scheme	Date of Stockholders' Approval
Amended By-Laws	May 25,2012

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	240,000	None	none
(b) Variable Remuneration	none	None	none
(c) Per diem Allowance	none	None	none
(d) Bonuses	60,000	None	none
(e) Stock Options and/or other financial instruments	none	None	none
(f) Others (Specify)	none	None	none
Total	300,000.00	None	none

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

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:

The company has no stock rights, options or warrant issued since its inception.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
none	Not applicable			

(b) Amendments of Incentive Programs

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

There are no amendments and discontinuation of any incentive programs introduced.

Incentive Program	Amendments	Date of Stockholders' Approval
None	Not applicable	

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
David R. Baladad/ Vice President - Operations	₱1,443,947.13
Zosimo L. Padro, Jr./ Vice President - Finance	

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 or (NED)	Independent Director (ID)				
Executive	1	1	1				
Audit	1	1	1		<p>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;</p> <p>(b) 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;</p> <p>(c) 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;</p>		

					<p>(d) 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;</p> <p>(e) 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;</p> <p>(f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>(g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system including financial reporting control and information technology security;</p> <p>(h) Review the reports submitted by the internal and external auditors;</p>		
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					<p>(i) Review the quarterly, half-year and annual financial statements before their submission to the Board Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>(k) 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;</p> <p>(l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.</p> <p>The Audit Committee shall ensure that in the performance of the work of the</p>		
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					Internal Auditor, he shall be free from interference by outside parties. For Philippine branches or subsidiaries of foreign corporations covered by this Code, their Internal Auditor should be independent of the Philippine operations and should report to the regional or corporate headquarters.		
Nomination	1	1	1		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		
Remuneration	1	1	1		establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates		
Others (specify)	0	0	0				

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the
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						Committee
Chairman	Edgardo P. Reyes	May 31,2013	6	6	100%	20
Member (ED)	Wilfrido P. Reyes	May 31,2013	6	6	100%	20
Member (NED)						
Member (ID)	Manuel G. Arteficio	May 31,2013	6	6	100%	5
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Manuel G. Arteficio	May 31,2013	6	6		5
Member (ED)	Edgardo P. Reyes	May 31,2013	6	6		20
Member (ED)	Wilfrido P. Reyes	May 31,2013	6	6		20
Member (ID)						
Member						

Disclose the profile or qualifications of the Audit Committee members.

MANUEL G. ARTEFICIO, 68 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2007. He has been PRESIDENT of San Manuel Mining Corp. from 1990 to present; Assissi Mining Corp., Bonaventures Mining Corp., Ignatius Mining Corp., all three from 1994 to present; he is also the PRESIDENT of Egerton Gold Phils., Inc. from 2006 to present.

EDGARDO P. REYES, 67 years of age, Filipino, has been the CHAIRMAN of the Board of Directors of the Company since 1992. He is the CHAIRMAN of Gonzalo Puyat and Sons, Inc., Puyat Steel Corp., Surigao Development Corporation and Surigao Marine Corporation; DIRECTORS of Socland Development Corporation (2011 to present), International Pipe Industries Corp. (2011 to present), Puyat Flooring Products Inc., Puyat Investment & Realty, EWB Corporation (former Proleo Realty Inc.) and Bene-Para Realty Inc.; for the past five (5) years. He is also the former President of International Pipe Industries Corporation and Puyat Flooring Productings, Inc., Chairman and President of Bell Telecommunication Phils., Inc, until December 2009, and a former director of Premiere Development Bank until 2011. Mr. Reyes is the brother of Mr. Wilfrido P. Reyes and Ms. Belen R. Castro.

WILFRIDO P. REYES, 66 years of age, Filipino, has been the PRESIDENT of the Company since 1992. CHAIRMAN/PRESIDENT of Astraniquinn Corporation, (formerly WPR Realty & Management Corp.); EXECUTIVE VICE PRESIDENT/DIRECTOR of Gonzalo Puyat & Sons Inc. and Purex Mineral Corp.; EVP/GENERAL MANAGER of Philippine Flour Mills; SVP/DIRECTOR of Puyat Steel Corporation; TREASURER/DIRECTOR of Surigao Development Corp.; SECRETARY/DIRECTOR of Surigao Marine Products, Inc.; VP/GENERAL MANAGER of Reyson Realty & Development Corp.; PRESIDENT of EWB Corporation (formerly Proleo Realty Inc.), Former VP/TREASURER of Bell Telecommunication Phils. Inc until December 2009.; TREASURER/DIRECTOR of International Pipe Industries Corp. for the past five (5) years. Mr. Reyes is the brother of Mr. Edgardo P. Reyes and Ms. Belen R. Castro.

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

Perform oversight functions over the Corporation's 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;

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;

Review the reports submitted by the external auditors; and

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
Chairman (ID)	Francisco M. Bayot, Jr.	May 31,2013	6	6	100%	
Member (ED)	Wilfrido P. Reyes	May 31,2013	6	6	100%	
Member (NED)	Belen R. Castro	May 31,2013	6	6	100%	
Member (ID)						
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Francisco M. Bayot, Jr.	May 31,2013			100%	
Member (ED)	Wilfrido P. Reyes	May 31,2013			100%	
Member (NED)	Belen R. Castro	May 31,2013			100%	
Member (ID)						
Member						

(e) Others (Specify)

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

The company has no other committees.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						

Member						
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3) Changes in Committee Members

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

There has been no changes in committee membership for the year 2012.

Name of Committee	Name	Reason
Executive		
Audit		
Nomination		
Remuneration		
Others (specify)		

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 and study of various proposals of management prior to their submission to the board of directors for approval.	Resolution and finalization of various transactional issues prior to presentation to the board of directors.
Audit	Assisted the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	Reviewed and discussed quarterly unaudited financial statements, audited annual financial statements including Management's Discussion and analysis of financial condition and results of operations, adequacy of the company's enterprise risk management framework, and the effectiveness of the system for monitoring compliance with laws and regulations. Approved the overall scope and audit plans of Internal and external audits, effectiveness of the internal audit function and recommended for approval the re-appointment of the current external auditors. Performed a self-evaluation of the Committee in terms of expectations set out in the Audit Committee Charter.
Nomination	Reviewed and evaluated the of qualifications of persons nominated to the Board as well as those nominated to other position requiring Board's approval.	Reviewed the qualifications of all nominees to the Board of directors, taking into consideration the relevant requirements of the Securities and Exchange Commission relative to qualifications and

		disqualifications of both regular and independent director nominees.
Remuneration	Provided a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.	Provided oversight over remuneration of senior management and other key personnel.

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	Continue to assist management in drafting and finalizing particular transactions and projects by reviewing, prior to submission to the board of directors, proposals from management	Resolution and finalization of various transactional issues prior to presentation to the board of directors
Audit	Continuous monitoring and oversight of financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Company's Code of Conduct Conduct of annual self-assessment of Audit Committee performance Monitor the actions taken by the Internal Audit Group to address the results of the Quality Assurance Review for the internal audit function.	Continuous monitoring of the level of compliance by the Audit Committee Charter with the SEC Revised Code of Corporate Governance to ensure full alignment with the Code
Nomination	Continue to ensure proper review of the qualifications of persons proposed to be appointed as officers of the Corporation	Maintain the quality and level of competence of corporate officers to assure attainment of corporate objectives.

	where such appointment is subject to the approval of the board of directors.	
Remuneration	Review and pass upon proposals or initiatives pertaining to compensation and rewards.	Ensure that compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company believes that all risks taken must be identified, measured, monitored and managed. Risk management should be done at every level in the organization, and should be strongly integrated with the management practices of the organization. The individual and organizational expectations for risk management must be synchronized.

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

The Board of Directors, through its Audit Committee, have reviewed and evaluated the adequacy and effectiveness of the Company's enterprise risk management framework and the management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company and its risk management processes.

(c) Period covered by the review;

2012

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

The risk management system is reviewed as needed. Measures and/or controls are identified to address the key risk priorities and are evaluated if still effective in mitigating subject risks. Risk monitoring and reporting activities are reviewed to ensure its effectiveness such that these risks priorities and control activities are optimized and utilized to help management meet its goals and objectives.

(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
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Credit Risk	The company trades only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.	For Capital preservation and to avoid potential losses that may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.
Liquidity Risk	Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations.	In order to maintain financial flexibility and to prevent inability to settle or meet obligations on time or at a reasonable price.
Equity Price Risk	The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices. For foreign AFS financial assets, the Group uses index fluctuation in the respective stock exchanges where these assets are quoted.	To keep track on the fluctuations of equity prices that would materially impact investments. To keep watching on latest trends, news and updates that would have the potential to pull down equity indeces thereby causing losses on the group's equity investments.
Foreign Currency Risk	The company regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level respective to the current exchange rates so as to minimize the risks related these foreign currency denominated assets and liabilities.	To manage risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.
Interest Rate Risk	The company manages interest rate risk by investing mainly on fixed coupon bonds and other investment. But by doing so, the Group is assured of future interest revenues from such	To manage the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	investments.	
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(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:

Same as with the company.

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

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

Risk to Minority Shareholders
While there is a risk that the exercise of the controlling shareholders' voting power may be restrictive or authorizing preferences in their favor, the Board in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided for in the Corporation Code. These include the right to vote on all matters that require their consent or approval, such that a director shall not be removed without cause if it will deny minority shareholders representation in the Board. 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.

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	The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.	Regular review and analysis of customer financial and credit performances
Liquidity Risk	Cash and Cash Equivalents monitoring Budget Reports Monitoring of Current and Noncurrent Liabilities	Comparative Analysis of Budget versus Actual Costs. Timely Cash Position Reports Management of Payables
Equity Price Risk	Daily monitoring of Market prices.	Seeking professional services of brokers.
Foreign Currency Risk	Set up benchmarks for acceptable foreign currency rates and closely monitors fluctuations in the	Regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains

	market.	them at a level respective to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.
Interest Rate Risk	Maintains and closely monitors available rates in the market.	The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investment.

(b) Group

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

Same as company.

(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:

Not Applicable.

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	Mainly responsible for recommending the appointment of external auditors whose report they review; monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics; serve as a direct channel of communications to the Board for the internal auditor, compliance officer and the general counsel.

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;

Internal Control System of the company are the framework under which internal controls are developed and implemented (along or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.

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

The board of directors, through the Audit Committee, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.

Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The Board of Directors, through the audit committees, reviews the financial statements, and presents the same for approval of the Board of Directors and stockholders.

The board of directors, through its audit and compliance committee continuously reviews and follow up until closure all action items needed to be in full compliance with the company's Manual on Corporate Governance and its related documents and policies.

Continuous training is being under taken by the members of the board of directors, Management officers and personnel to fully acquaint then with the company's corporate governance manual, policies and related matters.

(c) Period covered by the review;
2012

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

The assessment of internal controls is preferably done when there are significant changes that would entail revision or enhancement of existing controls.

(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
To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization achieve its objectives by bringing a systematic,	The primary work is to determine whether the organization's network of governance, risk management, and control process, as designed and implemented by management, is adequate and functioning in a manner that		Atty. Zosimo L. Padro, Jr. CPA	Members of the Internal Audit group report to the Internal Audit officer who reports functionally to the Audit Committee and administratively to senior

disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.	ensures that: risks are appropriately identified and managed; significant financial, managerial and operating information are accurate, reliable and timely; employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; resources are acquired economically, used efficiently, and protected adequately; significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and interaction with various governance groups is pursued as necessary.			management. The Internal Audit group issues periodic reports to the Audit Committee and management, updating and summarizing results of audit activities.

(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?

The Internal Auditor is directly reporting to the Audit Committee and administratively to the President / Chief Executive Officer. (Amended Manual on Corporate Governance)

The Audit Committee ensures the existence of a working internal audit group, which is headed by a competent business manager, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are

effective, appropriate and enforced. The Committee concurs in the appointment, dismissal, replacement or re-assignment of the internal audit head.

(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.

Not applicable

Name of Audit Staff	Reason

(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	The progress of Annual Internal Audit Plan vs. Actual is being monitored on a semi-annual basis and is reported to Audit Committee and Management
Issues⁶	Issues are discussed with the Auditee during closing or exit meetings and their responses are incorporated in the Internal Audit Engagement Report
Findings⁷	Findings are reported to the Management through the Internal Audit Engagement Report, and to Audit Committee through the Internal Audit Updates during Audit Committee meetings.
Examination Trends	As a holding company, the examinations are being done mostly on the subsidiary and investments of the company.

[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

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

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

result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

None.

Policies & Procedures	Implementation

(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>The Corporation shall have in place an independent internal audit system which shall be performed or supervised by an Internal Auditor or a group of Internal Auditors, through which its Board, Senior Management, and Shareholders shall be provided with reasonable assurance that key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall facilitate the implementation of the anti corruption programmes and procedures of the Corporation by recommending guidelines including on assigning of responsibility for the development of controls. In furtherance of the Corporation’s good governance initiatives and in consonance with its anti-corruption programmes and procedures, its Code of Conduct, its Code of Employee Discipline, the Internal Auditor shall establish and facilitate the implementation of a Whistleblower Policy which identifies who could be whistleblowers, laying down the matters which are reportable thereunder, the procedures for whistleblowing, as well as their rights and responsibilities under the said policy. The Internal Auditor shall report to the Audit Committee on the matters specified herein. The Audit Committee, guided by best practices, shall regularly review organizational and procedural controls. The minimum internal control mechanisms for Management’s operational responsibility shall center on the CEO, he being ultimately accountable for the Corporation’s organizational and procedural controls. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.”</p>			

(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.

Wilfrido P. Reyes – President
David R. Baladad – Vice President - Operations

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	No customers	
Supplier/contractor selection practice	Not Applicable	
Environmentally friendly value-chain	Not Applicable	
Community interaction	Subsidiary Level	
Anti-corruption programmes and procedures?	The company conducts business activity in accordance with the law	
Safeguarding creditors' rights	Liabilities are settled as they become due.	

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

Yes.

Performance-enhancing mechanisms for employee participation.

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

The Company is committed in providing and maintaining a safe, secure and healthy work environment. In turn, the employee has the responsibility to work safely, to keep work areas and common areas in the company clean, not just to reduce the chances of injury but also to make the office a more attractive and pleasant place to work in.

Employees are urged to report to their immediate superior accidents or any condition or practice which is unsafe, whether or not these result in personal injury or no matter how minor they might seem to be.

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

Generally regular employees undergo medical check-up with their preferred medical clinic/hospital. There have been no reported work-related accidents or health concerns in the Company.

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

New employees are given orientation on the Company’s policies and procedures and made to undergo basic training. Regular employees are made to attend seminars relevant to their respective roles in the organization.

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

The Company adopts a Performance Management System (PMS) that allows for the objective assessment of an individual’s performance and development needs. The PMS shall be conducted regularly and the results of which shall be the basis for the company’s compensation and rewards system, promotions policy, training and development, and succession planning programs.

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

All violations of the company policy must be processed and as much as possible, resolved at the departments level. The latter may consult with the HRD as regards interpretation of the company policy.

Department head/managers may delegate the investigation and the reception of evidence to the supervisors or team leaders concerned, always taking into consideration the primacy of preserving good industrial relation between management and personnel and the standards of due process.

If the case is of a grave or serious nature, the same may be forwarded to the HRD Department for further investigation taking into consideration the standards of due process.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Belen R. Castro	231,353,122	25.5681%	NA
Edgardo P. Reyes	229,853,123	25.4023%	NA
Wilfrido P. Reyes	226,853,123	25.0708%	NA
PCD Nominee (FIL)	168,572,734	18.6299%	NA

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not applicable			
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	NO
Dividend policy	YES
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES

Training and/or continuing education programme attended by each director/commissioner	NO
Number of board of directors/commissioners meetings held during the year	NO
Attendance details of each director/commissioner in respect of meetings held	NO
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.

The information not disclosed in the Annual Report are not required to be disclosed therein; some are disclosed in other reports filed by the Company.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & CO.	₱475,762.56	₱542,055.77

4) Medium of Communication

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

1. Mail;
2. Website;
3. Reports filed with SEC and other regulatory bodies, LGU's, and
4. Online disclosure through Philippine Stock Exchange.

5) Date of release of audited financial report: **March 22,2013**

6) Company Website www.southchinaresourcesinc.com.ph

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

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

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

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Puyat Steel Corporation	Affiliate	Manufacturing	₱45.3M
International Pipes Industries Corp.	Affiliate	Manufacturing	₱27.5M
South China Petroleum International	Affiliate	Manufacturing	₱0.1M
SOC Land Development Corp.	Subsidiary	Real Estate	₱490M

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?

Transactions entered into by the Company with related parties are at arm’s length basis and have terms similar to the transactions entered into by the company with third parties. The Company formulated policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its subsidiary, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

None of the Company’s shareholders are granted special privileges or concessions.

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.

Quorum Required	Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented by proxy in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite number of the outstanding capital stock shall be present or represented by proxy.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Corporate acts are approved by the board of directors.
Description	Under the By-laws, the directors shall only act as a board. A majority of the board shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum shall be valid as a corporate act; but one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in

the Corporation Code.

There are no any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
1. Right to vote on all matters that requires their consent or approval; 2. Right to inspect corporate books and records; 3. Right to information; 4. Right to dividends; and 5. Appraisal right.	

Dividends

The Company has no earnings yet from commercial production pertaining to the oil exploration segment of the business hence there were no dividends declared for the period ending December 31, 2012 and two years ending December 31, 2011 and December 31, 2010.

Declaration Date	Record Date	Payment Date
Not applicable		

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Although the company is not soliciting proxies, it provides, in the Information Statement, a draft general proxy form for stockholders who may wish to appoint a proxy for the meeting. This facilitates stockholder participation in stockholders' meetings.	Each stockholder is furnished a hard copy of the Information Statement at least 25 business days before the stockholders' meeting. A notice of meeting is attached to the Information Statement. The notice clearly indicates that "The Corporation is not soliciting proxies; however, a draft general proxy form is hereto attached solely for the convenience of stockholders who may wish

	to appoint a proxy for the meeting.” In addition, the draft general proxy form is attached to the Information Statement to further facilitate stockholder participation by proxy.
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2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Under the company’s Manual on Corporate Governance, the board recognizes and respects the rights of stockholders under the law, the Articles of Incorporation and By-laws, specifies the stockholders’ rights to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends, and appraisal rights.

Any amendment to the company’s Articles of Incorporation, including the authorization for the increase in the company’s authorized capital stock, and sale of all or substantially all of the company’s assets, are submitted to the board for approval, and to the stockholders for ratification.

A stockholder’s appraisal rights are also embodied in Section 81 of the Corporation Code which gives a stockholder the right to dissent and demand payment of the fair value of his shares in the following instances: (i) in case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares; or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

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?

Notice for regular or special meetings of stockholders may be sent by the secretary by personal delivery or by mail at least 20 days before a regular or special meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation.

- a. Date of sending out notices: May 10,2013
- b. Date of the Annual/Special Stockholders’ Meeting: May 31,2013

4. State, if any, questions and answers during the Annual/Special Stockholders’ Meeting. None

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

Resolution	Approving	Dissenting	Abstaining
Approval and Ratification of 2012 Annual Stockholders’ Meeting held last May 25,2012	688,559,468 shares	none	none
Approval of Report of Management for the calendar year ended 2012	688,559,468 shares	none	none
Ratification and approval of all acts and all transactions entered into by, the Board of Directors and Officers of the Corporation on the latter’s	688,559,468 shares	none	none

behalf during the calendar year 2012			
Nomination and Election of the following Directors: 1. Edgardo P. Reyes 2. Wilfrido P. Reyes 3. Belen R. Castro 4. Manuel G. Arteficio 5. Francisco M. Bayot, Jr	688,559,468 shares	none	none
Appointment of Sycip Gorres Velayo & Co. as the corporation's external auditors for the calendar year 2013 with Mr. John Ong as the engagement partner.	688,559,468 shares	none	none

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
May 31, 2013

(e) Modifications

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

There has been no modification made in the most recent Annual Stockholders Meeting Regulations.

Modifications	Reason for Modification
Not applicable	

(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	Edgardo P. Reyes Belen R. Castro Manuel G. Arteficio Francisco M. Bayot, Jr. Zosimo L. Padro, Jr. David R. Baladad	May 31, 2013		51%	25%	76%

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

No.

- (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.

Pursuant to the Corporation Code, each share being held by every stockholder is entitled to one vote for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(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	If you cannot attend the meeting but would like to be represented thereat, you may appoint a proxy in writing and file the same, together with the appropriate Board resolution for corporate stockholders. Said proxies shall be validated at the Corporation's principal offices. On the day of the meeting, you or your proxy are hereby required to bring the Notice of meeting and any form of identification, e.g. driver's license, company ID, TIN card, etc., to facilitate registration.
Notary	Not required.
Submission of Proxy	In accordance with the By-Laws and Definitive Information Statements providing for specific deadlines
Several Proxies	
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary.
Proxies executed abroad	Same requirements with locally executed.
Invalidated Proxy	Not counted but copies are kept.
Validation of Proxy	Said proxies shall be validated at the Corporation's principal offices.
Violation of Proxy	To be dealt with in accordance with the Corporation Code

(h) Sending of Notices

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

Policies	Procedure
Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least twenty (20)	In accordance with SRC Rule 20

days before a regular or special meeting to each stockholders of record at his last known post office address or by publication in a newspaper of general circulation.	
The notice shall state the place, date and hour of the meeting, and the purpose for which the meeting is called. In case of special meetings, only matter stated in the notice can be the subject of motions or deliberations at such meeting.	In accordance with SRC Rule 20

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	386
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	Not Applicable
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 10, 2013
State whether CD format or hard copies were distributed	Hard Copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes, requesting stockholders are provided hard copies.

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	No
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Minority stockholders are entitled to same rights granted to the majority stockholders. The rights granted to the minority stockholders under the law are respected by the Corporation.

Policies	Implementation

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

Yes

K. INVESTORS RELATIONS PROGRAM

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

Internal Communications are done through:

1. Weekly CEO Meetings
2. Monthly Board Meetings
3. Board Committee Meetings
4. Memos and Announcements
5. Periodic reports
6. Emails
7. Telephone Calls; and
8. Website.

While external communications are through:

1. One-on-One Meetings
2. Investors Conferences
3. Annual Stockholders’ Meeting
4. Disclosure
5. Press Releases

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

	Details
(1) Objectives	To provide fair, timely, accurate and reliable financial and related information to stakeholders
(2) Principles	To provide accurate and essential information to stockholders, other stakeholders and the public in general in a regular and consistent manner. The Company has Corporate Communications Team handling different stakeholders
(3) Modes of Communications	Disclosure, Investor Conference, One-on-One Meeting, Letter, Email, Telephone, Fax, Website, Brochure, Annual and Quarterly Reports, Annual General Stockholders’ Meetings
(4) Investors Relations Officer	Investor Relations are handled by the following cross functional

	teams: 1. Legal and Stock Transfer Office for individual investors 2. Investor Relation Officer
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- 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?

Extraordinary transactions such as mergers and dispositions of substantial assets are submitted for approval to the company's board of directors, and thereafter, for ratification by the stockholders, under Sections 77 and 40 of the Corporation Code.

It is the company's policy under Section 13 of the Manual on Corporate Governance that all material information about the Corporation, such as acquisition and disposition of assets, are publicly and timely disclosed through the appropriate mechanisms of the Philippine Stock Exchange and periodic submissions to the Securities and Exchange Commission.

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

Engagement of Financial Advisor as deemed necessary.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

The company partnered with other companies in taking good care of the environment and the people through programs and projects during the course of its oil exploration service contracts.

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	The company's Compliance Officer monitors and ensures compliance with the Manual on Corporate Governance, the rules and regulations of regulatory agencies, and the principles and policies of good corporate governance. If any violation is found, he is tasked to report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent the repetition of the violation. The	The board should provide the Corporation and its stockholders a balanced and comprehensive assessment of the company's performance, position and prospects. The company continues to search ways and means to further improve its corporate governance structures. The company regularly reviews its existing policies and programs with the intention of further elevating the level of accountability of the directors.

	Compliance Officer reports directly to the Chairman of the board.	
Board Committees	The Audit Committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to the charter.	The self-assessment shall be based on the completeness of the charter as to its compliance with regulatory requirements and actual implementation.
Individual Directors	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as members of the board.
CEO/President	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	As per By-laws, the CEO shall annually present a report of the preceding year's business at the stockholder's meeting.

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	The subject person shall be reprimanded
Second Violation	Suspension from office shall be imposed
Third Violation	The maximum penalty of removal from office shall be imposed