

COVER SHEET

ASO95002283
SEC Registration Number

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DACON BLDG. 2281
PASONGTAMOE XT. MAKATI sITY

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

Annual Corporate Governance
Report (ACGR)
FORM TYPE

0 7 3 1
Month Day
Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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TABLE OF CONTENTS

| | |
|--|-----------|
| A. BOARD MATTERS | 5 |
| 1) BOARD OF DIRECTORS | |
| (a) Composition of the Board..... | 5 |
| (b) Directorship in Other Companies..... | 6 |
| (c) Shareholding in the Company..... | 9 |
| 2) CHAIRMAN AND CEO..... | 9 |
| 3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS..... | 10 |
| 4) CHANGES IN THE BOARD OF DIRECTORS..... | 12 |
| 5) ORIENTATION AND EDUCATION PROGRAM..... | 16 |
| B. CODE OF BUSINESS CONDUCT & ETHICS | 17 |
| 1) POLICIES..... | 17 |
| 2) DISSEMINATION OF CODE..... | 18 |
| 3) COMPLIANCE WITH CODE..... | 18 |
| 4) RELATED PARTY TRANSACTIONS..... | 18 |
| (a) Policies and Procedures..... | 18 |
| (b) Conflict of Interest..... | 18 |
| 5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS..... | 19 |
| 6) ALTERNATIVE DISPUTE RESOLUTION..... | 20 |
| C. BOARD MEETINGS & ATTENDANCE | 20 |
| 1) SCHEDULE OF MEETINGS..... | 20 |
| 2) DETAILS OF ATTENDANCE OF DIRECTORS..... | 20 |
| 3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS..... | 20 |
| 4) ACCESS TO INFORMATION..... | 20 |
| 5) EXTERNAL ADVICE..... | 21 |
| 6) CHANGES IN EXISTING POLICIES..... | 21 |
| D. REMUNERATION MATTERS | 22 |
| 1) REMUNERATION PROCESS..... | 22 |
| 2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS..... | 22 |
| 3) AGGREGATE REMUNERATION | 23 |
| 4) STOCK RIGHTS, OPTIONS AND WARRANTS..... | 24 |
| 5) REMUNERATION OF MANAGEMENT..... | 24 |
| E. BOARD COMMITTEES | 24 |
| 1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES..... | 24 |
| 2) COMMITTEE MEMBERS..... | 24 |
| 3) CHANGES IN COMMITTEE MEMBERS..... | 29 |
| 4) WORK DONE AND ISSUES ADDRESSED..... | 29 |
| 5) COMMITTEE PROGRAM..... | 30 |
| F. RISK MANAGEMENT SYSTEM | 30 |
| 1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM..... | 30 |
| 2) RISK POLICY..... | 31 |
| 3) CONTROL SYSTEM..... | 32 |
| G. INTERNAL AUDIT AND CONTROL | 33 |
| 1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM..... | 33 |
| 2) INTERNAL AUDIT | |
| (a) Role, Scope and Internal Audit Function..... | 33 |

| | |
|---|-----------|
| (b) Appointment/Removal of Internal Auditor..... | 34 |
| (c) Reporting Relationship with the Audit Committee..... | 34 |
| (d) Resignation, Re-assignment and Reasons..... | 34 |
| (e) Progress against Plans, Issues, Findings and Examination Trends..... | 34 |
| (f) Audit Control Policies and Procedures..... | 35 |
| (g) Mechanisms and Safeguards..... | 35 |
| H. ROLE OF STAKEHOLDERS..... | 35 |
| 1) POLICIES AND ACTIVITIES | 35 |
| 2) CORPORATE SOCIAL RESPONSIBILITY REPORT..... | 36 |
| 3) PERFORMANCE ENHANCING MECHANISMS FOR EMPLOYEES..... | 36 |
| 4) REWARD/COMPENSATION POLICIES | 36 |
| I. DISCLOSURE AND TRANSPARENCY | 37 |
| 1) Ownership Structure | 37 |
| 2) Annual Report | 37 |
| 3) External Auditor's Fee | 38 |
| 4) Medium of Communication | 38 |
| 5) Company Website | 38 |
| 6) Disclosure of RPT | 38 |
| J. RIGHTS OF STOCKHOLDERS | 39 |
| 1) Right to Participate..... | 39 |
| 2) Treatment of Minority Stockholders | 43 |
| K. INVESTORS RELATIONS PROGRAM..... | 44 |
| L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES..... | 44 |
| M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL..... | 45 |
| N. INTERNAL BREACHES AND SANCTIONS..... | 45 |

A. BOARD MATTERS

1) Board of Directors

| | |
|---|----------|
| Number of Directors per Articles of Incorporation | Nine (9) |
|---|----------|

| | |
|---|----------|
| Actual number of Directors for the year | Nine (9) |
|---|----------|

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) ¹ | Elected when (Annual /Special Meeting) | No. of years served as director |
|--------------------------|---|------------------------------------|---|--------------------|--|--|---|
| David M. Consunji | NED | | Dacon Corp. | May 1995 | July 31, 2013 | Annual Meeting | 19 yrs. |
| Cesar A. Buenaventura | NED | | Dacon Corp. | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Isidro A. Consunji | ED | | Dacon Corp. | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Herbert M. Consunji | ED | | Dacon Corp. | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Ma. Edwina C. Laperal | ED | | Dacon Corp | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Victor A. Consunji | NED | | Dacon Corp | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Jorge A. Consunji | NED | | Dacon Corp | May 1995 | July 31, 2013 | Annual Meeting | 18 yrs. |
| Honorio O. Reyes-Lao | ID | | Jose L. Merin – no family/business relationship | July 2009 | July 31, 2013 Two (2) years | Annual Meeting | 2 yrs. (based on SEC Circular No.9-2011 which took effect on Jan. 2, 2012) |
| Antonio Jose U. Periquet | ID | | Jose L. Merin – no family/business relationship | July 2010 | July 31, 2013 One (1) year | Annual Meeting | 1 yr. (based on SEC Circular No.9-2011 which took effect on Jan. 2, 2012) |

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

The Board of Directors have adopted the Company's Manual on Corporate Governance to provide a framework for the effective governance of the Company. The Board recognizes that its primary

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

responsibility is to foster the long-term success of the Company and to build long-term value for the Company's shareholders, consistent with the Board's fiduciary duties. The Company has only one class of share, with one-share-one-vote policy. It gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. The Company is committed at all times to fully disclose material information dealings for the interest of the stakeholders.

(c) How often does the Board review and approve the vision and mission? –**The Board reviews the vision and mission of the Company as often as deemed necessary. Moving forward, the Corporation will consider the review of the vision/mission at least every five years as part of its policy.**

(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. |
|-----------------------|---|---|
| David M. Consunji | D.M. Consunji, Inc. Semirara Mining Corp. Dacon Corporation Sem-Calaca Power Corporation Southwest Luzon Power Generation Corp. Semirara Claystone, Inc. | Non-Executive/Chairman Non-Executive/Chairman Non-Executive Non-Executive/Chairman Non-Executive/Chairman Non-Executive/Chairman |
| Cesar A. Buenaventura | D.M. Consunji, Inc. Semirara Mining Corp. | Non-Executive Non-Executive |
| Isidro A. Consunji | D.M. Consunji, Inc. Semirara Mining Corp. DMCI Project Developers, Inc. DMCI Mining Corp. DMCI Power Corp. DMCI Masbate Corp. DMCI-MPIC Water Company Inc. Maynilad Water Services, Inc. Sem-Calaca Power Corp. Southwest Luzon Power Generation Corp. Sem Calaca Res Corporation (formerly DMCI Calaca Corp.) Dacon Corporation DFC Holdings, Inc. | Non-Executive Executive Executive/Chairman Executive/Chairman Executive Executive Executive Non-Executive Non-Executive Executive Executive |
| Herbert M. Consunji | Semirara Mining Corp. DMCI Mining Corp. DMCI Power Corp. DMCI-MPIC Water Company Inc. Maynilad Water Services, Inc. Sem-Calaca Power Corp. Southwest Luzon Power Generation Corp. | Non-Executive Non-Executive Non-Executive Non-Executive Executive Non-Executive Non-Executive |

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

| | | |
|--------------------------|--|---|
| | Sem Calaca Res Corporation (formerly DMCI Calaca Corp.) Subic Water & Sewerage Co. Inc. | Executive Non-Executive/Chairman |
| Ma. Edwina C. Laperal | Semirara Mining Corp. DMCI Project Developers, Inc. D.M. Consunji, Inc. Sem-Calaca Power Corp. Dacon Corp. DFC Holdings, Inc. | Non-Executive Executive Executive Non-Executive Non-Executive Non-Executive |
| Victor A. Consunji | D.M. Consunji, Inc. Semirara Mining Corp. DMCI Mining Corp. DMCI Power Corp. DMCI Masbate Corp. Sem-Calaca Power Corp. Southwest Luzon Power Generation Corp. Sem Calaca Res Corporation (formerly DMCI Calaca Corp.) Dacon Corp. DFC Holdings, Inc. | Non-Executive Executive Non-Executive Executive Non-Executive Executive Executive Executive Executive Executive Executive Executive Non-Executive |
| Jorge A. Consunji | D.M. Consunji, Inc. Semirara Mining Corp. DMCI Project Developers, Inc. DMCI Mining Corp. DMCI Power Corp. DMCI Masbate Corp. Sem-Calaca Power Corp. Southwest Luzon Power Generation Corp. DMCI-MPIC Water Company Inc. Maynilad Water Services, Inc. Dacon Corp. DFC Holdings, Inc. | Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive |
| Honorio O. Reyes-Lao | None | Not applicable |
| Antonio Jose U. Periquet | None | Not applicable |

(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. |
|--------------------------|--|---|
| David M. Consunji | None | |
| Cesar A. Buenaventura | None | |
| Isidro A. Consunji | Atlas Consolidated Mining and Development Corp. Crown Equities, Inc. | Non-Executive Non-Executive Non-Executive |
| Herbert M. Consunji | None | |
| Ma. Edwina C. Laperal | None | |
| Victor A. Consunji | None | |
| Jorge A. Consunji | None | |
| Honorio O. Reyes-Lao | Philippine Business Bank | Non-Executive |
| Antonio Jose U. Periquet | ABS-CBN Corp. | Independent Director |

| | | |
|--|---|--|
| | Ayala Corporation Bank of the Philippine Islands Philippine Seven Corp. | Independent Director Independent Director Independent Director |
|--|---|--|

(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 |
|--------------------------|-------------------------------------|---------------------------------|
| David M. Consunji | Dacon Corp. | Director of the corporation |
| Cesar A. Buenaventura | None | None |
| Isidro A. Consunji | Dacon Corp./DFC Holdings, Inc. | Director of the corporation |
| Herbert M. Consunji | None | None |
| Ma. Edwina C. Laperal | Dacon Corp./DFC Holdings, Inc. | Director of the corporation |
| Victor A. Consunj | Dacon Corp./DFC Holdings, Inc. | Director of the corporation |
| Jorge A. Consunji | Dacon Corp./DFC Holdings, Inc. | Director of the corporation |
| Honorio O. Reyes-Lao | None | None |
| Antonio Jose U. Periquet | None | None |

(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:

The Company observes the limit in the number of board seats in other listed companies, but it is not strictly implementing such policy. Likewise, the company sees to it that the members of the board are committed to exercise their roles and responsibilities as directors regardless of the number of board seats they have in other companies.

| | Guidelines | Maximum Number of Directorships in other companies |
|-------------------------------|---|---|
| Executive Director | <p>The Nomination Committee shall consider the following guidelines in determining the number of directorships for the members of the Board:</p> <p>The nature of the business of the Corporation which he is a director;</p> <ul style="list-style-type: none"> • Age of the director; • Number of directorships/active memberships and officerships in other corporations or organizations; and • Possible conflict of interest. <p>The optimum number shall be related to the capacity of a director to perform his duties diligently in general.</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, non-executive directors who serve as fulltime executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</p> |
| Non-Executive Director | | |
| CEO | | |

(c) 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 |
|--------------------------|-------------------------|--|--------------------|
| David M. Consunji | 1,000.00 | 1,219,500.00 | 0.0459% |
| Cesar A. Buenaventura | 180,000.00 | 1,140,000.00 | 0.0497% |
| Isidro A. Consunji | 13,000.00 | 3,800,334.00 | 0.1436% |
| Herbert M. Consunji | 4,600.00 | 0.00 | 0.0002% |
| Ma. Edwina C. Laperal | 107,000.00 | 556,000.00 | 0.0249% |
| Victor A. Consunji | 1,000.00 | 34,547,820.00 | 1.3010% |
| Jorge A. Consunji | 1,000.00 | 78,272.00 | 0.0029% |
| Honorio O. Reyes-Lao | 35,000.00 | 0.00 | 0.0007% |
| Antonio Jose U. Periquet | 25,000.00 | 0.00 | 0.0013% |
| TOTAL | 367,600.00 | 41,341,926.00 | 1.5707% |

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

| | |
|-----------------------|--------------------|
| Chairman of the Board | David M. Consunji |
| CEO/President | Isidro A. Consunji |

(b) Roles, Accountabilities and Deliverables

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

| | Chairman | Chief Executive Officer |
|------------------|--|---|
| Role | <p>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</p> <p>Maintain qualitative and timely lines of communication and information between the Board and Management.</p> | <p>Develop strategy proposals for recommendation to the Board and ensure that agreed strategies are reflected in the business;</p> <p>Develop annual plans, consistent with agreed strategies, for presentation to the Board for support.</p> |
| 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 shareholders, host governments and</p> | <p>Be responsible to the Board for the performance of the business consistent with agreed plans, strategies and policies;</p> <p>Develop an organizational structure and establish processes and systems</p> |

| | | |
|--------------|---|---|
| | other relevant constituencies and that the views of these groups are understood by the Board | to ensure the efficient organization of resources. |
| Deliverables | <p>Promote effective relationships and communications between non-executive directors and members of the Group Executive Committee;</p> <p>Promote effective relationships and communications between non-executive directors and members of the Group Executive Committee;</p> <p>Establish a harmonious and open relationship with the Chief Executive.</p> | <p>Ensure that financial results, business strategies and, where appropriate, targets and milestones are communicated to the investment community;</p> <p>Develop processes and structures to ensure that capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps taken to manage the risks;</p> <p>Establish a close relationship of trust with the Chairman, reporting key developments to him in a timely manner and seeking advice and support as appropriate.</p> |

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 and the Executive Management evaluates potential and suitable candidates for executive positions.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. - **The Board consists of a combination of executive and nonexecutive directors (including independent directors) in order that no director or small group of directors can dominate the decision-making process of the company. The directors have vast experiences in diverse industries and have notable academic background.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. - **The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. All incumbent NEDs have experience in industries that 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 | Manage the conflict between their management responsibilities and their fiduciary duties as a director in the best interests of the company. | <p>Ensure that the CEO and the Board as a whole concentrate on maximizing long-term shareholder value.</p> <p>Work cooperatively with their executive colleagues and demonstrate</p> | <p>Oversight of company financial reporting process and disclosure of its financial information.</p> <p>Recommending to Board on the appointment, re-appointment and if</p> |

| | | | |
|------------------|---|---|---|
| | | objectivity and robust independence of judgment in their decision making. | required replacement or removal of statutory auditor and fixation of audit fees. |
| Accountabilities | Accountable to the shareholders of the company as they are involved in the day to day activities of the company and are responsible for execution of business strategies and plans. | Accountable on strategic function, expertise and the governance function | <p>Review with management, the annual financial statements before approval by the board with particular reference to Directors Responsibility Statement, changes in accounting policy, major accounting estimates, audit findings adjustments, compliance with listing and other legal requirements, disclosure of related party transactions and qualification in the draft audit report.</p> <p>Review of quarterly financial statements.</p> <p>Review with management, performance of statutory and internal auditors, adequacy of internal control systems, adequacy of internal audit function including their structure, frequency, reporting.</p> |
| Deliverables | <p>Develop business plans in collaboration with the board for the future of the organization;</p> <p>Manage committees and staff</p> <p>Lead the organization and develops its organizational culture</p> | Providing independent judgment in all circumstances. | <p>Furnish information in the prescribed form to the company about disclosure of General Notice of directorship, membership of body corporate and other entities.</p> <p>Shall have fiduciary duty to act in good faith and in the interest of the company.</p> <p>Act only within the powers laid down by the Articles of Incorporation and by applicable law and regulations.</p> |

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

Independence - a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain. – **The Company's existing Independent Directors have served as such for less than five years. The Company will comply with the term limit set by the SEC in its Memo Circular No. 9 Series of 2011.**

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

(a) Resignation/Death/Removal - **NONE**

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

| Name | Position | Date of Cessation | Reason |
|------|----------|-------------------|--------|
| None | | | |
| | | | |

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

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

| Procedure | Process Adopted | Criteria |
|---------------------------------|--|---|
| a. Selection/Appointment | | |
| (i) Executive Directors | It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications set in the Manual of Corporate Governance of the Company | Any stockholder who is a holder of at least one (1) common share of stock standing in his name in the books of the Corporation, may be elected Director. The Board may provide additional qualifications of a director such as, but not limited to the following: (a) educational attainment; (b) adequate competency and understanding of business; (c) age requirement; (d) integrity/probity; (e) assiduousness or diligence; and (f) such other qualifications is |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

| | | |
|--------------------------------------|--|--|
| | | provided for in the Corporation's Manual on Corporate Governance. |
| b. Re-appointment | | |
| (i) Executive Directors | Same process as appointment/selection | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | Provisions set in the Company's Manual on Corporate Governance and By-Laws | <p>Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;</p> <ul style="list-style-type: none"> • Any person finally found by SEC or a court or other administrative body to have wilfully violated, or wilfully aided, abetted, counseled, induced or procured the violation of, any provision of the Code, the Corporation Code, or any other law, rules, regulations or order administered by the SEC or Bangko Sentral ng Pilipinas; • Any person judicially declared to be insolvent or bankrupt; • Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and • Any person convicted by an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Code, committed within five (5) years prior to the date of his election or appointment. • Any person treated for mental disorder, drug or alcohol addiction or confined in a mental institution; <p>Any person owning directly or indirectly more than ten (10%) percent equity in any</p> |
| (ii) Non-Executive Directors | | |

| | | |
|--------------------------------------|--|--|
| | | similar nature of business other than the Corporation's affiliates or subsidiaries. |
| (iii) Independent Directors | Provisions set in the Company's Manual on Corporate Governance and By-Laws | <p>a. When he becomes an officer or employee of the Corporation where he is a member of the board of directors, or becomes any of the persons enumerated under Section II (5) of the SEC Code of Corporate Governance;</p> <p>b. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the Corporation where he is a director;</p> <p>c. Fails, without justifiable cause, to attend at least fifty (50%) of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;</p> <p>Such other disqualifications which Corporation's Manual on Corporate Governance provides.</p> |
| d. Temporary Disqualification | | |
| (i) Executive Directors | Provisions set in the Company's Manual on Corporate Governance | <p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> • Refusal to fully disclose the extent of his business interest as required under the Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency or any twelve-(12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

| | | |
|------------------------------|--|---|
| | | <ul style="list-style-type: none"> • Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; • Being under preventive suspension by the Corporation; • If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; • If the beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. • Conviction that has not yet become final referred to in the grounds for the disqualification of directors. |
| e. Removal | | |
| (i) Executive Directors | Provisions set by the Company's Manual on Corporate Governance and By-Laws | Same criteria with the permanent disqualification of ED, NED, and ID |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| f. Re-instatement | | |
| (i) Executive Directors | Provisions set by the Company's Manual on Corporate Governance and By-Laws | Same criteria with the permanent disqualification of ED, NED, and ID |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| g. Suspension | | |
| (i) Executive Directors | Provisions set by the Company's Manual on Corporate Governance and By-Laws | Same criteria with the permanent disqualification of ED, NED, and ID |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

Voting Result of the last Annual General Meeting

| Name of Director | Votes Received |
|-----------------------|----------------|
| David M. Consunji | 2,200,604,076 |
| Cesar A. Buenaventura | 2,205,816,626 |

| | |
|--------------------------|---------------|
| Isidro A. Consunji | 2,205,025,216 |
| Herbert M. Consunji | 2,208,836,696 |
| Ma. Edwina C. Laperal | 2,205,816,626 |
| Victor A. Consunj | 2,208,836,696 |
| Jorge A. Consunji | 2,086,179,047 |
| Honorio O. Reyes-Lao | 2,213,968,276 |
| Antonio Jose U. Periquet | 2,213,476,486 |

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 to incoming directors. The Company provide information materials on company profile and business nature such as financial statements, information statements (20-IS), annual reports, disclosures, among others. Likewise, as stated in the Company's Manual, a Director shall, before assuming as such, be required to attend a seminar on Corporate Governance, which shall be conducted, by a duly recognized private or government institute.

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

| Date | Seminars Attended |
|--------------------|---|
| November 15, 2013 | ICD Annual Workshop Session on Asean Corporate Governance Scorecard |
| October 25, 2013 | Corporate Governance Orientation by ICD |
| September 10, 2013 | 11 th MAP CEO Conference |
| August 23, 2012 | Enterprise Risk Awareness Session by SGV & Co. |
| March 02, 2012 | Economic Briefing by Victor Abola |
| December 15, 2010 | Private-Public Partnership Briefing by Alberto Agra |
| July 30, 2010 | Economic Briefing by Prof. Victor Abola |
| June 28, 2010 | Cross Cultural Seminar by Prof. Yih-teen Lee |
| January 12, 2010 | Leadership Seminar by Dr. Pablo Cardona |
| August 11, 2009 | Introduction to Economics by Federico Macaranas |
| August 15, 2009 | The Language of Business by Felixberto Bustos |
| August 21, 2009 | The Chinese Financial System by Dr. Victor S. Limlingan |

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

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|-------------------------------|-----------------------------------|-------------------------------------|
| Ma. Edwina C. Laperal Director/Treasurer | March 1, 7, 8,17,18 - 2011 | Professional Directors Program | Institute of Corporate Directors |

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

| | | | |
|--|-----------------------------|---|-------------------------------------|
| Herbert M. Consunji Director/VP and CFO/Compliance Officer | March 1,8,9,18,19 - 2010 | Professional Directors Program | Institute of Corporate Directors |
| Cristina C. Gotianun Asst. Treasurer | March 1,8,9,18,19 - 2010 | Professional Directors Program | Institute of Corporate Directors |
| Jorge A. Consunji Director | September 1, 2010 | Corporate Governance Orientation Program | Institute of Corporate Directors |
| Honorio O. Reyes-Lao Independent Director | | A Fellow of the Institute of Corporate Directors | Institute of Corporate Directors |
| Victor S. Limlingan Managing Director | | Has been a lecturer on various Corporate Governance seminars. | Asian Institute of Management |

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 | Directors, Executive Officers and Employees owe a fiduciary duty to the Company that requires them to act in the best interest of the Company. Actual and potential conflicts of interest should be avoided or otherwise identified, disclosed, and explained in sufficient detail to enable valid judgments to be made on their adverse impact. The persons who are conflicted should not participate in the discussion and decision on the issue in question, nor be entitled to vote on any resolution where they are conflicted. Related party contracts should be disclosed in the annual report. | | |
| (b) Conduct of Business and Fair Dealings | 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 customers, service providers, suppliers, and competitors. No Director, Executive Officer or Employee should take unfair advantage of anyone through manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any unfair dealing practices. | | |
| (c) Receipt of gifts from third parties | All Directors, Executive Officers and Employees should not be receiving from, or giving to, a supplier, customer or competitor, gifts, gratuities, special allowances, discounts or other benefits not generally available of more than nominal value. | | |
| (d) Compliance with Laws & Regulations | Directors, Executive Officers and Employees must carry out their duties with professionalism and in accordance with ethical standards. They must conduct business in accordance with the law, the charter of the Company, and a high standard of commercial morality. They shall at all times act with loyalty to the Company, ensuring that its goals, strategies, policies and practices are moral, proper, and legal. They must be prepared to dissociate themselves from the Company in the event that despite their efforts, ethical and legal standards are being seriously compromised. They should refer to the Company's statements of best practice as part of their decision-making process. | | |
| (e) Respect for Trade Secrets/Use of Non-public Information | Directors, Executive Officers, and Employees must observe the confidentiality of non-public information and not disclose it to any other person without the authority of the Board. A Director, Executive Officer or Employee who has a special allegiance to a particular shareholder may not disclose confidential information to that particular shareholder without the authority of the Board. | | |
| (f) Use of Company Funds, Assets and Information | Each Director, Executive Officer and Employee owes a duty to advance the Company's legitimate interests when the opportunity to do so arises. He may not: (a) receive or seek to receive a benefit from opportunities that are discovered through his involvement with the Company (including, without limitation, his use of the Company's property, information, or his position); or (b) compete with the | | |

| | |
|--|---|
| | Company, directly or indirectly, for business opportunities in the areas (or lines) of business in which the Company is engaged or in new areas (or lines) of business in which the Company has disclosed its intent or plans to engage. |
| (g) Employment & Labor Laws & Policies | Policies are in accordance with the Philippine Labor Code |
| (h) Disciplinary action | All Directors, Executive Officers and Employees should strive to identify and raise potential issues before they become problems and should ask about the application of this Code whenever in doubt. Any Director, Executive Officer or Employee who becomes aware of any existing or potential violation of this Code shall promptly notify the Company's Compliance Officer. The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention. The Company will not tolerate retaliation for reports of violations of this Code made in good faith. |
| (i) Whistle Blower | No formal company policy |
| (j) Conflict Resolution | No formal company policy |

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

Yes

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

The Company has strictly monitored compliance with the Code of Ethics such that none of the Directors have been sanctioned for violation of the Manual

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 | Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. The related party transactions are conducted under the normal course of business. The related receivables and payables are unsecured and interest free and are due within one year. |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | None |
| (6) Officers including spouse/children/siblings/parents | Disclosure on beneficial ownership transactions. Other transactions at arm's length dealings. |
| (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 | Victor A. Consunji (indirect ownership) |
| Name of Officer/s | Cristina C. Gotianun (Indirect ownership) |
| Name of Significant Shareholders | Dacon Corp./DFC Holdings, Inc. – no related party transactions |

(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 | Policies requiring disclosures on direct and indirect beneficial ownership in accordance with the SEC and PSE rules. |
| Group | Policies requiring disclosures on direct and indirect beneficial ownership in accordance with the SEC and PSE rules. |

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 |
|--|-----------------------------|--|
| Dacon Corp. | Interlocking Directors | Interlocking Directors |
| DFC Holdings, Inc. | Interlocking Directors | Interlocking Directors |

(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 |
|--|---------------------------------|--|
| Dacon Corp. | Shareholder owning more than 5% | Some Directors of Dacon Corp. are also Directors of the Company |
| DFC Holdings, Inc. | Shareholder owning more than 5% | Some Directors of DFC Holdings, Inc. are also Directors of the Company |

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

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

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|--------------------------------------|
| None | None | 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 | No conflict arose from the last three (3) years |
| 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?
Regular quarterly board meetings are scheduled after the end of each quarter, while special board meetings are scheduled in between regular meetings as the need arises.
- 2) Attendance of Directors

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|--------------------------|------------------|--------------------------------------|--------------------------|------|
| Chairman | David M. Consunji | July 31, 2013 | 17 | 17 | 100% |
| Member | Cesar A. Buenaventura | July 31, 2013 | 17 | 17 | 100% |
| Member | Isidro A. Consunji | July 31, 2013 | 17 | 17 | 100% |
| Member | Herbert M. Consunji | July 31, 2013 | 17 | 17 | 100% |
| Member | Ma. Edwina C. Laperal | July 31, 2013 | 17 | 17 | 100% |
| Member | Victor A. Consunj | July 31, 2013 | 17 | 17 | 100% |
| Member | Jorge A. Consunji | July 31, 2013 | 17 | 17 | 100% |
| Independent | Honorio O. Reyes-Lao | July 31, 2013 | 17 | 16 | 94% |
| Independent | Antonio Jose U. Periquet | July 31, 2013 | 17 | 16 | 94% |

- 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.
In accordance with the Corporation Code, the quorum requirement for board meetings is a majority of the board members.
- 5) Access to Information

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

The board materials for discussion are distributed at least three days before the scheduled board meeting.

(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 Secretary shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Director in a book kept for that purpose. He shall have charge of the corporate seal of the Corporation. He shall keep at the principal office of the Corporation the stock and transfer book and therein keep a record of all the stock, the names of stockholders alphabetically arranged with the addresses to which notices may be sent, the installments paid and unpaid on all stock for which subscription has been made and the date of payment of any installment, a statement of every alienation, sale of transfer of stock made, the date thereof and by and to whom made. He shall perform such other duties as may be properly delegated to him. He must be a citizen and resident of the Philippines.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. – **Yes, the Company has a Corporate Secretary who has vast experience in legal, accountancy and company secretarial practices.**

(e) Committee Procedures

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

Yes

No

| Committee | Details of the procedures |
|------------------|--|
| Executive | Notice and Agenda are given at least three days before the meeting; The Committees have free access to the management and staff for any queries prior to the meeting |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

6) External Advice

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

| Procedures | Details |
|--|---------|
| The Directors have full access to Company's external counsel and external auditors for advice. | |

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.

7) Change/s in existing policies

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

| Existing Policies | Changes | Reason |
|---------------------------------|---------|--------|
| No changes in existing policies | | |

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 | Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment. | Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment. |
| (2) Variable remuneration | None | None |
| (3) Per diem allowance | Each director shall receive a reasonable per diem for his attendance at every meeting of the Board. Subject to the approval of the stockholders owning at least a majority of the outstanding capital stock, directors may also be granted such compensation (other than per diems) provided however, that the total yearly compensation of directors, as such directors, shall not exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year. | |
| (4) Bonus | None | None |
| (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 | Salary structure as approved by the management | Basic monthly pay plus other benefits mandated by law | Compensation package as agreed by management and the employee |
| Non-Executive Directors | There is no compensation given by the Company. The per diem allowance of P10,000 is given per meeting attended | | |

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

| Remuneration Scheme | Date of Stockholders' Approval |
|----------------------------|---------------------------------------|
| Not applicable | |
| | |
| | |

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 | P5,085,300.00 | - | - |
| (b) Variable Remuneration | - | - | - |
| (c) Per diem Allowance | P200,000.00 | P180,000.00 | P180,000.00 |
| (d) Bonuses | - | - | - |
| (e) Stock Options and/or other financial instruments | - | - | - |
| (f) Others (Specify) | - | - | - |
| Total | P5,285,300.00 | P180,000.00 | P180,000.00 |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|----------------------------|--|------------------------------|
| 1) Advances | - | - | - |
| 2) Credit granted | - | - | - |
| 3) Pension Plan/s Contributions | - | - | - |
| (d) Pension Plans, Obligations incurred | - | - | - |
| (e) Life Insurance Premium | - | - | - |

| | | | |
|--------------------------|--------------|---|---|
| (f) Hospitalization Plan | P600,000.00* | - | - |
| (g) Car Plan | - | - | - |
| (h) Others (Specify) | - | - | - |
| Total | P600,000.00 | | |

*The Company provides health insurance under Health Maintenance Organization (HMOs), which has a maximum annual limit of P300,000.00 per executive officer.

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

| Director's Name | Number of Direct Option/Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|-----------------|---|---|-----------------------------|----------------------------|
| None | | | | |

(b) Amendments of Incentive Programs

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

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| None | | |

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 |
|---|--------------------|
| Victor S. Limlingan – Managing Director | P4,830,175.16 |
| Aldric G. Borlaza – Senior Finance Officer | |
| Brian T. Lim- Finance Officer | |
| Ma. Luisa C. Austria – Admin/Accounting Officer | |

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|--------------|-------------------------|------------------------------|---------------------------|---|---|--|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | Not applicable | | | | | | |
| Audit | 2 | 0 | 2 | Ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting | Reviews the external auditor's audit plan; increases the credibility and objectivity of the Company's financial reports and public disclosure | Review and discuss with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management; | Oversee the adequacy of the Company's system of internal accounting controls and internal audit process and obtaining from the external auditor summaries and recommendations for improvement of such internal controls and processes |
| Nomination | 1 | 2 | 1 | Responsible for the review and screening of candidates for directorship | Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors | Review and consider the guidelines on determining the number of directorship | Review the roles and duties of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. |
| Remuneration | 0 | 2 | 1 | Establish a formal and transparent procedure for developing a policy on | Designate amount of remunerations in a sufficient level to attract and retain directors and | Establish a formal and transparent procedure for developing a policy on executive | Develop a form on Full Business Interest Disclosure as part of the pre- |

| | | | | | | | |
|------------------|------|--|--|---|----------|---|--|
| | | | | executive remuneration and for fixing the remuneration packages of corporate officers and directors | officers | remuneration and for fixing the remuneration packages of individual directors, if any, and officers | employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. |
| Others (specify) | None | | | | | | |

2) Committee Members

(a) Executive Committee – The Company has no Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|----------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | Not Applicable | | | | | |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| 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) | Honorio O. Reyes-Lao | March 21, 2013 | 4 | 4 | 100 | 1 yr. 5 mos* |
| Member (ED) | Isidro A. Consunji | March 21, 2013 | 4 | 4 | 100 | 1 yr. 5 mos* |
| | Herbert M. Consunji | March 21, 2013 | 4 | 4 | 100 | 1 yr. 5 mos* |
| Member (NED) | None | | - | - | - | |
| Member (ID) | Antonio Jose U. Periquet | March 21, 2013 | 4 | 4 | 100 | 1 yr. 5 mos* |

**From date of appointment*

Disclose the profile or qualifications of the Audit Committee members.

In the Company's Manual on Corporate Governance, the audit committee shall be composed of at least three (3) Members of the Board, at least two (2) of whom must be independent and one (1) of whom shall be its head or chairman. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment. The following are the detailed profile of the Audit Committee Members:

Honorio O. Reyes-Lao is the Director of Philippine Business Bank from 2010 up to present. He was the President and Director of Gold Venture Lease and Management Services, Inc, 2008-2009; Senior Business Consultant of the Antel Group of Companies, 2007-2009; Senior Management Consultant of East West Banking Corporation, 2005-2006. Prior to 2005, Mr. Reyes-Lao was the Senior Vice-President of China Banking Corporation in charge of the lending operation under the Account Management Group. He was a Director of the First Sovereign Asset Management Corporation, 2004-'06; Director and Treasurer of CBC Insurance Brokers, Inc, 1998- 2003 : Director of CBC Forex Corporation, 1997-2002; and CBC Properties and Computer Center, Inc, 1993-2006. His civic affiliations are the Makati Chamber of Commerce and Industries - past President; Rotary Club of Makati West – Treasurer; and a Fellow in the Institute of Corporate Directors, a professional organization which espouses good corporate governance in both private and public organizations.

Antonio Jose U. Periquet is currently the Chairman of Pacific Main Holdings; Director of the Lyceum of the Philippines University, The Straits Wine Company, Inc., Ayala Corporation, BPI Capital Corporation, Bank of the Philippine Islands, BPI Family Bank, Campden Hill Group, Regis Financial Advisers, Inc., ABS-CBN Corporation, Philippine Seven Corporation and Pancake House, Inc. He was previously chairman of Deutsche Regis Partners, Inc. and executive director of various financial institutions in London and Hong Kong. Mr. Periquet holds an MBA from the University of Virginia, a MSc in Development Economics from Oxford University and a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is a member of the Dean's Global Advisory Council, Darden School of Business, University of Virginia.

Isidro A. Consunji is a graduate of the University of the Philippines where he earned a degree in Bachelor of Science in Engineering. He took up master's degree in Business Economics from the Center for Research & Communication, and Business Management from the Asian Institute of Management. He took up Advanced Management Program at IESE School in Barcelona, Spain. He is a regular Director of the following: DMCI Project Developers, Inc., Semirara Mining Corporation, Dacon Corporation, DMCI-MPIC Water Company, Inc., Sem-Calaca Power Corp., Southwest Luzon Power Corp., Sem-Cal Industrial Park Developers Inc., Semirara Claystone Inc., Sem-Cal Res Corp., DMCI Power Corp., DMCI Mining Corp., Crown Equities, Inc. and Beta Electric Corporation. His other positions include: Chairman of the Board of Directors of DMCI Homes, Beta Electric Corporation; President of Dacon Corporation, and Sem-Calaca Power Corp.

Herbert M. Consunji is a Certified Public Accountant with a degree in Bachelor of Science in Commerce, Major in Accounting at the De La Salle University, Manila. He is a Director, Vice-President, Chief Finance Officer and Compliance Officer of the Corporation. He is also the Chairman of Subic Water and Sewerage Company, Inc. and Philippine Hydro, Inc., Vice-President and Treasurer of DMCI Mining Corporation, Treasurer of Sem-Calaca Res Corporation and Chief Operating Officer of Maynilad Water Services, Inc. He is a regular Director of Semirara Mining Corp., DMCI Mining Corp., DMCI Power Corp., Sem-Calaca Power Corp., Sem-Calaca Res Corp., Southwest Luzon Power Corp., Sem-Cal Industrial Park Developers, Inc., Philippine Hydro Inc. and Subic Water & Sewerage

Co.

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

- Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|--------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | Antonio Jose U. Periquet | March 21, 2013 | 2 | 2 | 100 | 1 yr. 5 mos* |
| Member (ED) | Ma. Edwina C. Laperal | March 21, 2013 | 2 | 2 | 100 | 1 yr. 5 mos* |
| Member (NED) | David M. Consunji | March 21, 2013 | 2 | 2 | 100 | 1 yr. 5 mos* |
| Member (ID) | Honorio O. Reyes-Lao | March 21, 2013 | 2 | 2 | 100 | 1 yr. 5 mos* |

**From date of appointment*

(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|--|----------------------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | Honorio O. Reyes-Lao | March 21, 2013 | 0 | 0 | | 1 yr. 7 mos* |
| Member (ED) | - | | | | | |
| Member (NED) | Cesar A. Buenaventura Jorge A. Consunji | March 21, 2013 March 21, 2013 | 0 | 0 | | 1 yr. 7 mos* |
| Member (ID) | None | | | | | |
| Member | None | | | | | |

**From date of appointment*

(e) Others (Specify)

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

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 | | | | | | |

3) Changes in Committee Members - **None**

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

| Name of Committee | Name | Reason |
|-------------------|------|--------|
| Executive | None | |
| 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 | Not applicable | |
| Audit | Report on and recommend to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public | Review and approve the audited financial statements |
| Nomination | identify and recommend candidates for election or appointment as directors, | Assess whether candidates have the qualities expected of all directors, including integrity, sound judgment, business acumen, and the time, ability, and commitment to make a constructive and meaningful contribution to the Board |

| | | |
|------------------|--|---|
| Remuneration | Review the compensation of directors and executives of the Company | Make recommendation to the Board for approval of compensation |
| Others (specify) | None | |

5) Committee Program

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

| Name of Committee | Planned Programs | Issues to be Addressed |
|-------------------|--|--|
| Executive | None | |
| Audit | Timely comply with reportorial requirements | To implement strict compliance among the subsidiaries to submit the financial reports ahead of time to give the Company ample time for consolidation |
| Nomination | Continued evaluation of the selection process and evaluation of candidates in accordance with the SEC Regulations and Company's Manual on Corporate Governance | |
| Remuneration | Regular review of the compensation package | |
| Others (specify) | None | |

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

A. Enterprise Risk Management (ERM)

The Company has conducted an Enterprise Risk Awareness Session initially to the Board of Directors followed by Risk Awareness workshops among executive managers of the subsidiaries. The Company has established an ERM Project Team that handles the ERM activities in line and in accordance with latest IAS adopted as PAS and other compliance requirements from SEC and PSE.

Going forward, the appointment of Risk Management Officer may become necessary, depending on the final ERM handbook or policy that the company may develop.

B. Financial Risks

On the other hand, the Company has policies on financial risks as stated in its Annual Report (SEC Form 17-A), which are as follows:

The main risks arising from the use of financial instruments are equity price risk, market price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market Price risk - movements in one-year historical coal prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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:

Not applicable yet

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| | | |
| | | |
| | | |
| | | |

(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:

Not applicable yet

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| | | |
| | | |
| | | |

| | | |
|--|--|--|
| | | |
| | | |

(c) Minority Shareholders

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

Not applicable yet

| Risk to Minority Shareholders |
|-------------------------------|
| |
| |
| |

3) Control System Set Up

Not applicable yet

(a) Company

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

Not applicable yet

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| | | |
| | | |
| | | |
| | | |
| | | |

(b) Group

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

Not applicable yet

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| | | |
| | | |
| | | |
| | | |
| | | |

(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 yet – The Board shall create a committee and assign a Risk Management Officer once the ERM Policy is developed.

| Committee/Unit | Control Mechanism | Details of its Functions |
|----------------|-------------------|--------------------------|
| | | |
| | | |

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;
The Company has in place an independent Internal Audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls remain effective and appropriate, and are complied with.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
The Company's Audit Committee performs oversight function to its internal audit.
- (c) Period covered by the review
January to December 2013
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
On quarterly basis and annual audit under the supervision of the Audit Committee.
- (e) Where no review was conducted during the year, an explanation why not. - **None**

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 |
|---|---|--|--|---|
| Under the supervision of the Audit Committee, the Internal Auditor should formulate the rules and | The Internal Auditor submits to the Audit Committee and Management an annual report on the internal audit | In-House | Cristina C. Gotianun | Reports to the Audit Committee as deemed necessary. |

| | | | | |
|---|--|--|--|--|
| procedures on financial reporting and internal control. | department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. | | | |
| | | | | |

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? The appointment of the Internal Auditor is being approved by the Board and the Audit Committee. The internal audit procedures are done on per business segments which each internal auditors report to the Parent Company.

(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?

Under the supervision of the Audit Committee, the Internal Auditor should formulate the rules and procedures on financial reporting and internal control. Yes, the internal auditor has direct and unfettered access to the board of directors and the audit committee.

(d) Resignation, Re-assignment and Reasons

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

| Name of Audit Staff | Reason |
|---------------------|--------|
| None | |
| | |
| | |

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

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

| | |
|-------------------------------|--|
| Progress Against Plans | The internal audit procedures are done on per business segments which each internal auditors report to the Parent Company. The internal auditors collaborate with the external auditor to consolidate the reports for presentation and approval by the Company’s Board of Directors. |
| Issues⁶ | |
| Findings⁷ | |
| Examination Trends | |

[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;

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.

- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

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

| Policies & Procedures | Implementation |
|--|---|
| The internal audit procedures are done on per business segments which each internal auditors report to the Parent Company. | The internal auditors collaborate with the external auditor to consolidate the reports for presentation and approval by the Company's Board of Directors. |

(g) Mechanism and Safeguards

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

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|--|---|------------------|-----------------|
| Engagement contract with external auditors noted by stockholders; In-house internal auditor | No dealings; No need for mechanisms since non-public matters are not disclosed. | | |

(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.

The following officers will attest and sign the Company's ACGR:

| | |
|---------------------------------|--|
| David M. Consunji | Chairman |
| Isidro A. Consunji | President/CEO |
| Herbert M. Consunji | Vice-President/CFO/Compliance Officer |
| Honorio O. Reyes-Lao | Independent Director |
| Antonio Jose U. Periquet | Independent Director |

H. ROLE OF STAKEHOLDERS

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

| | Policy | Activities |
|--|--------|------------|
| | | |

| | | |
|--|---|----------------|
| Customers' welfare | No customers to render goods and services | Not applicable |
| Supplier/contractor selection practice | Not applicable | |
| Environmentally friendly value-chain | Not applicable | |
| Community interaction | Implemented in the subsidiary level | |
| Anti-corruption programmes and procedures? | The Company conducts business in accordance with the law, the charter of the Company, and a high standard of commercial morality. | |
| Safeguarding creditors' rights | Liability to creditors in the parent level is being settled as become due | |

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

Yes, it features the CSR projects and programs of its subsidiaries as a major section in the Company's annual report

3) Performance-enhancing mechanisms for employee participation.

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

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

The policies on health, safety and welfare of employees are on per subsidiary basis. The parent company and its subsidiaries provide health and life insurance benefits to its employees. Our subsidiaries have been ISO certified on their respective areas of concerns specifically on health and safety.

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

No formal policy of training of employees. If necessary, funds shall be allocated by the Treasurer or its equivalent officer for the purpose of conducting an orientation program or workshop.

Below are trainings/seminars attended by key officers and employees:

| Date | Seminars Attended |
|--------------------|---|
| October 18, 2013 | Risk Driver Analysis Session |
| September 10, 2013 | MAP CEO Conference |
| August 29, 2013 | Presentation to Audit Committee |
| April 17, 2013 | Unlocking the Power of Financial Modelling |
| August 23, 2012 | Enterprise Risk Awareness Session by SGV & Co. |
| March 02, 2012 | Economic Briefing by Victor Abola |
| December 15, 2010 | Private-Public Partnership Briefing by Alberto Agra |
| July 30, 2010 | Economic Briefing by Prof. Victor Abola |
| June 28, 2010 | Cross Cultural Seminar by Prof. Yih-teen Lee |
| January 12, 2010 | Leadership Seminar by Dr. Pablo Cardona |
| August 11, 2009 | Introduction to Economics by Federico Macaranas |
| August 15, 2009 | The Language of Business by Felixberto Bustos |
| August 21, 2009 | The Chinese Financial System by Dr. Victor S. Limlingan |

The Company has also in-house training through DM Consunji Technical Training Center. It provides quality training exclusive to the DMC Group of Companies such as Leadership, Supervisory Development, Problem Solving and Decision Making and Foremanship Training

among others.

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

The Company has a Multi-Employer Retirement Trust Fund which provides retirement, death, disability and severance benefits to all eligible employees of the Company and its subsidiaries.

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

The procedures are based on subsidiary level. Such cases on illegal and misbehavior are being handled by their respective Human Resources and Legal counsel teams.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|--------------------------------|----------------------|-----------------|----------------------------------|
| Dacon Corporation | 1,215,393,901 | 45.7690% | (See attached Schedule 1) |
| PCD Nominee Corp. (Fil) | 465,397,483 | 17.5250% | |
| DFC Holdings, Inc. | 461,999,838 | 17.3980% | |
| PCD Nominee Corp. (For) | 443,210,923 | 16.6900% | |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| NONE | | | |
| | | | |
| | | | |
| TOTAL | | | |

2) Does the Annual Report disclose the following:

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

| | |
|--|--|
| Attendance details of each director/commissioner in respect of meetings held | Yes |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Total remuneration is disclosed |

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

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|-----------------|------------------|---------------|
| SGV & Co. | Php 2,975,280.00 | None |

4) Medium of Communication

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

- a. **Print – Annual Reports, disclosures, information statements**
- b. **Digital - website**

5) Date of release of audited financial report: **April 25, 2014**

6) Company Website

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

| | |
|--|------------|
| Business operations | Yes |
| Financial statements/reports (current and prior years) | Yes |
| Materials provided in briefings to analysts and media | 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

For the Parent Company level - NONE

| RPT | Relationship | Nature | Value |
|-----|--------------|--------|-------|
| | | | |

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 Group 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 parent company, joint ventures, subsidiaries, 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.

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 | At least a majority of the outstanding capital stock, except in cases where a higher quorum requirement is required by the Corporation Code, in which case, two-thirds (2/3) of the outstanding shares shall be required. |
|------------------------|---|

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|--------------------|---|
| System Used | Voting system (voting is usually done by the show of hands, and if required, through secret ballot). |
| Description | As provided in the Voting Procedures indicated in the Definitive Information Statement, the following are voting matters and procedures : a. Summary of Matters to be presented to Stockholders - b. Voting Procedures <i>(Approval/ratification of the minutes of the annual stockholders’ meeting; Ratification of the acts of the Board of Directors and Officers; Appointment of Independent External Auditors; Election of Directors)</i> |
| | |

(c) Stockholders’ Rights

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

| Stockholders’ Rights under The Corporation Code | Stockholders’ Rights <u>not</u> in The Corporation Code |
|---|--|
| In accordance with By-Laws and Manual on Corporate Governance | None |
| | |
| | |

Dividends

| Declaration Date | Record Date | Payment Date |
|--------------------------|--------------------------|--------------------------|
| April 11, 2013 | April 26, 2013 | May 10, 2013 |
| November 14, 2013 | November 29, 2013 | December 13, 2013 |

(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 |
|---|-------------------------|
| A Question & Answer session is being entertained after the Management Report is presented during the Annual Meeting | Part of the Agenda |

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

All of the above are subject to stockholders approval.

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? – **In accordance with the SRC Rules, at least fifteen (15) business days the information statements should be distributed to the stockholders. Last year, the Company sent before the Annual Meeting the Notice of Meeting and Information Statements eighteen (18) business days before the stockholders' meeting date of July 31, 2013.**

- a. Date of sending out notices: **July 1, 2013**

- b. Date of the Annual/Special Stockholders' Meeting: **July 31, 2013**

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

In the last ASM, the Vice-Chairman of the Board opened the floor for any questions that the stockholders may have in relation to the President's Report. Several stockholders congratulated Mr. Consunji on the impressive performance of the Company for 2011. Thereafter, there being no other questions from the floor, upon motion made and duly seconded, the President's report was approved by the majority of the outstanding capital stock.

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

| Resolution | Approving | Dissenting | Abstaining |
|-------------------|-----------|------------|------------|
| Management Report | 82.68% | 0.02% | 0.26% |

| | | | |
|---|--------|-------|--------|
| Minutes of the previous meetings | 83.37% | None | None |
| Ratification of the acts of the Board of Directors and Officers | 83.35% | 0.01% | 0.001% |
| Appointment of Independent External Auditors | 83.35% | 0.02% | None |
| Election of Directors | 83.18% | 0.02% | 0.17% |
| Other Matters | 74.88% | 7.69% | 0.79% |

Total number of shares present in person/represented by proxies: 2,169,491,796 shares
Percentage of the total outstanding shares present in person/represented by proxies: 81.70%
Total number of issued and outstanding capital stock: 2,655,494,000 shares

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
July 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: **NONE**

| Modifications | Reason for Modification |
|---------------|-------------------------|
| NONE | |

(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 | David M. Consunji Cesar A. Buenaventura Isidro A. Consunji Jorge A. Consunji Victor A. Consunji Herbert M. Consunji Ma. Edwina C. Laperal Honorio O. Reyes-Lao Antonio Jose U. Periquet Cristina C. Gotianun Atty. Noel A. Laman Atty. Pilar P. Gutierrez Victor S. Limlingan Aldric G. Borlaza Ma. Luisa C. Austria | July 31, 2013 | As provided in the Voting Procedures indicated in the Definitive Information using Proxy Forms | 203,610 (0.007%) | 2,169,288,186 (81.69%) | 2,169,288,186 81.70% |
| Special | No Special Stockholders' meeting held in 2012 | Not applicable | | | | |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? – **Yes, the Board of Directors appointed our External Legal Counsel and Transfer Agent to be Committee of Inspectors to validate votes during Annual Stockholders Meeting**

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

(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 | In accordance with the Definitive Information Statement which deadlines are provided |
| Notary | Not required |
| Submission of Proxy | In accordance with the by-laws and the Definitive Information Statement provides for specific deadlines |
| Several Proxies | - |
| Validity of Proxy | Valid only for the Stockholders’ meeting for which it was intended unless otherwise provided but in no case valid for more than five (5) years. |
| Proxies executed abroad | Same requirements with locally executed |
| Invalidated Proxy | Not counted but copies are kept |
| Validation of Proxy | Date of validation provided in the DIS |
| Violation of Proxy | To be dealt 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 |
|------------------------------------|-----------|
| In accordance with the 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 | The total number of stockholders as of Record Date who are entitled to notice of and vote for the ASM |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | July 1, 2013 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | July 1, 2013 |

| | |
|---|--|
| State whether CD format or hard copies were distributed | Hard copies were distributed |
| If yes, indicate whether requesting stockholders were provided hard copies | Stockholders were provided hard copies and downloadable file available in the Company website. |

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

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

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

2) Treatment of Minority Stockholders

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

In accordance with the Company's Manual on Corporate Governance

| Policies | Implementation |
|---|--|
| Right to vote on all matters that require their consent or approval | One-share, one-vote |
| Pre-emptive right to all stock issuances of the corporation | Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. |
| Right to inspect corporate books and records | In accordance with the Manual of Corporate Governance and By-Laws |
| Right to information | All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership. |
| Right to dividends | The company has been consistently declaring annual dividends in favor of its common shareholders. |

| | |
|-----------------|---|
| Appraisal right | 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. |
|-----------------|---|

(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.
External and internal policies are all in accordance with the Company’s By-Laws, Manual on Corp. Governance and Code of Business Conduct and Ethics. The Compliance Officer is responsible for reviewing company disclosures, get approval from the President or Chairman for release of such disclosure to the public as the need arises.

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 | 1. Communicate to the key stakeholders the Company’s performance for the year and its significant undertakings. 2. Communicate the Company’s financial strategy and broader strategic direction. 3. Increase investors’ interest to the Company and create a positive market response |
| (2) Principles | To provide accurate and essential information to stockholders in a regular and consistent manner. To profile and increase attraction of the Company as an investment target. |
| (3) Modes of Communications | Via teleconference call, one-on-one and small group meetings. Tel: (632) 888 3000 local 1023 Fax: (632) 816 7362 Email: investor_inquiries@dmcinet.com |
| (4) Investors Relations Officer | Dr. Victor S. Limlingan, Managing Director Tara Ann C. Reyes, Investor Relations Officer |

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

The Company follows legal and regulatory requirements

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.

| Initiative | Beneficiary |
|---|--|
| The Corporate Social Responsibility (CSR) activities are being undertaken by the Company's subsidiaries in the community where its business operates | |
| Semirara Mining Corp. – Five Es (Employment, Electricity, Education, Environment, Economic Empowerment) | Residents of Semirara Island, Caluya, Antique |
| DMCI Homes – Kaakbay sa Edukasyon, Kalikasan, Kalusugan, at Pamayanan | Clients, unit owners and the neighborhood communities/barangays where the residential developments are situated. |
| Sem-Calaca Power Corp. – CSR programs for Education, Health, Environmental Protection, and Infrastructure Support, | Dependents of power plant employees, residents and barangays of Balayan and Calaca towns in Batangas |

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 | In the process of adopting a formal policy in accordance with the best practices | |
| Board Committees | | |
| Individual Directors | | |
| CEO/President | | |

N. INTERNAL BREACHES AND SANCTIONS

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

To strictly observe and implement the provisions of the Company's Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual.

| Violations | Sanctions |
|-------------------------------------|--|
| In case of first violation | The subject person shall be reprimanded. |
| in case of second violation. | Suspension from office shall be imposed |
| For third violation | Maximum penalty of removal from office shall be imposed. The commission of a third violation of this Manual by any member of the Board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship. |

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval of the Board.

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

SIGNATURES

David M. Consunji
Chairman of the Board

Isidro A. Consunji
Chief Executive Officer

Honorio O. Reyes-Lao
Independent Director

Antonio Jose U. Periquet
Independent Director

Herbert M. Consunji
Compliance Officer

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

| NAME | RESIDENCE CERTIFICATE NO. | DATE/PLACE OF ISSUE |
|--------------------------|----------------------------------|--------------------------------|
| David M. Consunji | 22021383 | Makati City / January 15, 2013 |
| Isidro A. Consunji | 10659096 | Makati City / January 16, 2013 |
| Honorio O. Reyes-Lao | 03230492 | Quezon City / March 19, 2013 |
| Antonio Jose U. Periquet | 10655185 | Makati City / January 15, 2013 |
| Herbert M. Consunji | 22026890 | Makati City / January 14, 2013 |

NOTARY PUBLIC

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 Page No. _____
 Book No. _____
 Series of _____