

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **ended December 31, 2013**
2. Exact Name of Registrant as Specified in its Charter **THE PHILODRILL CORPORATION**
3. **QUAD ALPHA CENTRUM,**  
**125 PIONEER STREET, MANDALUYONG CITY**  
Address of Principal Office **1550**  
Postal Code
4. SEC Identification Number **38683**      5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-315-612**
7. **(632) 631.8151 TO 52; (632) 631.1801 TO 05**  
Issuer's Telephone number, including area code
8. **N.A.**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

|   |          |
|---|----------|
| Number of Directors per Articles of Incorporation | 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) <sup>1</sup> | Elected when (Annual/Special Meeting) | No. of years served as director |
|------------------------------------|---|---|---|--------------------|--|---------------------------------------|---------------------------------|
| Alfredo C. Ramos                   | ED  | National Book Store, Inc. /Alakor Corporation | Christopher M. Gotanco  | 12/2/1992          | 06/19/2013   | Annual Meeting                        | 21                              |
| Presentacion S. Ramos              | NED   | National Book Store, Inc.                     | Alfredo C. Ramos  | 05/28/1997         | 06/19/2013   | Annual Meeting                        | 16                              |
| Augusto B. Sunico                  | NED   | Alakor Corporation                            | Alfredo C. Ramos  | 05/18/1984         | 06/19/2013   | Annual Meeting                        | 29                              |
| Francisco A. Navarro               | ED  | Alakor Corporation                            | Alfredo C. Ramos  | 03/22/2006         | 06/19/2013   | Annual Meeting                        | 7                               |
| Christopher M. Gotanco             | NED   | Alakor Corporation                            | Alfredo C. Ramos  | 08/17/2005         | 06/19/2013   | Annual Meeting                        | 8                               |
| Adrian S. Ramos                    | NED   | National Book Store, Inc.                     | Alfredo C. Ramos  | 01/18/2006         | 06/19/2013   | Annual Meeting                        | 7                               |
| Maureen Alexandra S. Ramos-Padilla | NED   | National Book Store, Inc.                     | Alfredo C. Ramos  | 06/19/2013         | 06/19/2013   | Annual Meeting                        | 0                               |
| Nicasio I. Alcantara               | ID  | N.A.  | Noel Del Castillo (No relationship with ID)                                       | 02/26/2003         | 06/19/2013 (1 yr.)   | Annual Meeting                        | 10                              |
| Honorio A. Poblador III            | ID  | N.A.  | Illuminada P. Rodriguez (No relationship with ID)                                 | 02/26/2003         | 06/19/2013 (1 yr.)   | Annual Meeting                        | 10                              |

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

The Company has only one class of shares entitled to one vote each and each shareholder is treated equally with respect to the exercise of his rights in relation to other shareholders.

The rights of minority stockholders and stakeholders are accorded respect through their: (i) right to vote on all matters that require their consent or approval; (ii) right to inspect corporate books and records; (iii) right to information; (iv) right to dividends; and (v) appraisal right.

The Company's stockholders are also furnished with periodic reports regarding the personal and professional profile of its directors and officers, as well as access to all information relating to matters for which management is accountable for on the operations of the Company.

It is the duty of the Board to promote shareholders' rights, remove impediments to the exercise of stockholders' rights, and provide an adequate avenue for them to seek timely redress for breach of their

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

rights. The Board encourages the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board takes the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. The Board also 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 Company.

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

During each December Board meeting, the Board reviews the corporate vision and mission as it also conducts its evaluation of past year's performance and discusses / formulates business strategies for the succeeding years.

**(d) Directorship in Other Companies**

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

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

| Director's Name        | Corporate Name of the Group Company       | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|------------------------|---|--|
| Alfredo C. Ramos       | Phoenix Gas and Oil Exploration Co., Inc. | Executive Director (Chairman)  |
| Presentacion S. Ramos  | Phoenix Gas and Oil Exploration Co., Inc. | Non-Executive Director   |
| Augusto B. Sunico      | Penta Capital Investment Corporation      | Non-Executive Director   |
| Francisco A. Navarro   | Phoenix Gas and Oil Exploration Co., Inc. | Executive Director   |
| Christopher M. Gotanco | Penta Capital Investment Corporation      | Executive Director   |
|                        | Phoenix Gas and Oil Exploration Co., Inc. | Non-Executive Director   |
| Adrian S. Ramos        | Phoenix Gas and Oil Exploration Co., Inc. | Non-Executive Director   |

**(ii) Directorship in Other Listed Companies**

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

| Director's Name                    | Name of Listed Company                   | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|------------------------------------|--|--|
| Alfredo C. Ramos                   | Atlas Consolidated Mining & Dev't. Corp. | Executive Director (Chairman)  |
|                                    | Shang Properties, Inc.                   | Non-Executive Director   |
|                                    | United Paragon Mining Corporation        | Executive Director (Chairman)  |
|                                    | Vulcan Industrial & Mining Corporation   | Executive Director (Chairman)  |
| Presentacion S. Ramos              | Vulcan Industrial & Mining Corporation   | Non-Executive Director   |
| Augusto B. Sunico                  | United Paragon Mining Corporation        | Non-Executive Director   |
| Francisco A. Navarro               | Vulcan Industrial & Mining Corporation   | Non-Executive Director   |
| Christopher M. Gotanco             | Boulevard Holdings, Inc.                 | Non-Executive Director   |
|                                    | United Paragon Mining Corporation        | Non-Executive Director   |
|                                    | Vulcan Industrial & Mining Corporation   | Executive Director   |
| Adrian S. Ramos                    | Atlas Consolidated Mining & Dev't. Corp. | Executive Director   |
|                                    | United Paragon Mining Corporation        | Executive Director   |
|                                    | Vulcan Industrial & Mining Corp.         | Executive Director   |
| Maureen Alexandra S. Ramos-Padilla | Shang Properties, Inc.                   | Non-Executive-Director   |
| Nicasio I. Alcantara               | Seafront Resources Corp.                 | Non-Executive Director   |

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

**(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                       |
|------------------------------------|---|---|
| Alfredo C. Ramos                   | National Book Store, Inc.                 | Director (Chairman and President)                     |
|                                    | Alakor Corporation                        | Director (Chairman and President)                     |
|                                    | Anglo Philippine Holdings Corporation     | Director (Chairman)                                   |
|                                    | Phoenix Gas and Oil Exploration Co., Inc. | Director (Chairman and President)                     |
| Presentacion S. Ramos              | National Book Store, Inc.                 | Director (Vice President)                             |
|                                    | Alakor Corporation                        | Director (Vice President / Treasurer)                 |
|                                    | Anglo Philippine Holdings Corporation     | Director  |
|                                    | Phoenix Gas and Oil Exploration Co., Inc. | Director  |
| Augusto B. Sunico                  | Anglo Philippine Holdings Corporation     | Director (Treasurer)                                  |
|                                    | Penta Capital Investment Corporation      | Director  |
| Francisco A. Navarro               | Anglo Philippine Holdings Corporation     | Director  |
|                                    | Phoenix Gas and Oil Exploration Co., Inc. | Director (Executive Vice President)                   |
| Adrian S. Ramos                    | Alakor Corporation                        | Director (Vice President)                             |
|                                    | National Book Store, Inc.                 | Director (Vice President / Treasurer)                 |
|                                    | Anglo Philippine Holdings Corporation     | Director  |
|                                    | Phoenix Gas and Oil Exploration Co., Inc. | Director  |
| Christopher M. Gotanco             | Anglo Philippine Holdings Corporation     | Director (President)                                  |
|                                    | Phoenix Gas and Oil Exploration Co., Inc. | Director  |
|                                    | Penta Capital Investment Corporation      | Director (Vice Chairman)                              |
| Maureen Alexandra S. Ramos-Padilla | National Book Store, Inc.                 | Director (Vice President / Chief Merchandise Officer) |
|                                    | Alakor Corporation                        | Director (Corporate Secretary)                        |
|                                    | Anglo Philippine Holdings Corporation     | Director  |

**(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:**

No limit has been formally set by the Board although, as a matter of practice, directors do observe the limit of five board seats in other publicly listed companies.

The Board may consider the adoption of guidelines on the number of board seats that its directors can hold in other companies (publicly listed, ordinary and companies with secondary license). The CEO and other executive directors may be covered by a lower indicative limit for membership in other boards. In all cases, the optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

|                               | Guidelines                        | Maximum Number of Directorships in other companies |
|-------------------------------|-----------------------------------|--|
| <b>Executive Director</b>     | Please refer to discussions above | None   |
| <b>Non-Executive Director</b> | Please refer to discussions above | None   |
| <b>CEO</b>                    | Please refer to discussions above | None   |

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company (as of December 31, 2013):

| Name of Director                    | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|-------------------------------------|-------------------------|--|--------------------|
| Alfredo C. Ramos                    | 5,011,025               | 10,698,210   | 0.008%             |
| Presentacion S. Ramos               | 125,000                 | 77,000,000   | 0.04%              |
| Augusto B. Sunico                   | 4,917                   | 447,185  | < 0.000%           |
| Francisco A. Navarro                | 100,000                 | 46,000,000   | 0.02%              |
| Christopher M. Gotanco              | 4,860,025               | 115,463,375  | 0.06%              |
| Adrian S. Ramos                     | 1,250,000               | 33,323,125   | 0.02%              |
| Maureen Alexandra S. Ramos- Padilla | 10,000                  | 80,000   | < 0.000%           |
| Nicasio I. Alcantara                | 363,200,000             | 0  | 0.19%              |
| Honorio A. Poblador III             | 29,900,000              | 0  | 0.02%              |

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

Determinations/resolutions of the Board are made by a collegial body wherein the Chairman/CEO has only one vote.

In addition, the Board has constituted a Nomination, Audit and Compensation Committees headed by independent directors, and a Management Committee composed of top management, which help identify and suggest strategic plans and proposals to the Board of Directors.

Identify the Chair and CEO:

|                       |                  |
|-----------------------|------------------|
| Chairman of the Board | Alfredo C. Ramos |
| CEO/President         | Alfredo C. Ramos |

(b) Roles, Accountabilities and Deliverables

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

|                  | Chairman  | Chief Executive Officer   |
|------------------|---|---|
| Role             | <ul style="list-style-type: none"> <li>Ensures that the meetings of the Board are held in accordance with the By-Laws</li> <li>Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Directors and Management.</li> <li>Maintains qualitative and timely lines of communication and information between the Board and Management.</li> </ul> | <ul style="list-style-type: none"> <li>Manages and supervises the business affairs and property of the Company</li> <li>Enter into contracts and arrangements for and in behalf of the Company and employ, appoint and remove officers, agents and employees of the Company</li> <li>See to it that all orders and resolutions of the Board are carried into effect.</li> </ul> |
| Accountabilities | As head of the Board, the Chairman is accountable to the same by ensuring that all Board meetings are properly held and all relevant information are timely distributed to its members to enable them to make a sound judgment on all matters brought to their attention for consideration  | The CEO shall be accountable to the stockholders and to the Board inasmuch as he is given general supervision and control over the Company's operations. As such, he shall oversee and implement the strategic management and operational   |

|              |   |   |
|--------------|---|---|
|              | or approval.  | policies of the Company and make reports to the Board and the stockholders.   |
| Deliverables | The Chairman shall submit a complete report of the operations of the Company for the preceding year and state of its affairs (Annual Report to the Stockholders). | The CEO shall prepare and submit a Management Report in the Company's financial statements, presenting the status and update on the Company's operations. |

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

Officers and employees undergo professional development programs. Succession plan for Senior Management is determined by the Board as need arises.

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

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

Yes. The membership of the Board is a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process and, at the same time, ensure that they have a broad spectrum of business experiences and background for an efficient performance of their duties.

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

Yes. All members of the Board are required to have at least a practical understanding of the business of the Company, in addition to the other qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws. As a matter of practice, majority of the members of the Board are required to have a working familiarity of the petroleum industry.

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

|                  | Executive  | Non-Executive  | Independent Director  |
|------------------|--|--|---|
| Role             | <ul style="list-style-type: none"> <li>Manage and supervise the day-to-day operations of the Company, including management of its various committees, officers and employees.</li> <li>Formulate strategic business plans in collaboration with the Board.</li> <li>Implement the business plans and directions offered, suggested and approved by the Board on how to improve the Company.</li> </ul> | <ul style="list-style-type: none"> <li>Assist the executive directors in directing the business affairs of the Company and in controlling its property by rendering reasonable judgment and creative criticism that would enable the Board to formulate sound corporate plans geared towards the Company's overall performance.</li> <li>Assist in ensuring that the Board works towards the best interests of the Company.</li> </ul> | <ul style="list-style-type: none"> <li>Coordinate and assist with the executive and non-executive directors of the Company in implementing strategic policies and supervision of the business operations of the Company by maintaining objectivity and impartiality in addressing corporate issues and concerns.</li> <li>Allow for the possibility of introducing new and innovative ideas for the Company.</li> <li>Assist the Board in achieving a consensus on important issues.</li> </ul> |
| Accountabilities | Executive directors are accountable to the stockholders of the Company as they are tasked to implement corporate business plans, decisions and policies, and are involved in the day-to-day activities of the  | Non-executive directors are accountable to the stockholders by overseeing its activities and ensuring that sound business decisions are made and that the Board is performing its role in accordance with the Company's  | Independent directors are accountable to the stockholders by making sure that the formulation of effective business plans involves independent judgment and diversity of views and  |

|              | Company.  | business plans and strategies.  | perspectives.  |
|--------------|---|---|--|
| Deliverables | In the performance of their primary functions, executive directors submit reports to the Board on a regular basis - quarterly, semiannually, or annually, including sound proposals and recommendations for consideration of the Board. | Non-executive directors are expected to render an effective scrutiny of the performance of management and the Board in meeting the agreed goals and objectives. | Independent directors are expected to render a thorough consideration of the issues, an informed debate and deliberation of ideas during the Board meetings. |

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

"Independence" vis-à-vis Independent Directors is defined by the Company as one who:

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

The Company strictly adheres to the above definition of "independence" for the selection, nomination, and appointment of its Independent Directors.

**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.**

Yes. In accordance with SEC Memorandum Circular No. 09-2011, which took effect on 02 January 2012, Independent Directors can serve for a period of five (5) consecutive years, and thereafter must undergo a cooling off period of two (2) years before he may be eligible for re-election as an Independent Director. An Independent Director who has been re-elected after the cooling-off period can serve for another four (4) additional years (maximum of nine (9) years as Independent Director).

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

**(a) Resignation/Death/Removal**

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

| Name | Position | Date of Cessation | Reason |
|------|----------|-------------------|--------|
| N.A. | N.A.     | N.A.              | N.A.   |

There were no changes in the composition of the Board of Directors during the period.

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

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

| Procedure                       | Process Adopted  | Criteria   |
|---------------------------------|--|--|
| <b>a. Selection/Appointment</b> |  |  |
| (i) Executive Directors         | <p>A. Regular process:</p> <ol style="list-style-type: none"> <li>All nominees to the Board are submitted by the stockholders to the Nomination Committee for validation.</li> <li>The Nomination Committee prepares a list of nominees to the incumbent board for notation.</li> <li>The Board then submits to the stockholders a final list of nominees at the Annual Stockholders' Meeting during which all the directors are elected by the stockholders.</li> </ol> <p>B. In case of vacancy, where the remaining members of the Board still constitute a quorum, the Board elects a replacement director to serve the unexpired portion of the term of the predecessor only.</p> | <p>The following are the qualifications for membership in the Board, in addition to those provided in the Corporation Code, Securities Regulation Code and other relevant laws:</p> <ul style="list-style-type: none"> <li>(i) Holder of at least one (1) share of stock of the Company;</li> <li>(ii) College education or equivalent academic degree;</li> <li>(iii) He shall be at least twenty one (21) years old;</li> <li>(iv) Practical understanding of the business of the Company;</li> <li>(v) Membership in good standing in relevant industry, business or professional organizations;</li> <li>(vi) Previous business experience;</li> <li>(vii) He shall have proven to possess integrity and probity; and</li> <li>(viii) He shall be assiduous</li> </ul> |
| (ii) Non-Executive Directors    | Same as above  | Same as above  |
| (iii) Independent Directors     | Same as above  | <p>The Company shall have two (2) independent directors or at least 20% of its Board size, at any one time, whichever is lesser, with the following qualifications and disqualifications:</p> <ul style="list-style-type: none"> <li>(i) Apart from his fees and shareholdings, he is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company;</li> <li>(ii) He shall own in his name at least one (1) share of stock of the Company;</li> </ul>   |

|  |  |   |
|--|--|---|
|  |  | <p>(iii) He shall be at least twenty one (21) years old;</p> <p>(iv) He shall be at least a college graduate or has been engaged or exposed to the business of the Company for at least five (5) years;</p> <p>(v) He shall possess integrity and probity;</p> <p>(vi) He shall be assiduous;</p> <p>(vii) He is not a director of the Company or any of its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing);</p> <p>(viii) He does not own more than two percent (2%) of the shares of the Company / its related companies / its substantial shareholders;</p> <p>(ix) He is not related to any director, officer or substantial shareholder of the Company, any of its substantial shareholders;</p> <p>(x) He is not related to any director, officer or substantial shareholder of the Company or any of its related companies or its substantial shareholders;</p> <p>(xi) He is not acting as a nominee or representative of a director or substantial shareholder of the Company / its related companies/ its substantial shareholders;</p> <p>(xii) He is not employed in any executive capacity by the Company/its related companies/its substantial shareholders within the last two (2) years;</p> <p>(xiii) He is not retained as professional adviser by the Company/its related companies/its substantial shareholders within the last two (2) years;</p> <p>(xiv) He has not engaged and does not engage in any transaction with the Company/its related companies/its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial;</p> <p>(xv) He has not been convicted by final judgment by a competent judicial or administrative body of (a) a crime involving the purchase or sale of securities, (b) crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment</p> |
|--|--|---|

|  |  |   |
|--|--|---|
|  |  | <p>adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (c) crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>(xvi) He has not been enjoined by the SEC or any court or other administrative body of competent jurisdiction from (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities and banking activities;</p> <p>(xvii) He has not been finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent acts or transgressions;</p> <p>(xviii) He has not been found by the SEC or a court or other administrative body to have willfully violated, aided, abetted, counseled, induced or procured the violation of any provision of the SRC, Corporation code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC;</p> <p>(xix) He has not been judicially declared to be insolvent;</p> <p>(xx) He has not been finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct;</p> <p>(xxi) He is not an affiliated person who is ineligible to serve or act in the capacities listed in paragraphs xv to xix to serve or act in the capacities listed in those paragraphs;</p> <p>(xxii) He has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a</p> |
|--|--|---|

|                                      |   |   |
|--------------------------------------|---|---|
|                                      |   | violation of the SRC, committed within five (5) years prior to the date of his election or appointment.   |
| <b>b. Re-appointment</b>             |   |   |
| (i) Executive Directors              | Same as A(5)(b)(a)(i) above   | Same as A(5)(b)(a)(i) above   |
| (ii) Non-Executive Directors         | Same as A(5)(b)(a)(ii) above  | Same as A(5)(b)(a)(ii) above  |
| (iii) Independent Directors          | Same as A(5)(b)(a)(iii) above   | Same as A(5)(b)(a)(iii) above   |
| <b>c. Permanent Disqualification</b> |   |   |
| (i) Executive Directors              | <p>Upon confirmation of a ground for permanent disqualification, the Board convenes and, if still constituting a quorum, elects a replacement director to serve the unexpired portion of the term of the disqualified director.</p> <p>In the event that the remaining members of the Board no longer constitute a quorum, the permanent disqualification of directors shall follow the Corporation Code such that any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock either at a regular Stockholders' Meeting or at a special meeting called for the purpose.</p> | <p>Grounds for Permanent Disqualification of a Director:</p> <ul style="list-style-type: none"> <li>Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</li> <li>Any person who, by reason of misconduct, after hearing is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above; or, (d) willfully violating the laws that govern securities and banking activities.</li> <li>Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.</li> <li>Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body</li> </ul> |

|                                      |  |  |
|--------------------------------------|--|--|
|                                      |  | <p>to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or BSP, or any of their rules, regulations or orders.</p> <ul style="list-style-type: none"> <li>• Any person judicially declared as insolvent.</li> <li>• Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violation or misconduct enumerated above.</li> <li>• Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment as director.</li> </ul>        |
| (ii) Non-Executive Directors         | Same as above  | Same as above  |
| (iii) Independent Directors          | Same as above  | <p>In addition to the criteria for Permanent Disqualification of Executive and Non-Executive Directors:</p> <ul style="list-style-type: none"> <li>• Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company.</li> </ul>  |
| <b>d. Temporary Disqualification</b> |  |  |
| (i) Executive Directors              | <p>Upon confirmation of a ground for temporary disqualification, the Board shall, if still constituting a quorum, declare vacant the seat of the director concerned for a period not exceeding sixty (60) days, during which time the director concerned shall take appropriate actions to remedy, correct or resolve the disqualification.</p> <p>Upon confirmation that the ground for temporary disqualification has been removed, the Board shall reinstate the director concerned to his former seat upon a majority vote.</p> <p>Upon the lapse of sixty (60) days and confirmation that the ground for temporary disqualification remains, the Board shall declare the disqualification permanent and the procedure for permanent disqualification of directors shall follow.</p> <p>In the event that the remaining members of the Board no longer constitute a quorum, the temporary disqualification of directors shall follow the same procedures for permanent disqualification of</p> | <p>Grounds for Temporary Disqualification of a Director:</p> <ul style="list-style-type: none"> <li>• Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.</li> <li>• Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. The disqualification shall apply for purposes of the succeeding election.</li> <li>• Dismissal or termination for cause as director of any corporation covered by the Code. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or terminations.</li> </ul> |

|                              |  |  |
|------------------------------|--|--|
|                              | directors where the remaining members of the Board no longer constitute a quorum.  | <ul style="list-style-type: none"> <li>• Being under preventive suspension by the Company.</li> <li>• If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.</li> </ul>  |
| (ii) Non-Executive Directors | Same as above  | Same as above.   |
| (iii) Independent Directors  | Same as above  | <p>In addition to the grounds for Temporary Disqualification of Executive and Non-Executive Directors:</p> <ul style="list-style-type: none"> <li>• If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</li> </ul> |
| <b>e. Removal</b>            |  |  |
| (i) Executive Directors      | <p>If still constituting a quorum, the Board follows the procedures for permanent or temporary disqualification depending on the ground for disqualification.</p> <p>In the event that the remaining members of the Board no longer constitute a quorum, the removal of directors shall follow the Corporation Code such that any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock either at a regular Stockholders' Meeting or at a special meeting called for the purpose.</p> | Same grounds for Permanent and Temporary Disqualification  |
| (ii) Non-Executive Directors | Same as above.   | Same as above.   |
| (iii) Independent Directors  | Same as above.   | Same as above.   |
| <b>f. Re-instatement</b>     |  |  |
| (i) Executive Directors      | If the director is able to remedy the disqualification, he will be reinstated upon majority vote of the Board, if still constituting a quorum.   | If the director is able to remedy the disqualification, he will be reinstated, subject to approval by the Board.   |
| (ii) Non-Executive Directors | Same as above  | Same as above  |
| (iii) Independent Directors  | Same as above  | Same as above  |
| <b>g. Suspension</b>         |  |  |
| (i) Executive Directors      | Same as A(5)(b)(d)(i) above  | Same as A(5)(b)(d)(i) above  |
| (ii) Non-Executive Directors | Same as A(5)(b)(d)(ii) above   | Same as A(5)(b)(d)(ii) above   |
| (iii) Independent Directors  | Same as A(5)(b)(d)(iii) above  | Same as A(5)(b)(d)(iii) above  |

**Voting Result of the last Annual General Meeting held on June 19, 2013:**

| Name of Director                   | Votes Received  |
|------------------------------------|-----------------|
| Alfredo C. Ramos                   | 110,023,459,102 |
| Presentacion S. Ramos              | 110,023,459,102 |
| Augusto B. Sunico                  | 110,023,459,102 |
| Francisco A. Navarro               | 110,023,459,102 |
| Christopher M. Gotanco             | 110,023,459,102 |
| Adrian S. Ramos                    | 110,023,459,102 |
| Maureen Alexandra S. Ramos-Padilla | 110,023,459,102 |
| Nicasio I. Alcantara               | 110,023,459,102 |
| Honorio A. Poblador III            | 110,023,459,102 |

**6) Orientation and Education Program**

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

Depending on qualifications and experience, a director, before assuming his position as such, is 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 Management<sup>3</sup> for the past three (3) years:**

| Name of Director and Senior Management | In-house Training and External Courses Attended  |
|--|--|
| Alfredo C. Ramos                       | None   |
| Presentacion S. Ramos                  | None   |
| Augusto B. Sunico                      | None   |
| Francisco A. Navarro                   | SEAPEX Conference (04/03 to 04/08/2011)<br>AAPG International Conference and Exhibit (09/15 to 09/20/2012)<br>SEAPEX Conference (04/07/2013 to 04/12/2013)<br>How to Really Read Financial Statements (06/20/2013 to 06/21/2013)<br>Geocon (12/03/2014 to 12/04/2013)  |
| Christopher M. Gotanco                 | Management Association of the Philippines 10 <sup>th</sup> Annual Corporate Governance Workshop 2013 “Moving Beyond the Basics: Upgrading Corporate Governance Compliance and Practices and Preparing for the 2015 ASEAN Integration.” (06/25/2013)<br>Management Association of the Philippines International CEO Conference 2013 (09/10/2013)<br>Business Economics Club: 2013 Year-End Business Economics Briefing (11/27/2013) |
| Adrian S. Ramos                        | None   |
| Maureen Alexandra S. Ramos-Padilla     | None   |
| Nicasio I. Alcantara                   | None   |
| Honorio A. Poblador III                | None   |
| Reynaldo E. Nazarea                    | None   |
| Alessandro O. Sales                    | International Arbitration Workshop (02/12 to 02/17/2012)<br>AAPG International Conference and Exhibit (09/15 to 09/20/2012)<br>SEAPEX Conference (04/03 to 04/08/2011)<br>SEAPEX Conference (04/07/2013 to 04/12/2013)<br>Geocon (12/03/2014 to 12/04/2013)  |

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

|                     |  |
|---------------------|--|
| Isabelita L. Matela | None   |
| Adrian S. Arias     | International Arbitration Workshop (02/12 to 02/17/2012) |

The directors have attended seminars on Corporate Governance and risk management. A director may also undertake additional development program upon written request with the Company.

**(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              |
|------------------------------------|--------------------------|--|---|
| Alfredo C. Ramos                   | -                        | -  | -   |
| Presentacion S. Ramos              | -                        | -  | -   |
| Augusto B. Sunico                  | -                        | -  | -   |
| Francisco A. Navarro               | 04/07/2013 to 04/12/2013 | SEAPEX Conference  | SEAPEX                                    |
|                                    | 06/20/2013 to 06/21/2013 | How to Really Read Financial Statements  | Center for Global Best Practices          |
|                                    | 12/03/2013 to 12/04/2013 | Geocon   | Geocon                                    |
| Christopher M. Gotanco             | 07/25/2013               | 10 <sup>th</sup> Annual Corporate Governance Workshop 2013 "Moving Beyond the Basics: Upgrading Corporate Governance Compliance and practices and Preparing for the 2015 ASEAN Integration | Management Association of the Philippines |
|                                    | 09/10/2013               | International CEO Conference 2013  | Management Association of the Philippines |
|                                    | 11/27/2013               | 2013 Year-End Business Economics Briefing  | Business Economics Club                   |
| Adrian S. Ramos                    | -                        | -  | -   |
| Maureen Alexandra S. Ramos-Padilla | -                        | -  | -   |
| Nicasio I. Alcantara               | -                        | -  | -   |
| Honorio A. Poblador III            | -                        | -  | -   |

**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  | A director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of | The Company must avoid conflicts between the interests of the organization and personal financial interest. Any potential conflict of interest should be disclosed, considered and handled appropriately.<br><br>1. Employees should refrain or withdraw from participation in any transaction or relationship which is | Same as Senior Management |

|   |  |  |                           |
|---|--|--|---------------------------|
|   | interest should seriously consider resigning from his position.  | determined to constitute a material conflict of interest.<br><br>2. Employees should put the interest of the Company ahead of his own direct or indirect financial interest.           |                           |
| (b) Conduct of Business and Fair Dealings                   | A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.   | All Company employees must follow a written set of guidelines embodied in the Company's Procedures Manual regarding the procedures for procurement of supplies and Company equipments. | Same as Senior Management |
| (c) Receipt of gifts from third parties                     | The Company requires that all its directors, officers and employees shall not make, offer, or authorize any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official or any political party official or candidate for office, where such payment, gift, promise or advantage would violate applicable laws of the Philippines. | Same as Directors  | Same as Senior Management |
| (d) Compliance with Laws & Regulations                      | Directors, officers and employees are expected to behave according to proper and accepted norms in our society while in Company premises. Directors, officers and employees shall also follow the established rules and regulations of the Company that are meant to ensure good interpersonal relationships among other directors, officers and employees.  | Same as Directors  | Same as Senior Management |
| (e) Respect for Trade Secrets/Use of Non-public Information | All information/data, technical or otherwise, proprietary to the Company, obtained by the director, senior management, or employee while under its employ, are proprietary and confidential in nature and shall not be used, divulged, printed or reproduced without the Company's prior written   | Same as Directors  | Same as Senior Management |

|  |   |                   |                           |
|--|---|-------------------|---------------------------|
|  | <p>consent. During the regular course of employment, such information/data and/or such material containing the same may be used only in relation to official company business and operations.</p>   |                   |                           |
| (f) Use of Company Funds, Assets and Information | <p>The Company considers the following (among others) as offenses which shall subject the personnel concerned to the appropriate penalties and sanctions:</p> <ul style="list-style-type: none"> <li>• Unauthorized use of Company time, equipment and materials for personal business or works;</li> <li>• Unauthorized disclosure, release, sale, etc. of Company documents, information, or trade secrets or similar acts of espionage or sabotage of the Company's business activities, including violation of the confidentiality of salaries, wages and similar information;</li> <li>• Malversation of Company's funds, defalcation or misappropriation or delayed remittance of collections, unusual delay in the liquidation of advances, padding or misrepresentation of expenses.</li> </ul> | Same as Directors | Same as Senior Management |
| (g) Employment & Labor Laws & Policies           | <p>The Company shall strictly observe and comply with established rules, laws and policies regarding employment and labor and shall ensure that its internal policies and procedures remain consistent with these.</p>  | Same as Directors | Same as Senior Management |
| (h) Disciplinary action                          | <p>Any behavior or conduct of any Company personnel which is</p>  | Same as Directors | Same as Senior Management |

|                         |  |                   |                           |
|-------------------------|--|-------------------|---------------------------|
|                         | inimical to the interest of the Company shall be considered an offense against the Company and shall subject the personnel concerned to certain penalties and sanctions. |                   |                           |
| (i) Whistle Blower      | None   | None              | None                      |
| (j) Conflict Resolution | All Company employees must strictly adhere with the written set of guidelines embodied in the Company's Procedures Manual regarding conflict resolution.                 | Same as Directors | Same as Senior Management |

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

The Company has prepared a draft Code of Conduct for the Board, CEO and staff, which is still undergoing changes and discussions among the parties concerned. In the meantime, however, the Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

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

The Company undertakes a self-evaluation process every year to implement and monitor compliance with the code of ethics and conduct.

**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                                       | N.A. (no parent company)  |
| (2) Joint Ventures                                       | N.A. (no joint ventures)  |
| (3) Subsidiaries   | All related party transactions are based on prevailing market/commercial rates at the time of the transaction.<br><br>Where it is required under the Corporation Code to submit corporate matters to stockholders for approval and such matters are Related Party Transactions, the related parties involved should inhibit themselves from voting on the matter.<br><br>All related party transactions are fully disclosed and subjected to regular audit by the external and internal auditors. |
| (4) Entities Under Common Control                        | Same as No. 3 above   |
| (5) Substantial Stockholders                             | Same as No. 3 above   |
| (6) Officers including spouse/children/siblings/parents  | Same as No. 3 above   |
| (7) Directors including spouse/children/siblings/parents | Same as No. 6 above   |
| (8) Interlocking director                                | Same as No. 6 above   |

|                                    |  |
|------------------------------------|--|
| relationship of Board of Directors |  |
|------------------------------------|--|

**(b) Conflict of Interest**

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

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

|                                  | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|--|
| Name of Director/s               | None   |
| Name of Officer/s                | None   |
| Name of Significant Shareholders | None   |

**(ii) Mechanism**

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

|         | Directors/Officers/Significant Shareholders  |
|---------|--|
| Company | Directors and officers are required to fully disclose their interests and that of the other corporations they serve on prior to determination of any matter under consideration. |
| Group   | Same as above  |

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

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

| Names of Related Significant Shareholders | Type of Relationship | Brief Description   |
|---|----------------------|---|
| Alakor Corporation                        | Related Party        | Alakor Corporation is a related party by common ownership.                    |
| Anglo Philippine Holdings Corporation     | Related Party        | Anglo Philippine Holdings Corporation is a related party by common ownership. |

**(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   |
|---|---|---|
| Alakor Corporation                        | 1. Corporate:<br>Alakor Corporation owns 5% or more of the Company's stock.<br><br>2. Contractual:<br>Advances to related party | In the ordinary course of business, the Company had transactions with related party/ies consisting principally of advances to related party/ies in order to address immediate working capital requirements. The identities of these parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's Audited Consolidated Financial |

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

|                                       |  |  |
|---------------------------------------|--|--|
|                                       |  | Statements.<br><br>All transactions with related party/ies are based on prevailing market / commercial rates at the time of the transaction.   |
| Anglo Philippine Holdings Corporation | 1. Corporate:<br><br>Anglo Philippine Holdings Corporation owns 5% or more of the Company's stock.<br><br>2. Contractual:<br><br>Advances to related party | In the ordinary course of business, the Company had transactions with related party/ies consisting principally of advances to related party/ies in order to address immediate working capital requirements. The identities of these parties, including the amounts and details of the transactions are disclosed in Note 15 to the Company's Audited Consolidated Financial Statements.<br><br>All transactions with related party/ies are based on prevailing market / commercial rates at the time of the transaction. |

(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                 | N.A.                                  | N.A.                                 |

So far as is known to the Company, there are no shareholder agreements that may impact on the control, ownership and strategic direction of the Company.

## 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   |
|--|---|
| <b>Corporation &amp; Stockholders</b>  | <ol style="list-style-type: none"> <li>1. A stockholder has the right to present any grievances/inquiries regarding (i) ownership and (ii) rights of stockholders to the Company's Corporate Secretary and stocks department.</li> <li>2. The Stocks Department, in coordination, with the Company's transfer agent, investigates and recommends relevant measures.</li> <li>3. Depending on the issue involved, the Corporate Secretary may (i) approve, (ii) submit to Management Committee for resolution, or (iii) submit to the Board for resolution.</li> </ol> |
| <b>Corporation &amp; Third Parties</b> | The Company endeavors to act in good faith to settle amicably any dispute arising out of or in connection with conflicts or differences with third parties. Disputes that   |

|   |  |
|---|--|
|   | are not amicably settled are first referred to arbitration proceedings.  |
| <b>Corporation &amp; Regulatory Authorities</b> | Disputes, if any, arising between the regulatory authorities (such as the SEC, Department of Energy) and the Company which cannot be settled amicably may be referred to arbitration with the consent of the agency involved; otherwise, the same shall be referred to quasi-judicial or judicial litigation, as may be appropriate. |

### C. BOARD MEETINGS & ATTENDANCE

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

The Corporate Secretary sets a tentative schedule of the Board of Directors' meetings for the current year and puts the Board on notice thereof. At least two (2) weeks prior to a scheduled meeting, the Corporate Secretary re-confirms the schedule with the directors. Changes, if any, for any reason, are agreed by consensus among directors and the new schedule is circulated to the Board for notation.

#### 2) Attendance of Directors (from June 19, 2013 until June 18, 2014)

| Board       | Name                               | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | %     |
|-------------|------------------------------------|------------------|--------------------------------------|--------------------------|-------|
| Chairman    | Alfredo C. Ramos                   | 06/19/2013       | 18                                   | 18                       | 100   |
| Member      | Presentacion S. Ramos              | 06/19/2013       | 18                                   | 18                       | 100   |
| Member      | Augusto B. Sunico                  | 06/19/2013       | 18                                   | 14                       | 77.78 |
| Member      | Francisco A. Navarro               | 06/19/2013       | 18                                   | 15                       | 83.33 |
| Member      | Christopher M. Gotanco             | 06/19/2013       | 18                                   | 17                       | 94.44 |
| Member      | Adrian S. Ramos                    | 06/19/2013       | 18                                   | 16                       | 88.88 |
| Member      | Maureen Alexandra S. Ramos-Padilla | 06/19/2013       | 18                                   | 11                       | 61.11 |
| Independent | Nicasio I. Alcantara               | 06/19/2013       | 18                                   | 11                       | 61.11 |
| Independent | Honorio A. Poblador III            | 06/19/2013       | 18                                   | 12                       | 66.67 |

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

So far as is known to the Company, non-executive directors do not hold meetings amongst themselves exclusively.

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

No. A majority of the directors of the Company, at a meeting duly assembled, shall be necessary to constitute a quorum for the transaction of business, and the act of a majority of a quorum so present shall be valid as a corporate act, except as otherwise provided by law.

#### 5) Access to Information

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

Board papers for board of directors' meetings are provided on the day of the meeting and prior to the conduct thereof.

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

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

Yes. Members of the Board have independent access to Management and the Corporate Secretary.

**(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 Company secretary's duties and responsibilities are as follows:

1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
2. Informs the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
3. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent him from doing so;
4. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
5. Perform the duties and responsibilities of a Compliance Officer under the Securities Regulations Code;
6. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company;
7. As to meetings, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
8. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations; and
9. Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

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

Yes. The Corporate Secretary is trained 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                        | N.A. (The Company has no Executive Committee)   |
| Audit                            | All directors may request for any Company information at any time from the relevant officers concerned. |
| Nomination                       | All directors may request for any Company information at any time from the relevant officers concerned. |
| Remuneration                     | All directors may request for any Company information at any time from the relevant officers concerned. |
| Others<br>(Management Committee) | All directors may request for any Company information at any time from the relevant officers concerned. |

**6) External Advice**

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

| Procedures   | Details  |
|--|--|
| The Company and its directors may seek external advisory services as the need for it arises. The | Based on credentials and competence, SGV and the Institute of Synergy, Inc. were engaged to assist |

|   |  |
|---|--|
| engagement of any such external advisory services is based on submission of quotation, evaluation, recommendation, and approval by the Board. | with advisory services on the valuation and accounting for the Company's Stock Appreciation Rights (SAR) Plan. |
|---|--|

## 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 |
|--|---------|--------|
| <p>The Company shall satisfy its working capital requirements from revenues generated from operations. The Company's external sources of liquidity come from stock subscriptions, loans and advances.</p> <p>Should the Company's cash position be insufficient to meet current requirements, the Company may consider issuing subscriptions call on the balance of the subscriptions receivable as of 12/31/2013; collecting a portion of accounts receivables as of 12/31/2013; selling a portion of its existing investments and/or assets; and/or generating cash from loans and advances.</p> | None    | N.A.   |
| <p>The Company shall continue to consider farm-in proposals from local and foreign oil companies which have offered to undertake additional exploration/development work and implement production enhancement measures at no cost to the Filipino companies in exchange for equity in the projects that they will be involved in.</p>  | None    | N.A.   |
| <p>The Company shall contribute its share in the exploration and development expenditures of the service contracts entered into with the Department of Energy covering certain petroleum contract areas in various locations in the Philippines.</p>   | None    | N.A.   |

## D. REMUNERATION MATTERS

### 1) Remuneration Process

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

| Process   | CEO   | Top 4 Highest Paid Management Officers  |
|---|---|---|
| (1) Fixed remuneration                            | General compensation brackets are set by the Board.   | Same as CEO   |
| (2) Variable remuneration                         | None  | None  |
| (3) Per diem allowance                            | <p>A fixed per diem rate is granted to all traveling officers and employees to take care of their hotel accommodations (hotel room, laundry service charges, taxes), meals and taxes therein, transportation cost within the area of local business.</p> <p>The per diem entitlement shall commence on the date the officer/employee departs from Head Office and ends on the date the officer/employee returns to Head Office using the fastest and most direct route available.</p> | Same as CEO   |
| (4) Bonus   | <p>The Company provides its employees all the financial benefits provided by law, such as the 13<sup>th</sup> month pay.</p> <p>The Company also provides bonuses to its CEO as determined and approved by the Board.</p>   | <p>The Company provides its employees all the financial benefits provided by law, such as the 13<sup>th</sup> month pay.</p> <p>The Company also provides bonuses to its top four (4) highest paid management officers upon resolution by the CEO and with approval by the Board.</p> |
| (5) Stock Options and other financial instruments | None  | None  |
| (6) Others (Stock Appreciation Rights)            | Stock Appreciation Rights Plan is a medium of reward to all regular employees and members of the Board of Directors of the Company determined based on both the tenure and rank of the participants for the initial award, and upon performance and rank for the succeeding awards.   | Same as CEO   |

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

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

|                     | Remuneration Policy   | Structure of Compensation Packages | How Compensation is Calculated   |
|---------------------|---|------------------------------------|--|
| Executive Directors | The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and | None                               | The directors are entitled to receive compensation as may be authorized by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders meeting, but in no case |

|                         |   |      |  |
|-------------------------|---|------|--|
|                         | individual performance.   |      | shall the total yearly compensation of directors exceed ten (10) percent of the net income before income tax of the Company during the preceding year. |
| Non-Executive Directors | The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. | None | Same as above  |

**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 |
|---------------------|--------------------------------|
| No                  | N.A.                           |

### 3) Aggregate Remuneration

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

| Remuneration Item                                    | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration                               | 8,918,018           | -0-  | -0-                   |
| (b) Variable Remuneration                            | -0-                 | -0-  | -0-                   |
| (c) Per diem Allowance                               | 120,000             | 275,000  | 50,000                |
| (d) Bonuses  | 2,355,806           | 1,335,556  | 407,027               |
| (e) Stock Options and/or other financial instruments | -0-                 | -0-  | -0-                   |
| (f) Others (Stock Appreciation Rights)               | -0-                 | -0-  | -0-                   |
| <b>Total</b>   | <b>11,393,824</b>   | <b>1,610,556</b>   | <b>457,027</b>        |

| Other Benefits                  | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---------------------------------|---------------------|---|-----------------------|
| 1) Advances                     | -0-                 | -0-   | -0-                   |
| 2) Credit granted               | -0-                 | -0-   | -0-                   |
| 3) Pension Plan/s Contributions | -0-                 | -0-   | -0-                   |

|   |           |         |         |
|---|-----------|---------|---------|
| (d) Pension Plans, Obligations incurred                   | -0-       | -0-     | -0-     |
| (e) Life Insurance Premium                                | 5,691     | -0-     | -0-     |
| (f) Hospitalization Plan                                  | 103,359   | -0-     | -0-     |
| (g) Car Plan  | 1,720,000 | -0-     | -0-     |
| (h) Others (Directors' and Officers' Liability Insurance) | 192,246   | 480,615 | 192,246 |
| (i) Rice subsidy<br>Medical allowance<br>Uniform          | 103,580   | -0-     | -0-     |
| <b>Total</b>  | 2,124,876 | 480,615 | 192,246 |

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

##### (a) Board of Directors

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

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

There are no stock rights, options or warrants over the Company's shares granted to the Board of Directors.

##### (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              | N.A.       | N.A.                           |

#### 5) Remuneration of Management

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

| Name of Officer/Position | Total Remuneration |
|--------------------------|--------------------|
| Reynaldo E. Nazarea      | P9,359,304         |
| Alessandro O. Sales      |                    |
| Dennis V. Panganiban     |                    |
| Isabelita L. Matela      |                    |
| Adrian S. Arias          |                    |

**E. BOARD COMMITTEES**

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

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

| Committee | No. of Members          |                              |                           | Committee Charter | Functions  | Key Responsibilities   | Power   |
|-----------|-------------------------|------------------------------|---------------------------|-------------------|--|--|---|
|           | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) |                   |  |  |   |
| Executive | N.A.                    | N.A.                         | N.A.                      | N.A.              | N.A.   | N.A.   | N.A.  |
| Audit     | 0                       | 2                            | 2                         | Yes               | <ul style="list-style-type: none"> <li>• Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</li> <li>• Provide oversight over Management's activities in managing credit, market liquidity, operational, legal and other risks of the Company;</li> <li>• Perform oversight functions over the Company's internal and external auditors to ensure that they act independently of 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;</li> <li>• Review the annual internal audit plan to ensure its conformity with the objectives of the Company;</li> <li>• Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper</li> </ul> | <p>The Audit Committee shall carry out responsibilities for the following:</p> <ol style="list-style-type: none"> <li>1. Financial statements</li> <li>2. Internal control/risk management</li> <li>3. Internal audit</li> <li>4. External audit</li> <li>5. Compliance with laws and regulations</li> <li>6. Reporting responsibilities to the Board of Directors, shareholders, SEC and PSE, internal and external auditors</li> </ol> | <ul style="list-style-type: none"> <li>• Recommend to the Board the appointment and compensation of any registered public accounting firm employed by the Company (i.e., external auditors), and to oversee its work;</li> <li>• Resolve any disagreements between management and the auditor regarding financial reporting;</li> <li>• Pre-approve all audit and non-audit services;</li> <li>• Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;</li> <li>• Seek any information it requires from employees (all of whom are directed to cooperate with the committee's requests) or external parties.</li> <li>• Meet with the Company's officers, external auditors, or outside counsel as necessary.</li> </ul> |

|  |  |  |  |  |   |  |
|--|--|--|--|--|---|--|
|  |  |  |  |  | <p>coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <ul style="list-style-type: none"> <li>• Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</li> <li>• Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;</li> <li>• Perform direct interface functions with the internal and external auditors;</li> <li>• Elevate to international standards the accounting and auditing processes, practices and methodologies;</li> <li>• Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through step-by-step procedures and policies handbook that will be used by the entire organization;</li> <li>• Review the reports submitted by the internal and external auditors;</li> </ul> |  |
|--|--|--|--|--|---|--|

|              |   |   |   |      |   |  |  |
|--------------|---|---|---|------|---|--|--|
|              |   |   |   |      | <ul style="list-style-type: none"> <li>• Review the quarterly, half year and annual financial statements before their submission to the Board;</li> <li>• Coordinate, monitor and facilitate compliance with laws, rules, and regulations;</li> <li>• Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses;</li> <li>• Establish and identify the reporting line of the internal auditor to enable him to properly fill his duties and responsibilities.</li> </ul> |  |  |
| Nomination   | 1 | 1 | 1 | None | <ul style="list-style-type: none"> <li>• Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval;</li> <li>• Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</li> </ul>   | <ul style="list-style-type: none"> <li>• Accepts nominations for membership in the Board;</li> <li>• Screens the nominees submitted to it;</li> <li>• Submits the list of nominees to the Board for validation.</li> </ul> | <ul style="list-style-type: none"> <li>• Accepts or rejects nominations based on qualifications set in the Company's Corporate Governance Manual.</li> </ul> |
| Remuneration | 0 | 2 | 1 | None | <ul style="list-style-type: none"> <li>• Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key</li> </ul>   | <ul style="list-style-type: none"> <li>• Review the salary brackets and packages for the Company's directors, officers and employees.</li> </ul>   | <ul style="list-style-type: none"> <li>• Submit the salary brackets and packages to the Board for resolution.</li> </ul>                                     |

|                               |   |   |   |      |  |   |   |
|-------------------------------|---|---|---|------|--|---|---|
|                               |   |   |   |      | <p>personnel;</p> <ul style="list-style-type: none"> <li>• Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully;</li> <li>• Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;</li> <li>• Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers;</li> <li>• Disallow and director to decide his/her own remuneration;</li> <li>• Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of executive officers for the previous fiscal year and the ensuing year;</li> <li>• Develop/review the existing Company's Human Resources Development or Personnel Handbook.</li> </ul> |   |   |
| Others (Management Committee) | 2 | 1 | - | None | <ul style="list-style-type: none"> <li>• Assists the CEO in managing and coordinating the day-to-day business operations of the Company.</li> </ul>  | <ul style="list-style-type: none"> <li>• Reviews the weekly operations of the Company and formulates short-term plans for the Company.</li> </ul> | <ul style="list-style-type: none"> <li>• Recommends short-term action plans to the CEO and the Board for approval.</li> </ul> |

The Company has no Executive Committee.

## 2) Committee Members

### (a) Executive Committee

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

The Company has no Executive Committee.

### (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 A. Poblador III | 06/19/2013          | 3                    | 3                        | 100 | 2004-Present                       |
| Member (ED)   | -                       | -                   | -                    | -                        | -   | -                                  |
| Member (NED)  | Christopher M. Gotanco  | 06/19/2013          | 3                    | 3                        | 100 | 2008-Present                       |
|               | Adrian S. Ramos         | 06/19/2013          | 3                    | 3                        | 100 | 2006-Present                       |
| Member (ID)   | Nicasio I. Alcantara    | 06/19/2013          | 3                    | 3                        | 100 | 2005-Present                       |

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

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chairman of the Audit Committee should be an independent director. Each member shall have adequate understanding and knowledge of the Company's financial management systems and environment.

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

The Audit Committee is tasked with the duty to:

- Review and confirm the independence of the external auditor by obtaining statements from the auditor on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditor;
- Review and consider rotation of partners of the external auditor;
- Review the external auditor's proposed audit scope, related audit fees and approach, including coordination of auditor efforts with internal audit;
- Review the external auditor's observations on internal controls, audit adjustments and compliance with auditing standards;
- On an annual basis, review the report from the external auditor describing any material issues raised by the most recent quality control of the audit firm and any steps taken to deal with any such issues;

- Review the performance of external auditor and recommend to the Board the appointment, re-appointment or removal of the auditors.

**(c) Nomination Committee**

| Office              | Name                   | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|---------------------|------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman (ID)       | Nicasio I. Alcantara   | 06/19/2013          | 1                    | 1                        | 100 | 2005-Present                       |
| Member (ED)         | Alfredo C. Ramos       | 06/19/2013          | 1                    | 1                        | 100 | 2004-Present                       |
| Member (NED)        | Christopher M. Gotanco | 06/19/2013          | 1                    | 1                        | 100 | 2008-Present                       |
| Member (ID)         | -                      | -                   | -                    | -                        | -   | -                                  |
| Member (non-voting) | Reynaldo E. Nazarea    | 06/19/2013          | 1                    | 1                        | 100 | 2004-Present                       |

**(d) Remuneration Committee**

| Office        | Name                    | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---------------|-------------------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman (ID) | Honorio A. Poblador III | 06/19/2013          | 0                    | 0                        | 0 | 2004-Present                       |
| Member (ED)   | -                       | -                   | -                    | -                        | - | -                                  |
| Member (NED)  | Augusto B. Sunico       | 06/19/2013          | 0                    | 0                        | 0 | 2005-Present                       |
|               | Adrian S. Ramos         | 06/19/2013          | 0                    | 0                        | 0 | 2006-Present                       |
| Member (ID)   | -                       | -                   | -                    | -                        | - | -                                  |
| Member        | -                       | -                   | -                    | -                        | - | -                                  |

**(e) Others (Management Committee)**

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

| Office       | Name                 | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %     | Length of Service in the Committee |
|--------------|----------------------|---------------------|----------------------|--------------------------|-------|------------------------------------|
| Chairman     | Alfredo C. Ramos     | 06/19/2013          | 19                   | 19                       | 100   | 1989-Present                       |
| Member (ED)  | Francisco A. Navarro | 06/19/2013          | 19                   | 16                       | 84.21 | 2005-Present                       |
| Member (NED) | Augusto B. Sunico    | 06/19/2013          | 19                   | 19                       | 100   | 1984-Present                       |
| Member (ID)  | -                    | -                   | -                    | -                        | -     | -                                  |
| Member       | Reynaldo E. Nazarea  | 06/19/2013          | 19                   | 19                       | 100   | 1992-Present                       |
|              | Alessandro O. Sales  | 06/19/2013          | 19                   | 16                       | 84.21 | 2008-Present                       |
|              | Adrian S. Arias      | 06/19/2013          | 19                   | 19                       | 100   | 1992-Present                       |

**3) Changes in Committee Members**

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

| Name of Committee                | Name | Reason |
|----------------------------------|------|--------|
| Executive                        | N.A. | N.A.   |
| Audit                            | N.A. | N.A.   |
| Nomination                       | N.A. | N.A.   |
| Remuneration                     | N.A. | N.A.   |
| Others<br>(Management Committee) | N.A. | N.A.   |

There were no changes in committee membership that occurred during the year.

#### 4) Work Done and Issues Addressed

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

| Name of Committee                | Work Done   | Issues Addressed   |
|----------------------------------|---|--|
| Executive                        | N.A. (The Company has no Executive Committee)   | N.A.   |
| Audit                            | The Audit Committee assisted the Board of Directors in overseeing:<br><br>(i) The integrity of the Company's financial statements and its systems of internal accounting and financial controls;<br><br>(ii) The independence, qualifications and performance of the Company's independent auditor;<br><br>(iii) The performance of the Company's internal auditors; and<br><br>(iv) The Company's compliance with legal and regulatory requirements. | The Audit Committee determined ways to timely complete the audited financial statements by requesting the Company's associates to submit their audited financial report on schedule. |
| Nomination                       | The Nomination Committee received the nominations and reviewed the qualifications of each nominee for the nine (9) available seats in the Board of Directors for years 2013-2014, including the candidates for election as Independent Directors.   | None   |
| Remuneration                     | None  | None   |
| Others<br>(Management Committee) | The Management Committee regularly conducts meetings to discuss updates on the Company's operations.  | The Management Committee assesses the feasibility and financial viability of the Company's prospective exploration projects.   |

#### 5) Committee Program

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

| Name of Committee | Planned Programs  | Issues to be Addressed   |
|-------------------|---|--|
| Executive         | N.A.<br>(The Company has no Executive Committee)                        | N.A.   |
| Audit             | To continue the performance of the Committee functions as stipulated in | No issue has arisen yet since the end of the reporting period (2013) |

|                                  |  |  |
|----------------------------------|--|--|
|                                  | the Corporate Governance Manual.   |  |
| Nomination                       | To continue the performance of the Committee functions as stipulated in the Corporate Governance Manual. | No issue has arisen yet since the end of the reporting period (2013)                   |
| Remuneration                     | To continue the performance of the Committee functions as stipulated in the Corporate Governance Manual. | No issue has arisen yet since the end of the reporting period (2013)                   |
| Others<br>(Management Committee) | To continue the performance of the Committee functions as stipulated in the Corporate Governance Manual. | To identify future prospects for further expansion and development of existing blocks. |

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

The Company shall fund its operational and capital-intensive projects from internally generated funds.

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

The Board regularly meets to discuss and update themselves regarding the ongoing plans and programs of the Company and how these may affect the Company's liquidity and other relevant risks.

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

The review conducted by the Board regarding the effectiveness of the Company's risk management system covers projects and activities during the month previous to the Board meeting. The Board also conducts annual reviews during its December Board meetings.

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

The Management Committee meets weekly to plan and update themselves on Company programs which will be presented for further discussions and deliberations during the monthly Board meetings. The required disclosures regarding operating risks and how the Company, through its Board, manages these risks are fully disclosed in the Notes to Financial Statements included in the Company's Annual Reports and Quarterly Reports. The Company may also engage the risk management services of the external auditor, if needed.

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

N.A.

### 2) Risk Policy

#### (a) Company

**Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

| Risk Exposure | Risk Management Policy  | Objective  |
|---------------|---|--|
| Credit Risk   | Credit risk is the possibility of loss for the Company if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risks arising from the other financial assets of the Company, which comprise of cash in | The Company maintains a capital base to cover risks inherent in the business, with the primary objective of optimizing the use and earnings potential of its resources to ensure that it is able to comply with externally imposed (legal or |

|                          |  |  |
|--------------------------|--|--|
|                          | <p>banks, cash equivalents and AFS financial assets, the Company's exposure to credit risk could arise from default of the counterparty.</p> <p>The Company trades only with recognized, creditworthy third parties. However, the Company's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.</p>   | <p>contractual) capital requirements, if any, and considering changes in economic conditions and the risk characteristics of its activities.</p> |
| Liquidity Risk           | <p>Liquidity risk is the risk that the Company becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows.</p> <p>The Company addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.</p>   | <p>Same as above</p>   |
| Market Risk              | <p>Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.</p>  | <p>Same as above</p>   |
| a. Foreign currency risk | <p>Foreign currency risk is the risk that the value of the Company's financial instruments diminishes due to unfavorable changes in foreign exchange rates.</p> <p>The Company's transactional currency exposures arise from sales in currencies other than its functional currency. Its entire share in petroleum operations in revenue is denominated in US Dollars, exposing it to foreign exchange risk arising from its US Dollar-denominated receivables and cash equivalents.</p> <p>Foreign currency risk has no other impact on the Company's equity other than the profit or loss.</p> | <p>Same as above</p>   |
| b. Equity price risk     | <p>Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Company is exposed to equity securities price risk exists because of investments</p>  | <p>Same as above</p>   |

|                      |   |               |
|----------------------|---|---------------|
|                      | <p>held by the Company, which are classified in its statement of financial position as AFS financial assets.</p> <p>The impact of equity price risk on the Company's equity excludes the impact on transactions affecting profit or loss.</p>   |               |
| Commodity Price Risk | <p>The Company's petroleum revenues are based on international commodity quotations (i.e. primarily on the average Dubai oil prices) over which the Company has no significant influence or control. This exposes the Company's results of operations to commodity price volatilities that may significantly impact its cash inflows.</p> <p>However, the Company is exerting its efforts in reducing operating costs in order to counteract any decrease in commodity price.</p>   | Same as above |
| Production Risk      | <p>The Company's crude oil production from the Galoc, Nido, Matinloc and North Matinloc fields may experience decline that are due to normal reserve depletion, production shutdown, adverse weather condition and problems relating to availability of vessels.</p> <p>To reduce operating costs, improve Galoc system uptime to around 97%, and enhance the overall economic viability of the Galoc field and provide a good basis for the consortium to push through with further development and exploration work in the Galoc area, the SC14C-1 consortium has upgraded the mooring and riser system (M&amp;RS) of the FPSO which basically involves the installation of a revolving external turret on the bow of the FPSO. The newly installed turret would practically eliminate the need for the risk and costly disconnection of the M&amp;RS during adverse weather conditions and its subsequent reconnection which in the past had resulted in expensive damage and prolonged operating downtimes.</p> | Same as above |

**(b) Group**

**Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

| Risk Exposure            | Risk Management Policy   | Objective   |
|--------------------------|--|---|
| Credit Risk              | <p>Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risks arising from the other financial assets of the Group, which comprise of cash in banks, cash equivalents and AFS financial assets, the Group's exposure to credit risk could arise from default of the counterparty.</p> <p>The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.</p> | <p>The Group maintains a capital base to cover risks inherent in the business, with the primary objective of optimizing the use and earnings potential of its resources to ensure that it is able to comply with externally imposed (legal or contractual) capital requirements, if any, and considering changes in economic conditions and the risk characteristics of its activities.</p> |
| Liquidity Risk           | <p>Liquidity risk is the risk that the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows.</p> <p>The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.</p>   | <p>Same as above</p>  |
| Market Risk              | <p>Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.</p>  | <p>Same as above</p>  |
| a. Foreign currency risk | <p>Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates.</p> <p>The Group's transactional currency exposures arise from sales in currencies other than its functional currency. Its entire share in petroleum operations in revenue is denominated in US Dollars, exposing it to foreign exchange risk arising from its US Dollar-denominated receivables and cash equivalents. In this sense, foreign currency risk has an impact on equity through profit or loss.</p>  | <p>Same as above</p>  |
| b. Equity price risk     | <p>Equity price risk is the risk that the</p>  | <p>Same as above</p>  |

|  |  |  |
|--|--|--|
|  | fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. Equity securities price risk exists because of investments held by the Group. |  |
|--|--|--|

**(c) Minority Shareholders**

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

| <b>Risk to Minority Shareholders</b>  |
|---|
| Exercising control over the stockholders' voting power bears the risk of creating an imbalance between the controlling and the minority shareholders, for which reason, the holders of the Company's shares are all equally entitled to one vote per share with the objective of protecting minority interests. At the same time, the identity of the controlling shareholders and the degree of ownership concentration are also fully disclosed in the Company's annual report. |

**3) Control System Set Up**

**(a) Company**

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

| <b>Risk Exposure</b> | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>  | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>   |
|----------------------|--|--|
| Credit Risk          | The Company, through its external and internal auditors, regularly monitors and measures the risk exposure of the Company. | The Company trades only with recognized, creditworthy third parties.   |
| Liquidity Risk       | Same as above  | <p>The Company addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.</p> <p>The Company maintains a capital base to cover risks inherent in the business, with the primary objective of optimizing the use and earnings potential of its resources to ensure that it is able to comply with externally imposed (legal or contractual) capital requirements, if any, and considering changes in economic conditions and the risk characteristics of its activities.</p> <p>Should the Company's cash position be insufficient to meet current requirements, the Company may consider:</p> <ol style="list-style-type: none"> <li>1. Issuing subscriptions call on the balance of the Subscriptions Receivable as of December 31, 2013;</li> <li>2. Collecting a portion of Accounts Receivables as of December 31, 2013;</li> <li>3. Selling a portion of its existing investments and/or assets; and/ or</li> </ol> |

|                          |               |  |
|--------------------------|---------------|--|
|                          |               | 4. Generating cash from loans and advances.  |
| Market Risk              | Same as above | The Company maintains Crude Oil Sales Purchase Agreements with Pilipinas Shell Petroleum Corporation to ensure the continuous sale of its crude oil production and has a crude agency agreement with Vitol Asia Pte. Ltd. for some of its projects.  |
| a. Foreign currency risk | Same as above | The Company regularly restates its U.S denominated receivables and cash equivalents.   |
| b. Equity price risk     | Same as above | The Company regularly monitors price fluctuations to determine the appropriate time to dispose or acquire equity securities.   |
| Commodity Price Risk     | Same as above | The Company exerts efforts to reduce operating costs in order to counteract any decrease in commodity price.   |
| Production Risk          | Same as above | <p>To reduce operating costs, improve Galoc system uptime to around 97%, and enhance the overall economic viability of the Galoc field and provide a good basis for the consortium to push through with further development and exploration work in the Galoc area, the SC14C-1 consortium has upgraded the mooring and riser system (M&amp;RS) of the FPSO which basically involves the installation of a revolving external turret on the bow of the FPSO. The newly installed turret would practically eliminate the need for the risk and costly disconnection of the M&amp;RS during adverse weather conditions and its subsequent reconnection which in the past had resulted in expensive damage and prolonged operating downtimes.</p> <p>The Company continues to consider farm-in proposals from local and foreign oil companies which have offered to undertake additional exploration/development work and implement production enhancement measures at no cost to the Company in exchange for equity in the projects that they will be involved in.</p> |

**(b) Group**

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

Please refer to discussions on the Company's risk management policy as they similarly apply for the Group.

| <b>Risk Exposure</b>     | <b>Risk Assessment<br/>(Monitoring and Measurement<br/>Process)</b>                       | <b>Risk Management and Control<br/>(Structures, Procedures, Actions<br/>Taken)</b> |
|--------------------------|---|--|
| Credit Risk              | Same as the process for monitoring and measuring risk for the Company as described above. | Same as risk management and control measures for the Company as described above.   |
| Liquidity Risk           |   |  |
| Market Risk              |   |  |
| a. Foreign currency risk |   |  |
| b. Equity price risk     |   |  |

**(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:**

| <b>Committee/Unit</b> | <b>Control Mechanism</b>   | <b>Details of its Functions</b>  |
|-----------------------|--|--|
| Audit Committee       | <p>The Company may establish an internal audit system that can reasonably assure the Board, Management and stockholders that the key organizational and operational controls are faithfully complied with.</p> <p>The Board may appoint an internal auditor to perform the audit function (guided by the International Standards on Professional Practice of Internal Auditing) and require him to report to the level in the organization that allows the internal audit activity to fulfill its mandate.</p> | <p>The Audit Committee is tasked with the duty:</p> <p>(i) To consider the effectiveness of the organization's internal control system, including fraud prevention and detection, information technology, security and control;</p> <p>(ii) To understand the scope of internal and external auditors' assessment of internal control and review the status of all internal and external audit recommendations and their implementation;</p> <p>(iii) To organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>(iv) To review the annual internal audit plan to ensure conformity with the objectives of the Company.</p> |

**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

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

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

Internal control system is the Company's set of procedures and mechanisms for monitoring and evaluating the Company's ability to effectively prevent and detect fraud, including the establishment of sufficient levels of information technology security and financial reporting control.

The control environment of the Company consists of: (a) the Board, which ensures that the Company is properly and effectively managed and supervised; (b) a Management, that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an

independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information's systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

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

The Board, with the assistance of the Management and the Audit Committee, regularly meets to discuss and oversee whether the Company is able to comply with the required financial reporting and audit processes, including compliance with applicable laws, rules and regulations.

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

The review conducted by the Board regarding the effectiveness of the Company's internal control system covers projects and activities during the month previous to the Board meeting.

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

The Board utilizes its regular Board meetings to review and assess the effectiveness of the Company's internal control system. The Board also conducts annual reviews during its December Board meetings.

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

N.A. Regular reviews, coinciding with Board meetings, were held during the year.

**2) Internal Audit**

**(a) Role, Scope and Internal Audit Function**

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

| Role   | Scope  | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process  |
|--|--|--|--|--|
| <p>The independent Internal Auditor functions to provide the Board, senior Management and stockholders with reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.</p> | <p>The scope and particulars of a the organizational and procedural controls which the Internal Auditor oversees shall be based on the following factors:</p> <ul style="list-style-type: none"> <li>• The nature and complexity of business and the business culture</li> <li>• The volume, size and complexity of transactions</li> <li>• The degree of risk</li> <li>• The degree of centralization and delegation of authority</li> <li>• The extent and effectiveness of</li> </ul> | <p>In-house</p>  | <p>Violeta B. De Leon</p>                    | <p>The Internal Auditor reports directly to the Audit Committee.</p> |

|  |  |  |  |  |
|--|--|--|--|--|
|  | information technology<br>• The extent of regulatory compliance. |  |  |  |
|--|--|--|--|--|

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

Yes. The Audit Committee performs oversight functions over the Company's Internal and External Auditors, which includes approval of the appointment and/or removal of the Internal and External Auditors.

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

The Internal Auditor reports directly to the Audit Committee and provides the Board, senior management, and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with. In doing so, the Internal Auditor is given all the necessary access to management and the right to seek information and explanations.

**(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 |
|---------------------|--------|
| N.A.                | N.A.   |

There were no resignations or re-assignments of internal audit staff during the year.

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

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

|                               |   |
|-------------------------------|---|
| <b>Progress Against Plans</b> | The Company comprehensively reviews and implements the established audit plan based on a scheduled timeline.  |
| <b>Issues<sup>6</sup></b>     | No significant issues have arisen involving different interpretations because the Company implements and adheres to a fixed set of accounting policies and internal control mechanisms. |
| <b>Findings<sup>7</sup></b>   | There are no significant findings.  |
| <b>Examination Trends</b>     | The Company continues to conduct examination of possible issues on a regular basis but no pervasive issues and findings have been determined.   |

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

- 1) **Preparation of an audit plan inclusive of a timeline and milestones;**
- 2) **Conduct of examination based on the plan;**
- 3) **Evaluation of the progress in the implementation of the plan;**
- 4) **Documentation of issues and findings as a result of the examination;**

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

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

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

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

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

| <b>Policies &amp; Procedures</b>  | <b>Implementation</b>   |
|---|---|
| A written set of accounting policies and procedures are included in the Company’s Procedures Manual which took effect on January 1, 2008. | The Company fully adheres to the accounting policies and procedures embodied in its Procedures Manual and consistently ensures that the system quickly identifies errors and fraud, if and when they occur. |

**(g) Mechanisms and Safeguards**

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

| <b>Auditors<br/>(Internal and<br/>External)</b>   | <b>Financial Analysts</b>  | <b>Investment Banks</b>             | <b>Rating Agencies</b>  |
|---|--|-------------------------------------|---|
| <p>The Audit Committee has an existing policy prohibiting the Company from engaging the independent accountant to provide services that may adversely impact their independence, including those expressly prohibited by SEC regulations.</p> <p>The stockholders, during the Annual Stockholders’ Meetings, approve the appointment of the Company’s external auditors for the ensuing year.</p> | The Company merely furnishes the financial analysts with the actual financial data on hand including updates on its production operations. | Same as with the Financial Analysts | The Company fully and timely discloses to the relevant rating agencies all the required reports (i.e., to the SEC, PSE, and DOE). |

**(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 Company’s Compliance Officer and Chairman of the Board annually issues a Certification regarding the Company’s compliance with SEC Memorandum Circular No. 2 of 2002 on the Code of Corporate Governance and the Company’s Manual on Corporate Governance. This includes a statement that all the members of the Board of Directors, officers and employees have complied with all the leading practices and principles on good corporate governance as embodied in the Company’s Manual.

## H. ROLE OF STAKEHOLDERS

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

|  | <b>Policy</b>  | <b>Activities</b>  |
|--|--|--|
| Customers' welfare                     | <p>The Company shall provide gas and oil production and exploration services that consistently meet customer requirements and expectations. It shall also comply with all legal and regulatory requirements related to its products and services.</p> <p>The Company also anchors its corporate philosophy on the underlying principle that its shareholders are the owners of the Company, and accordingly, must benefit directly from its operations. Management believes its primary responsibility is to create wealth for its shareholders.</p> | <p>Management promotes the continuous improvement of all its employees and processes to ensure that the Company always remains capable of meeting and exceeding the consistently changing and exacting requirements and expectations of its customers and shareholders.</p>  |
| Supplier/contractor selection practice | <p>A prospective supplier must score at least seventy (70) points using the Company's criteria for supplier accreditation set out in its Procedures Manual in order to be accredited as the Company's supplier.</p>  | <p>The Company looks into the nature of the company of the supplier, its capitalization / paid-up capital, credibility and reputation as a supplier as attested by other reliable sources, and its track record (number of years in active business).</p>  |
| Environmentally friendly value-chain   | <p>The Company shall promote environmentally sustainable gas and oil production and exploration. It shall comply with all environmental legal requirements and prevent pollution in all areas where the organization operates.</p>   | <p>Management pushes the continuous improvement of all its processes to enable the organization to preserve the ecological balance in its areas of operations and strive to leave such areas in a better environmental condition compared to the start of its operations.</p> <p>All employees are made to understand the environmental aspects and impacts of the Company's operations to have the proper perspective in consistently implementing the established operational control procedures to ensure pollution prevention and compliance with relevant legal requirements.</p> <p>Petroleum service contractors (such as the Company) are mandated to comply with all environmental laws in phases of exploration and production operations.</p> |
| Community interaction                  | <p>The Company seeks to participate in the growth of the Philippine energy sector, while also being fully cognizant of its socio-civic responsibility of contributing towards the improvement of other peoples' lives.</p>   | <p>The Company continues to allocate a portion of its resources to support the various projects of local communities where its operations are located. Donations are also made to educational and civic organizations, as well as health, relief and rescue undertakings.</p>  |

|   |  |  |
|---|--|--|
| Anti-corruption programmes and procedures | The Company requires that all its directors, officers, and employees will not make, offer, or authorize any payment, gift, promise, or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate applicable laws of the Philippines. | The Company's Vice-President for Administration, with the assistance of its Personnel Supervisor constantly seeks ways to ensure that all of its employees do not seek nor accept solicitations from public offices and their officers in exchange for favors and undue advantages from the Company. |
| Safeguarding creditors' rights            | All dealings with creditors are presented to and approved by the Board of Directors.   | Loan agreements are signed and promissory notes are issued to creditors in compliance with bank requirements.  |

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

Yes. The Company has a separate section in its Annual Report which provides for the corporate responsibility report.

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

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

The Company shall provide and maintain a safe and healthful work environment that complies with the generally accepted business practices and regulatory requirements. Towards this end, management shall strive to eliminate any foreseeable hazards that may result to personal injuries / illnesses, damage to property and security losses by making loss prevention a direct responsibility of all employees. At the same time, all of the employees are mandated to perform their jobs in accordance with the established procedures of the Company.

The Company shall likewise ensure that the health of its employees is adequately protected and that they are provided with financial assistance when they get sick or injured.

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

The Company maintains a Group Hospitalization Program wherein all regular employees are insured with a credible insurance company. All of its regular employees, including their dependents, are also entitled to Medical / Dental / Optical care allowance per year.

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

The Company undertakes to finance the attendance of its officers and regular employees to in-house or public seminars / trainings. Employees are encouraged to undergo further training and development and they may either avail of training programs initiated by the Company (for programs related to the Company's core business) or by the employees themselves (for all other programs).

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

The Company's directors and regular employees shall be entitled to a profit-share based on the Company's profits. Directors and employees who have not completed one year of service shall also receive profit-share computed on a pro-rata basis.

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

Complainant accomplishes a complaint form detailing therein a narration of the circumstances upon which the complaint is based and submits it to his immediate supervisor who shall then issue to the respondent a notice to explain. If the Committee determines that respondent's written explanation is sufficient justification, it shall issue the appropriate notice to all parties concerned. Otherwise, the committee shall set the date, time and place for hearing the parties and their witnesses. After the conference, the committee shall convene to assess whether or not the respondent's explanations are justified and shall then issue a written notice to respondent regarding the decision made based on the degree of infraction committed and always in accordance with company rules and regulations promulgated pursuant to existing labor laws of the Philippines.

The identity of the complainant shall be kept by the Company and its management in confidence and there will be no disclosure without the complainant's consent. The Company shall write down all the information given by the complainant so that he can agree that the Company understood his concerns correctly. All legitimate concerns will be respected and investigated. Complainant will receive feedback on the progress of investigations."

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure (as of December 31, 2013)

#### (a) Holding 5% shareholding or more

| Shareholder                           | Number of Shares | Percent | Beneficial Owner                      |
|---------------------------------------|------------------|---------|---------------------------------------|
| PCD Nominee Corporation               | 108,794,607,703  | 56.702% | Various clients                       |
| National Book Store, Inc.             | 16,735,965,802   | 8.723%  | National Book Store, Inc.             |
| Alakor Securities Corporation         | 16,962,800,000   | 8.840%  | National Book Store, Inc.             |
| Alakor Securities Corporation         | 26,099,009,706   | 13.602% | Alakor Corporation                    |
| Alakor Corporation                    | 16,735,965,801   | 8.723%  | Alakor Corporation                    |
| Anglo Philippine Holdings Corporation | 536,170,330      | 0.279%  | Anglo Philippine Holdings Corporation |
| Alakor Securities Corporation         | 22,242,307,692   | 11.592% | Anglo Philippine Holdings Corporation |

| Name of Senior Management | Number of Direct shares (as of December 31, 2013) | Number of Indirect shares / Through (name of record owner) (as of December 31, 2013) | % of Capital Stock |
|---------------------------|---|--|--------------------|
| Reynaldo E. Nazarea       | 0   | 55,656,250   | 0.029              |
| Alessandro O. Sales       | 0   | 0  | 0                  |
| Isabelita L. Matela       | 273,105   | 605,802  | <0.000             |
| Dennis V. Panganiban      | 0   | 1,000,000  | <0.000             |
| <b>TOTAL</b>              | <b>273,105</b>                                    | <b>57,262,052</b>  | <b>0.029</b>       |

### 2) Does the Annual Report disclose the following:

|                                      |   |
|--------------------------------------|---|
| Key risks                            | √ |
| Corporate objectives                 | √ |
| Financial performance indicators     | √ |
| Non-financial performance indicators | √ |

|   |   |
|---|---|
| Dividend policy   | √ |
| Details of whistle-blowing policy   | x |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | √ |
| Training and/or continuing education programme attended by each director/commissioner   | x |
| Number of board of directors/commissioners meetings held during the year  | x |
| Attendance details of each director/commissioner in respect of meetings held  | x |
| Details of remuneration of the CEO and each member of the board of directors/commissioners  | √ |

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

Items above which are not included in the Annual Report are included in the corporate disclosures which can be found on the Company's website. The Company has no existing whistle-blowing policy.

### 3) External Auditor's fee

| Name of auditor                        | Audit Fee | Non-audit Fee |
|--|-----------|---------------|
| Sycip Gorres Velayo & Company<br>(SGV) | P890,000  | -0-           |

### 4) Medium of Communication

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

- Corporate website
- PSE/SEC disclosures
- Notices to stockholders
- Newspaper publications

### 5) Date of release of audited financial report:

30 April 2014

### 6) Company Website

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

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

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

7) Disclosure of RPT

| RPT   | Relationship   | Nature        | Value       |
|---|--|---------------|-------------|
| The Company, in its normal course of business, has transactions with related parties which principally consist of cash advances. The information is contained on Note 15 to the Company's 2013 Audited Consolidated Financial Statements. | The information is contained on Note 15 to the Company's 2013 Audited Consolidated Financial Statements. | Cash advances | P10,000,000 |

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

All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction.

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

|                        |   |
|------------------------|---|
| <b>Quorum Required</b> | Holders of the majority of the issued and outstanding shares as of Record Date, represented in person or by proxy, shall constitute a quorum for the Annual / Special Stockholders' Meeting of the Company. |
|------------------------|---|

(b) System Used to Approve Corporate Acts

**Explain the system used to approve corporate acts.**

|                    |  |
|--------------------|--|
| <b>System Used</b> | Cumulative Voting  |
| <b>Description</b> | <p>For election of directors:</p> <p>Stockholders entitled to vote at the Annual / Special Stockholders' meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.</p> <p>All other matters:</p> <p>Voting during the Annual / Special Stockholders' Meetings is usually done</p> |

|  |   |
|--|---|
|  | <p>viva voce or by the raising of hands, unless voting by ballot is specifically requested. The Company has ballots and ballot boxes ready for use every Annual / Special Stockholders' Meeting.</p> <ol style="list-style-type: none"> <li>1. A majority vote is necessary to approve regular matters.</li> <li>2. The vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company is needed for approval of special matters required by law.</li> </ol> |
|--|---|

**(c) Stockholders' Rights**

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

| Stockholders' Rights under The Corporation Code   | Stockholders' Rights <u>not</u> in The Corporation Code   |
|---|---|
| Right to vote on all matters that require the consent or approval of stockholders   | The stockholders entitled to vote may appoint two (2) persons to act as inspectors of election at all meetings of the stockholders. |
| Right to dissent or right of appraisal and to demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code. | -   |
| Right to receive notice of the time and place of holding of any annual or special meeting of stockholders   | -   |

**Dividends**

| Declaration Date | Record Date       | Payment Date      |
|------------------|-------------------|-------------------|
| May 22, 2013     | June 05, 2013     | July 02, 2013     |
| October 23, 2013 | November 08, 2013 | December 04, 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   |
|--|---|
| An open forum is part of the Annual / Special Stockholders' Meeting's agenda and is conducted during the Meeting to allow stockholders to ask questions and raise issues and for the Company or its resource persons to answer them. | Ample time is provided during every stockholders' meeting, allowing them to directly address their questions and comments to the Board. |
| Stockholders may also submit any proposal for consideration at any stockholders' meeting.  | Same as above   |

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

The Company complies with all the requirements of the Corporation Code entitling stockholders of the Company to vote and participate on extraordinary matters requiring corporate decisions such as (i) amendments of the Company's Articles of Incorporation and By-Laws, (ii) increase or decrease of capital stock, (iii) and sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the Company. Such extraordinary matters are included in the Agenda for the Annual / Special Stockholders' Meetings and first discussed by the Chairman of the Board or his resource person before asking if any of the stockholders have further questions or objections thereto. The vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company is needed for approval of extraordinary matters required by law.

**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?**

Yes. The Company consistently observes the 30-day prior notice rule as provided in its By-Laws. The Notice includes the date, time, place and agenda for the meeting together with all the necessary materials on corporate matters that will be discussed during the AGM.

**a. Date of sending out notices:**

Notices were sent by mail on May 20, 2013 and by personal delivery on May 17, 2013.

**b. Date of the Annual/Special Stockholders' Meeting:**

June 19, 2013

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

Several stockholders presented inquiries regarding the Company's involvement in various ongoing development projects and future prospects.

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

| Resolution  | Approving                   | Dissenting | Abstaining |
|---|-----------------------------|------------|------------|
| Approval of the Minutes of the 2012 Annual Meeting of Stockholders  | 110,023,459,102<br>(57.34%) | -0-        | -0-        |
| Approval, Ratification and/or Confirmation of the Acts and Resolutions of the Board of Directors and Officers from the last Annual Meeting of Stockholders last June 20, 2012 up to June 19, 2013, including the Annual Report of the Company covering the calendar year ended December 31, 2012. | 110,023,459,102<br>(57.34%) | -0-        | -0-        |
| Appointment of External Auditor for Calendar Year 2013  | 110,023,459,102<br>(57.34%) | -0-        | -0-        |
| Election of Directors for 2013-2014   | 110,023,459,102<br>(57.34%) | -0-        | -0-        |

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

Results of the votes taken during the Company's AGM are immediately disclosed to the stockholders on the day of the meeting itself as the stockholders are asked whether they have objections to the proposed resolutions.

**(e) Modifications**

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

| Modifications | Reason for Modification |
|---------------|-------------------------|
| None          | N.A.                    |

**(f) Stockholders' Attendance**

**(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held Last June 19, 2013:**

| 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          | 1. Alfredo C. Ramos<br>2. Augusto B. Sunico<br>3. Presentacion S. Ramos<br>4. Francisco A. Navarro<br>5. Adrian S. Ramos<br>6. Christopher M. Gotanco<br>7. Maureen Alexandra S. Ramos-Padilla<br>8. Honorio A. Poblador III<br>9. Reynaldo E. Nazarea<br>10. Adrian S. Arias<br>11. Alessandro O. Sales<br>12. Isabelita L. Matela | 06/19/2013      | Viva voce                                       | 142,083,896 (0.074%)        | 109,881,375,206 (57.269%) | 57.34%                   |
| Special         | N.A.  | N.A.            | N.A.  | N.A.                        | N.A.                      | N.A.                     |

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

Pursuant to the corporate By-Laws, the stockholders entitled to vote may appoint two (2) persons (who need not be stockholders) to act as inspectors of election at all meetings of the stockholders until the close of the next Annual 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.**

The Company has only one class of shares – common shares – with each share entitled to one vote, and are treated equally with respect to voting rights.

**(g) Proxy Voting Policies**

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

|                                     | <b>Company's Policies</b>  |
|-------------------------------------|--|
| Execution and acceptance of proxies | Stockholders who cannot attend the Annual Meeting but would like to be represented thereat may submit the Proxy form (duly signed and accomplished) enclosed with the Notice of the Meeting sent out by the Company.   |
| Notary                              | Corporate stockholders should provide a notarized Secretary's Certificate attesting to the appointment of its proxy for the Meeting and the authority of the person signing the proxy.   |
| Submission of Proxy                 | The Proxy form must be properly, signed, dated and returned by the stockholder on or before the business day preceding the scheduled validation of the proxies (June 14, 2013 for the 2013 Annual Stockholders' Meeting).  |
| Several Proxies                     | Stockholders of record who hold shares of the Company for a Beneficial Owner may (i) submit several Proxy Forms separately signed and accomplished by the Beneficial Owners of the shares, or (ii) submit a single duly signed and accomplished Proxy Form, indicating therein the total number of shares of the Beneficial Owners who have executed their individual Proxies in favor of the Stockholder of record. |
| Validity of Proxy                   | Proxies shall be valid only for use in voting at the Annual Stockholders' Meeting to be held on the date, time, and place stated in the Notice of the Meeting and at any postponements or adjournments thereof.  |
| Proxies executed abroad             | Proxies executed abroad shall be subject to the same requirements and rights as properly validated proxies executed locally.   |
| Invalidated Proxy                   | Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying Secretary's Certificate (for corporate shareholders) shall not be voted at the Meeting.  |
| Validation of Proxy                 | Validation of proxies is scheduled at least forty-eight (48) hours on a business day prior to the scheduled Annual Stockholders' Meeting (June 17, 2013 for the 2013 Annual Stockholders' Meeting) at the Company's principal office.<br><br>Validated proxies will be voted at the Meeting in accordance with the authority and / or instructions of the stockholder expressed therein.                             |
| Violation of Proxy                  | A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before the deadline for submission of the Proxy form; or (b) by appearing at the Meeting in person and expressing his intention to vote in person.  |

**(h) Sending of Notices**

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

| <b>Policies</b>   | <b>Procedure</b>   |
|---|--|
| In accordance with the Company's By-Laws, Notices containing the date, time, place and agenda of the Meeting are sent at least one (1) month prior to the | Notices of Meeting are given either by mail or by personal delivery to each stockholder as of Record Date at the address of such stockholder appearing |

|                      |   |
|----------------------|---|
| date of the Meeting. | in the corporate registry. Although the By-Laws does not require publication of Notices of Meetings, they are, by practice, published twice in a newspaper of general circulation at least one (1) week before the scheduled Meeting. |
|----------------------|---|

**(i) Definitive Information Statements and Management Report**

|  |   |
|--|---|
| <b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>  | 1,500 stockholders composed of brokers, corporations, banks, and holders of 5,000,000 and above shares. |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b> | May 17, 2013  |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>                                  | May 20, 2013  |
| <b>State whether CD format or hard copies were distributed</b>   | Both CD format and hard copies were distributed.  |
| <b>If yes, indicate whether requesting stockholders were provided hard copies</b>  | N.A.  |

**(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. | No, but the profiles of the directors are discussed in details on the Definitive Information Statement which are distributed to the stockholders together with the Notice of the Annual Stockholders' Meeting.   |
| The auditors to be appointed or re-appointed.   | No, but the auditors to be appointed or re-appointed are presented to the stockholders during the Annual Stockholders' Meeting.  |
| An explanation of the dividend policy, if any dividend is to be declared.   | No, but the dividend policy that the amount of cash dividends the Company will declare would be determined by its profitability and the amount of retained earnings, while giving due consideration to the funding requirements of the various projects in which the Company is involved is explained to the stockholders during the Annual Stockholders' Meeting as well as in the Company's Annual Report. |

|   |  |
|---|--|
| The amount payable for final dividends. | No, but the amount and rate of cash dividends are discussed to the stockholders during the Annual Stockholders' Meeting. |
| 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.

| Policies   | Implementation  |
|--|---|
| <p>The Board shall respect the rights of the stockholders, namely:</p> <p>1. Right to vote on all matters that require their consent or approval</p> | <ul style="list-style-type: none"> <li>• Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</li> <li>• Cumulative voting shall be used in the election of directors.</li> <li>• A director shall not be removed without cause if it will deny minority stockholders representation in the Board.</li> </ul>   |
| <p>2. Pre-emptive right to all stock issuances of the Company, unless otherwise denied in the Company's Articles of Incorporation</p>                | <ul style="list-style-type: none"> <li>• The stockholders have previously voted for the denial of pre-emptive subscription rights in the Company's Articles of Incorporation.</li> <li>• Notwithstanding the denial of pre-emptive rights embodied in the Company's Articles of Incorporation, all stockholders were given the right to subscribe in the last stock rights offering of the Company in 2008.</li> <li>• The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.</li> </ul> |
| <p>3. Right to inspect corporate books and records</p>   | <ul style="list-style-type: none"> <li>• All stockholders shall be allowed, upon prior written notice and during regular business hours, to inspect corporate books and records including the minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.</li> </ul>   |
| <p>4. Right to information</p>   | <ul style="list-style-type: none"> <li>• The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</li> <li>• The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the</li> </ul>   |

|                       |  |
|-----------------------|--|
|                       | <p>meeting, provided the items are for legitimate business purposes.</p> <ul style="list-style-type: none"> <li>The minority stockholders shall have access to any and all information relating to matters for which the Management is accountable for, and to those relating to matters for which the Management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".</li> </ul> |
| 5. Right to dividends | <ul style="list-style-type: none"> <li>Stockholders shall have the right to receive dividends subject to the discretion of the Board.</li> <li>The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, subject to some lawful exceptions.</li> </ul>   |
| 6. Appraisal right    | <ul style="list-style-type: none"> <li>The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code.</li> </ul>  |

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

Yes. The Company has a director nomination and election process that is implemented every Annual Stockholders' Meeting which ensures that all stockholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.

**K. INVESTORS RELATIONS PROGRAM**

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

The Board shall commit at all times to fully disclose material information dealings and shall cause the filing of all required information for the interest of the stakeholders. All regular reports and notices of the Company are immediately disclosed with the PSE/SEC and posted in the Company's website and Annual Report. Stakeholders can raise valid issues during Annual Meetings.

The Company also conducts regular staff meetings to enable employees to voice their issues and concerns to Management. The Company's CEO/ Executive Vice President/ chief financial officer/ and/or Compliance Officer reviews and approves major Company announcements.

The Company undertakes regular maintenance of its corporate website and sees to it that all regular disclosures of matters of material importance are immediately uploaded.

**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 | The Company shall establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. |
| (2) Principles | The Company shall continue to create wealth for its stockholders by having its management take an active role in its operations.                          |

|                                 |  |
|---------------------------------|--|
| (3) Modes of Communications     | The Company regularly updates its stockholders of operational developments through its corporate website and disclosures with the PSE and SEC, including the Annual Report.  |
| (4) Investors Relations Officer | The Company's CEO (Mr. Alfredo C. Ramos) and its chief financial officer (Mr. Reynaldo E. Nazarea) exercise oversight responsibility over the Company's investor relations program.<br>Tel. No. (632) 631.8151 to 52<br>(632) 631.1801 to 05<br>Fax No. (632) 631.8080 |

**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 complies with all the requirements of the Corporation Code requiring the approval by a majority vote of the Board of Directors and the ratification at a meeting by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock relative to the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers, sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the Company.

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

As the Audit Committee is responsible for internal control/risk management of the Company, it is tasked with the evaluation of the fairness of the transaction prices. Note, however, that the bases of all transaction prices are the prevailing market/commercial rates at the time of the transaction.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

| Initiative  | Beneficiary  |
|---|--|
| Corporate donations were made to institutions and/or organizations through their various programs that seek to promote awareness in the field of education and geoscience and in natural disaster response. | <ul style="list-style-type: none"> <li>• Municipality of El Nido, Palawan</li> <li>• U.P. Geology Alumni Association</li> <li>• U.P. Anthropology Department</li> <li>• Geological Society of the Philippines</li> <li>• U.P. Alumni Engineers</li> </ul>  |
| Humanitarian aid  | <ul style="list-style-type: none"> <li>• Relief and rehabilitation efforts for the victims of the 2013 Bohol earthquake</li> <li>• Relief and rehabilitation efforts for the victims of Typhoon Yolanda</li> <li>• Assisted in the construction of core houses for the Bohol earthquake victims through a partnership with Habitat for Humanity</li> <li>• Donated funds to the Philippine Red Cross</li> <li>• Provided logistical support for the delivery of relief goods and reconstruction materials to the municipalities of Coron and Culion which were also badly damaged by Typhoon Yolanda.</li> </ul> |

**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.**

|                             | <b>Process</b>  | <b>Criteria</b>   |
|-----------------------------|---|---|
| <b>Board of Directors</b>   | <p>The Company uses the evaluation system established by the SEC in its Memorandum Circular No. 5 series of 2003 (Self-Rating System on Corporate Governance).</p> <p>The Company undertakes a self-evaluation process every semester and any deviation from the Company's corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.</p> | <p>The Company uses the criteria set out in the SEC's Corporate Governance Self-Rating Form (CG-SRF) to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual.</p> |
| <b>Board Committees</b>     | Same as above   | Same as above   |
| <b>Individual Directors</b> | Same as above   | Same as above   |
| <b>CEO/President</b>        | Same as above   | Same as above   |

#### **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.**

| <b>Violations</b>   | <b>Sanctions</b>   |
|---|--|
| <p>The Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff shall be meted out with the appropriate penalties in case of violation of ANY of the provisions of the Company's corporate governance manual.</p> | <ul style="list-style-type: none"> <li>In case of first violation, the subject person shall be reprimanded.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>For third violation, the maximum penalty of removal from office shall be imposed.</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>The commission of a third violation of the corporate governance manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</li> </ul> |

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 Mandaluyong on \_\_\_\_\_, 2014.

**ADRIAN S. ARIAS**  
**Corporate Secretary/Compliance Officer**

**JUL 28 2014**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2014, affiant exhibiting to me his competent evidence of identity, as follows:

| Name            | Community Tax Certificate No./ID    | Date and Place of Issue  |
|-----------------|-------------------------------------|--------------------------|
| Adrian S. Arias | CTC No. 22756932<br>TIN 107-439-052 | 01/09/2014 - Mandaluyong |

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 Book No. CCX  
 Series of 2014.

**ATY. RAMON L. CARPIO**  
**NOTARY PUBLIC FOR PASIG CITY**  
 NO.: 2A WEST CAPITOL DRIVE  
 KAPITOLYO PASIG CITY  
 APPROVED BY SEC. NO. 63  
 WATTEL 12/18/2014  
 PTR NO. 9511/12/13/14 / PASIG CITY  
 IBP LIFE NO. 188975 / PASIG CITY  
 ROLL OF ATTORNEY'S NO. 22172  
 MCLE NO: IV-0006300 /6/19/12/ PASIG CITY

