


**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2016**
2. Exact Name of Registrant as Specified in its Charter **Xurpas Inc.**
3. **7<sup>th</sup> Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City 1227**  
Address of Principal Office Postal Code
4. SEC Identification Number **A200117708**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **219-934-330**
7. **(632) 889-6426**  
Issuer's Telephone number, including area code
8. **Not Applicable**  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS</b> .....	<b>4</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	4
(b) Corporate Governance Policy/ies.....	4
(c) Review and Approval of Vision and Vision.....	4
(d) Directorship in Other Companies.....	4
(e) Shareholding in the Company.....	6
2) CHAIRMAN AND CEO.....	6
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS....	7
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	7
5) CHANGES IN THE BOARD OF DIRECTORS.....	8
6) ORIENTATION AND EDUCATION PROGRAM.....	14
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS</b> .....	<b>14</b>
1) POLICIES.....	14
2) DISSEMINATION OF CODE.....	16
3) COMPLIANCE WITH CODE.....	16
4) RELATED PARTY TRANSACTIONS.....	16
(a) Policies and Procedures.....	16
(b) Conflict of Interest.....	17
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	17
6) ALTERNATIVE DISPUTE RESOLUTION.....	18
<b>C. BOARD MEETINGS &amp; ATTENDANCE</b> .....	<b>18</b>
1) SCHEDULE OF MEETINGS.....	18
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	18
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	18
4) QUORUM REQUIREMENT .....	18
5) ACCESS TO INFORMATION.....	19
6) EXTERNAL ADVICE.....	20
7) CHANGES IN EXISTING POLICIES.....	20
<b>D. REMUNERATION MATTERS</b> .....	<b>20</b>
1) REMUNERATION PROCESS.....	20
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	20
3) AGGREGATE REMUNERATION .....	21
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	21
5) REMUNERATION OF MANAGEMENT.....	22
<b>E. BOARD COMMITTEES</b> .....	<b>22</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	22
2) COMMITTEE MEMBERS.....	23
3) CHANGES IN COMMITTEE MEMBERS.....	26
4) WORK DONE AND ISSUES ADDRESSED.....	26
5) COMMITTEE PROGRAM.....	26
<b>F. RISK MANAGEMENT SYSTEM</b> .....	<b>27</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	27
2) RISK POLICY.....	27
3) CONTROL SYSTEM.....	28

<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>30</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	30
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	31
(b) Appointment/Removal of Internal Auditor.....	31
(c) Reporting Relationship with the Audit Committee.....	32
(d) Resignation, Re-assignment and Reasons.....	32
(e) Progress against Plans, Issues, Findings and Examination Trends.....	32
(f) Audit Control Policies and Procedures.....	32
(g) Mechanisms and Safeguards.....	32
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>33</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>35</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>37</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	37
2) TREATMENT OF MINORITY STOCKHOLDERS.....	42
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>42</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>43</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>43</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>43</b>

**A. BOARD MATTERS**

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)
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Actual number of Directors for the year	Seven (7)
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Nico Jose S. Nollo	ED	N/A	Jose Vicente T. Colayco	2001	May 11, 2016	Annual	Since 2001
Fernando Jude F. Garcia	ED	N/A	Jose Vicente T. Colayco	2001	May 11, 2016	Annual	Since 2001
Raymond Gerard S. Racaza	ED	N/A	Jose Vicente T. Colayco	2001	May 11, 2016	Annual	Since 2001
Wilfredo O. Racaza	NED	N/A	Jose Vicente T. Colayco	2001	May 11, 2016	Annual	Since 2001
Mercedita S. Nollo	NED	N/A	Jose Vicente T. Colayco	2001	May 11, 2016	Annual	Since 2001
Jonathan Gerard A. Gurango	ID	N/A	Jose Vicente T. Colayco – No relationship	2014	May 11, 2016	Annual	Since December 2014
Alvin D. Lao	ID	N/A	Jose Vicente T. Colayco – No relationship	2014	May 11, 2016	Annual	Since December 2014

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

**The Board of Directors of Xurpas Inc. (the “Company”) approved and adopted its Manual on Corporate Governance on December 7, 2011. The Board of Directors (the “Board”) is primarily responsible for the governance of the Company. Corollary to setting the strategies and policies to accomplish the corporate objectives, it shall provide an independent check on Management. The Board shall likewise review and comment on the strategic directions identified by Management. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company’s performance, position, and prospects.**

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

**The Board reviews and approves the vision and mission as often as necessary.**

(d) Directorship in Other Companies

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

(i) Directorship in the Company's Group<sup>1</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.
Nico Jose S. Nolleto	Xurpas Enterprise Inc.	Non-Executive, Chairman
	Xeleb Technologies Inc. <sup>2</sup>	Non-Executive
	Yondu Inc.	Non-Executive, Chairman
	Storm Technologies, Inc.	Non-Executive, Chairman
	Xeleb Inc.	Non-Executive
	Seer Technologies Inc.	Non-Executive, Chairman
	Altitude Games Inc.	Non-Executive
	Altitude Games Pte Ltd.	Non-Executive
	MatchMe Pte Ltd.	Non-Executive
	Micro Benefits Limited	Non-Executive
	Art of Click Pte. Ltd.	Non-Executive
Raymond Gerard S. Racaza	Xurpas Enterprise Inc.	Executive
	Xeleb Technologies Inc.	Executive, Chairman
	Yondu Inc.	Non-Executive
	Storm Technologies, Inc.	Non-Executive
	Xeleb Inc.	Executive, Chairman.
	Seer Technologies Inc.	Non-Executive
Fernando Jude F. Garcia	Xurpas Enterprise Inc.	Non-Executive
	Xeleb Inc.	Non-Executive
Wilfredo O. Racaza	None	None
Mercedita S. Nolleto	None	None
Jonathan Gerard A. Gurango	None	None
Alvin D. Lao	Xeleb Technologies Inc.	Independent

(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.
Mercedita S. Nolleto	Bank of the Philippine Islands	Non-Executive
	D&L Industries, Inc.	Independent
Alvin D. Lao	D&L Industries, Inc.	Executive

(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:

**Mr. Nico Jose S. Nolleto, Chairman and Chief Executive Officer of the Company, is the son of Atty. Mercedita S. Nolleto, a director. Mr. Raymond Gerard S. Racaza, director, President and Chief Operating Officer of the Company, is the son of Mr. Wilfredo O. Racaza, also a director.**

<sup>1</sup> The Group is composed of the parent, subsidiaries, and associates of the company.

<sup>2</sup> Mr. Nico Jose S. Nolleto ceased to be a director of Xeleb Technologies Inc. effective March 13, 2017.

**There are no family relationships between the current members of the Board and the key officers other than the above.**

- (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:

**There is no director in the Company that holds more than five board seats in other publicly listed companies. As stated in the Manual of Corporate Governance of the Company, a director shall exercise due discretion in accepting and holding directorships outside of Xurpas Inc. A director may hold any number of directorships outside of Xurpas provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Company.**

- (e) Shareholding in the Company

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

Name of Director	Number of Direct shares <sup>1</sup>	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Nico Jose S. Nolleto	415,765,960	0	22.39%
Raymond Gerard S. Racaza	415,765,960	0	22.39%
Fernando Jude F. Garcia	415,765,960	0	22.39%
Mercedita S. Nolleto	2,178,338	0	0.12%
Wilfredo O. Racaza	1,060	0	0.00%
Jonathan Gerard A. Gurango	169,399	0	0.01%
Alvin D. Lao	1,084,010	0	0.06%
<b>TOTAL</b>	<b>1,250,730,687</b>		<b>67.35%</b>

2) Chairman and CEO

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

Yes  No

Identify the Chair and CEO:

Chairman of the Board	Nico Jose S. Nolleto
CEO	Nico Jose S. Nolleto
President	Raymond Gerard S. Racaza

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	The Chairman shall, when present, preside at all meetings of the Board and	Minimum internal control mechanisms for management's

<sup>1</sup> Shareholdings as of May 20, 2017.

	shall advise and counsel the President.	operational responsibility shall center on the President/Chief Executive Officer, being ultimately accountable for the Company's organizational and procedural controls.
Accountabilities/ Deliverables	<ol style="list-style-type: none"> <li>1. Schedule meetings to enable the Board to perform its duties responsibly;</li> <li>2. Prepare the meeting agenda;</li> <li>3. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;</li> <li>4. Assist in ensuring compliance with the Company's guidelines on corporate governance; and</li> <li>5. Such other responsibilities as the Board may impose upon him.</li> </ol>	<ol style="list-style-type: none"> <li>1. See that all orders and resolutions of the Board are carried into effect;</li> <li>2. Submit to the Board a complete report of the operations of the Company for the preceding year, and the state of its affairs;</li> <li>3. Report to the Board all matters within its knowledge, which the interest of the Company may require to be brought to their notice; and</li> <li>4. Such other responsibilities as the Board may impose upon him.</li> </ol>

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

**The Manual on Corporate Governance of the Company provides that the Board of Directors shall adopt an effective succession planning for Management. They shall also adopt a succession planning for senior management and key positions in the Company.**

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

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

**The Manual on Corporate Governance enumerates the requirements necessary to qualify as a Director of the Company. The Manual on Corporate Governance states the relevant qualifications such as previous business experience, membership in good standing in the relevant industry and membership in business or professional organization are considered in electing a Director. The Company ensures that there is diversity of experience in its Board. One of its directors is a member of the Philippine Bar and a Certified Public Accountant.**

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. One non-executive director of the Company is also engaged in the technology industry, specifically on software. He is engaged in a company that provides business software solutions built on the Microsoft technology platform.**

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

**The Company's By-Laws provides that the Board (including all executive and non-executive directors as well as independent directors) shall have the following powers:**

1. From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the Company's business and affairs;
2. To purchase, receive, take or otherwise acquire for and in the name of the Company, any and all properties, rights or privileges, including securities and bonds of other corporations, for such

- consideration and upon such terms and conditions as the Board may deem proper or convenient;
3. To invest the funds of the Company in other corporations or for purposes other than those for which the Company was organized, subject to such stockholders' approval as may be required by law;
  4. To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage or otherwise encumber all or part of the properties of the Corporation;
  5. To establish pension, retirement, bonus or other types of incentives or compensation plans for the employees, including officers and directors of the Company;
  6. To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Company or its officer are either plaintiffs or defendants in connection with the business of the Company;
  7. To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the Company to any standing or special committee or to any officer or agent and to appoint any person to be agent of the Company with such powers and upon such terms as may be deemed fit;
  8. To implement these by-laws and to act on any matter not covered by these by-laws provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

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

**The Company defines "Independence" as one who is independent of management. The Company requires that Independent directors must be independent of management and, apart from their fees and shareholdings, are free from any business or other relationship with the Company, which will or will reasonably be perceived to, materially interfere with their exercise of their independent judgment in carrying out their responsibilities.**

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

**The Company shall comply with the provisions of the SEC Memorandum Circular No. 9, Series of 2011, which states that independent directors can serve as such for five (5) consecutive years, followed by a cooling off period of two (2) years.**

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:

**There has been no change in the composition of the Board of Directors due to resignation/death/removal.**

(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 (ii) Non-Executive Directors	All nominations for the election of directors by the stockholders shall be submitted in writing to the nomination and election committee at least thirty (30) days before the scheduled date of the annual stockholders'	At least one (1) share of the capital stock of the Corporation; A college degree or its equivalent or adequate competence and understanding of fundamentals of doing business or sufficient



	<p>meeting.</p> <p>Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed during the annual stockholders' meeting.</p> <p>The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.</p>	<p>experience and competence in managing a business substitute for such formal education;</p> <p>Relevant qualification, such as previous business experience, membership in good standing in relevant industry and membership in business or professional organization; and</p> <p>Possesses integrity, probity and shall be diligent and assiduous in the performance of his function.</p>
(iii) Independent Directors	Same as above	<p>At least one (1) share of capital stock of the Corporation;</p> <p>At least a college graduate, or have adequate understanding or familiarity in the industry where the Corporation is currently engaged for at least five (5) years;</p> <p>Relevant qualification, such as previous business experience, membership in good standing in relevant industry and membership in business or professional organization; and</p> <p>Possesses integrity, probity and shall be diligent and assiduous in the performance of his function.</p>
<b>B. Re-Appointment</b>		
(i) Executive Directors	Same as above.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>C. Permanent Disqualification</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors		<p>Engaged in any business that competes with or is antagonistic to that of the Corporation;</p> <p>Any person convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or similar</p>

		<p>fraudulent acts or transgressions;</p> <hr/> <p>Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election as Director;</p> <hr/> <p>Any person judicially declared to be insolvent;</p> <hr/> <p>Any person who has been finally convicted by a competent judicial or administrative body of the following:</p> <ul style="list-style-type: none"> <li>a. crime involving purchase or sale of securities;</li> <li>b. crime arising 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</li> <li>c. crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> </ul> <hr/> <p>Any person who, by reason of misconduct, after hearing or trial, is permanently enjoined by final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</p> <ul style="list-style-type: none"> <li>a. acting as an underwriter, broker, dealer,</li> </ul>
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		<p>investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker;</p> <p>b. acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company;</p> <p>c. willfully violating the laws that govern securities and banking activities;</p> <hr/> <p>If the director is subject of an effective order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him by the Commission or Bangko Sentral ng Pilipinas, or has been otherwise restrained to engage in any activity involving securities and banking or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling from membership, participation or association with a member or participant of the organization;</p> <hr/> <p>Any person found guilty by final judgment of a foreign court or financial regulatory of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause;</p> <hr/> <p>Any person who has previously committed acts causing undue injury to the</p>
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		<p>Corporation, its subsidiaries or affiliates, or committed acts causing injury to another corporation while acting as an officer or director;</p> <hr/> <p>Any person who previously committed gross negligence or bad faith in directing the affairs of another corporation where he served as an officer or director;</p> <hr/> <p>Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Corporation Code, Securities Regulation Code, as well as those that may be approved by the Board of Directors; and</p> <hr/> <p>For Independent Directors:</p> <ol style="list-style-type: none"> <li>a. When he becomes an officer, employee or consultant of the Corporation;</li> <li>b. The Additional grounds for disqualification under Rule 38 of the Amended Implementing Rules and Regulations by the Securities and Regulations Code;</li> </ol>
<b>d. Temporary Disqualification</b>		
<p>(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors</p>	<p>Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.</p> <hr/> <p>A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reason, the disqualification shall become permanent.</p>	<p>Refusal to fully disclose the extent of his business interest as required under the Securities and Regulations Code and its implementing Rules and Regulation;</p> <hr/> <p>Absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, of the Board of Directors, during his incumbency or any 12 month period during said incumbency, unless the</p>

		<p>absence is due to illness, death in the immediate family, or serious accident. This disqualification shall be in effect as long as his refusal persists;</p> <p>Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity. This disqualification applies for purposes of the succeeding election;</p> <p>Being under preventive suspension by the Company for any reason; and</p> <p>Conviction that has not yet become final referred to in the grounds for permanent disqualification of directors.</p>
<b>e. Removal</b>		
(i) Executive Directors	Any director of the Company 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 at a regular meeting of the Company or at a special meeting called for such purpose.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	None at the moment	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	None at the moment	
(ii) Non-Executive Directors		
(iii) Independent Directors		

**Voting Result of the 2016 Annual Stockholders' Meeting:**

Name of Director	Votes Received
Nlco Jose S. Nollodo	1,406,285,745
Raymond Gerard S. Racaza	1,406,282,495
Fernando Jude F. Garcia	1,406,231,995
Mercedita S. Nollodo	1,388,999,185
Wilfredo O. Racaza	1,389,000,085

Alvin D. Lao	1,458,667,419
Jonathan Gerard A. Gurango	1,457,917,179

6) Orientation and Education Program

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

**None.**

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

**January 26, 2015**

**Sycip Gorres Velayo & Co. (SGV)**

**Creating Advantage through Corporate Governance**

**February 15, 2016**

**Sycip Gorres Velayo & Co. (SGV)**

**Updates on Philippine Practices on Corporate Governance & Enterprise Risk Management**

(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
Nico Jose S. Nollobo Raymond Gerard S. Racaza Fernando Jude F. Garcia Wilfredo O. Racaza	January 26, 2015	Creating Advantage through Corporate Governance	Sycip Gorres Velayo & Co.
Nico Jose S. Nollobo Raymond Gerard S. Racaza Fernando Jude F. Garcia Wilfredo O. Racaza	February 15, 2016	Updates on Philippine Practices on Corporate Governance & Enterprise Risk Management	Sycip Gorres Velayo & Co.

**B. CODE OF BUSINESS CONDUCT & ETHICS**

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

Business Conduct & Ethics	Directors	Officers	Employees
(a) Conflict of Interest	Conflict of Interest exists when the Company's business judgment is influenced, or appears to be influenced, by the possibility of personal benefit.  Should a conflict of interest arise, the same should be disclosed immediately. A director or officer who is involved in a conflict of interest is prohibited from participating in the decision-making process of the said matter.		Conflict of Interest exists when the Company's business judgment is influenced, or appears to be influenced, by the possibility of personal benefit.  Should a conflict of interest arise, the same should be disclosed immediately.
(b) Conduct of Business and Fair Dealings	It is a duty of a Director to conduct fair business transactions		Employees, supervisors and managers of the Company must follow the highest

	with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire or advantage for himself and/or his related interests.		standards of ethical behavior in the course of their work to ensure that public confidence and trust are maintained. The Company and all its employees must be above suspicion and beyond reproach, and must be perceived in this manner.
(c) Receipt of gifts from third parties	It is a duty of a Director to conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire or advantage for himself and/or his related interests.		Employees, supervisors and managers of the Company must follow the highest standards of ethical behavior in the course of their work to ensure that public confidence and trust are maintained. The Company and all its employees must be above suspicion and beyond reproach, and must be perceived in this manner
(d) Compliance with Laws & Regulations	It is the duty of the Board that the Company complies with all relevant laws, regulation and as far as possible best business practices.		Employees, supervisors and managers of the Company shall comply with all relevant laws, regulation and as far as possible, best business practices. All information that comes to their knowledge will remain strictly confidential, in accordance with applicable laws, such as the Data Privacy Act.
(e) Respect for Trade Secrets/Use of Non-public Information	The Company's Code of Conduct provides that all employees, directors, executives, supervisors, managers and officers must hold in confidence any information obtained about a customer, supplier or employee in the performance of their duties consistent with the requirements of the workplace and legislation.		
(f) Use of Company Funds, Assets and Information	It is a duty of a Director to conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions.	All employees have the responsibility to protect and safeguard the Company's assets and to only use Company resources for legitimate and authorized business purposes.	
(g) Employment & Labor Laws & Policies	The Human Resources (HR) department ensures that the Company is compliant with all employment and labor laws and policies		
(h) Disciplinary action	The Company is currently in the process of finalizing the procedure under which a director may be subject to disciplinary action.	Imposition of disciplinary action is discretionary upon the Board and/or the Executive Committee	The Company observes procedural and substantive due process prior to the imposition of disciplinary actions.
(i) Whistle Blower	The Company encourages all employees and/or third persons to raise concerns regarding any form of impropriety and/or malpractice in the performance of the Company's business.		

(j) Conflict Resolution	The Company has a policy of resolving disputes through various informal, involuntary and consensual techniques.	If the officers cannot resolve disputes among themselves through various informal and voluntary means, the officers concerned must report any conflict to the Board of Directors for proper action.	If the employees cannot resolve disputes among them through various informal and voluntary means, the employees concerned must report the conflict to their respective supervisors who shall either resolve the dispute or endorse the same to the Human Resource Department for proper action.
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2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

**Yes. The Code of Conduct has been disseminated to all directors, senior management and employees.**

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

**The Company regularly evaluates compliance with the requirements of the Manual of Corporate Governance, Code of Conduct and other related rules and regulations.**

4) Related Party Transactions

(a) Policies and Procedures

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

**The Company mandates that transactions with a related party are carefully reviewed and approved to ensure that the same is made within arm's length and its terms are fair.**

**A related party shall refer to:**

- a. Directors, officers or stockholders of the Company;**
- b. Relatives within the second degree of consanguinity or affinity of the Company's directors, officers or stockholders;**
- c. Entities that are directly or indirectly owned by the Company and/or its subsidiaries/affiliates or entities that exert control over the Company;**
- d. Entities which a director, officer or stockholder of the Company owns or controls.**

**A related party transaction is defined as any transaction, arrangement or relationship in which the aggregate amount involved will or may exceed Php10,000,000.00 in any year where a related party has or will have a direct or indirect material interest. No related party transaction shall exist, even if the transaction, arrangement or relationship reaches the threshold amount, if the said transaction is done in the Company's ordinary course of business or with regard to auxiliary services given to employees as part of employee benefits.**

**A related party shall be required to report any potential related party transaction to the Company's Related Party Transactions Committee. Upon determination of the existence of a related-party transaction, the Committee shall evaluate the same, as well as its relevant details to see if the terms thereof are no less favorable to the Company than terms available to any unconnected third party under the same or similar circumstances. The Committee's findings shall thereafter be submitted to the Company's Board of Directors for approval. Should a director be involved in such related-party transaction, he shall not be allowed to participate in the decision-making in connection with said matter.**



(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.

**Should a conflict of interest arise, the same should be disclosed immediately. A director or officer who is involved in a conflict of interest is prohibited from participating in the decision making process of said matter.**

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>1</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Mr. Nico Jose S. Nollado and Mrs. Mercedesita S. Nollado	Family	Mr. Nico Jose S. Nollado is the son of Mrs. Mercedesita S. Nollado
Mr. Raymond Gerard S. Racaza and Mr. Wilfredo O. Racaza	Family	Mr. Raymond Gerard S. Racaza is the son of Mr. Wilfredo O. Racaza

(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:

**Not applicable.**

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

**Not applicable.**

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.

<sup>1</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Alternative Dispute Resolution System	
Corporation & Stockholders	As of date, there are no disputes between the Company and any of its Stockholders, third parties and regulatory authorities that would require adoption of an alternative dispute resolution system.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

### C. BOARD MEETINGS & ATTENDANCE

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

**Meetings of the Board of Directors are scheduled before a particular meeting.**

According to the By-laws of the Company, regular meetings of the Board shall be held every quarter. The date, time and place shall be indicated in the Notice of Meeting. The Corporate Secretary shall send out the Notice of Meeting at least two (2) business days before the date of the meeting by delivery, fax, electronic mail, or short messaging system (SMS) to each director, or by other means of written or printed communication generally accepted and used by the business community as at present available through or as may be made available through technical advances or innovations in the future.

- 2) Attendance of Directors for the year 2016

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Nico Jose S. Nollado	2001	13	11	84.62%
Member	Raymond Gerard S. Racaza	2001	13	11	84.62%
Member	Fernando Jude F. Garcia	2001	13	12	92.31%
Member	Mercedita S. Nollado	2001	13	10	76.92%
Member	Wilfredo O. Racaza	2001	13	13	100.00%
Independent	Jonathan Gerard A. Gurango	2014	13	13	100.00%
Independent	Alvin D. Lao	2014	13	13	100.00%

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

**No, the non-executive directors do not have a separate meeting without the presence of any executive.**

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

**No. The By-laws of the Company provide that a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all members of the Board.**

5) Access to Information

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

**Notice and Agenda are given to the directors at least two (2) business days before the scheduled board meeting.**

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

**Yes, the Manual on Corporate Governance provides that the Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is obliged to provide the Board with complete, adequate information on the operations and affairs of the Company in a timely manner. The Board shall have separate and independent access to 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 Corporate Secretary is expected to work fairly and objectively with the Board, Management, the stockholders and other stakeholders. The Manual on Corporate Governance provides that he has the following functions:**

- **Serve as an adviser to the directors on their responsibilities and obligations;**
- **Keep the minutes of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book kept for that purpose, shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;**
- **Keep in safe custody the seal of the Company and affix it to any instrument requiring the same;**
- **Have charge of the stock certificate book and such other books and papers as the Board may direct;**
- **Attend to the giving and serving of notices of Board and shareholder meetings;**
- **Be fully informed and be part of the scheduling process of other activities of the Board;**
- **Prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;**
- **Oversee the adequate flow of information to the Board prior to meetings; and**
- **Ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange, if applicable.**

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

**The Corporate Secretary is a member of the Philippine Bar. Aside from his bachelor of laws degree, he has attended certificate courses in Finance.**

(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	Members of all board committees may always ask for information necessary to be able to prepare in advance for the meetings of different committees.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

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

Procedures	Details
Directors may receive external advice as may be requested.	

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:

**No change has been introduced by the Board that may have an effect on the business of the Company.**

**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:

**The Compensation and Remuneration Committee has the responsibility of establishing a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. They also designate the 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.**

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.

**The Compensation and Remuneration Committee has the responsibility of establishing a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. They also designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to manage the Company successfully.**

**For 2016 Board Meetings, the Chairman is given Php25,000.00 per diem while directors are given Php20,000 per diem for every attended Board Meeting. There is no distinction between executive and non-executive directors as to their compensation.**

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.

**The By-Laws of the Company provide that each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10% of the net income before tax of the Company during the preceding year.**

**The Compensation and Remuneration Committee evaluates and recommends the compensation of the board of Directors. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper.**

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	None		
(b) Variable Remuneration	None		
(c) Per diem Allowance	The Chairman is entitled to Php25,000.00 per diem while directors are entitled to Php20,000.00 per diem.	Php20,000.00	Php20,000.00
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments	None		
(f) Others (Specify)	None		

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

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:

**As of December 31, 2016, there are no stock rights, options or warrants over the Company's shares held by directors or officers.**

(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
Employee Stock Option Plan	None	This was approved by the Stockholders on May 11, 2016. The Company's Employee Stock Option Plan is still pending with the Securities and Exchange Commission and Philippine Stock Exchange.

5) Remuneration of Management

The total Compensation received by the top five (5) executive officers of the Company for 2016:

Name of Officer	Position	Total Remuneration
Nico Jose S. Nolloedo	Chief Executive Officer	<b>Php19,878,809.86</b>
Fernando Jude F. Garcia	Chief Technology Officer	
Raymond Gerard S. Racaza	President and Chief Operating Officer	
Jose Vicente T. Colayco	Treasurer and Chief Business Development Officer	
Alfonso A. Tagaysay	Chief Marketing Officer	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	0	0	Yes	Except as provided in Section 35 of the Corporation Code, the Executive Committee shall have and exercise all such other powers as may be delegated to it by the Board of Directors.		
Audit and Risk	2	1	1	Yes	The Audit and Risk Committee is expected, through the provisions of checks and balances, to bring positive results in supervising and supporting the management of the Company.		
Nomination	2	1	1	Yes	The Nomination Committee shall be responsible for the promulgation of the guidelines and selection of the members of the Board of Directors as well as the key officers of the Company.		
Compensation and Remuneration	2	0	1	Yes	The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an		

					independent director. It is responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.
Finance	3	0	0	Yes	The Finance Committee shall be responsible for reviewing and evaluating the financial affairs of the Company.

## 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	Nico Jose S. Nollobo	May 11, 2016	4	4	100	2
Member (ED)	Raymond Gerard S. Racaza					
Member (ED)	Fernando Jude F. Garcia					

### (b) Audit and Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Alvin D. Lao	May 11, 2016	4	4	100	2
Member (ED)	Raymond Gerard S. Racaza		4	4	100	2
Member (NED)	Mercedita S. Nollobo		4	4	100	2
Member (ED)	Fernando Jude F. Garcia		4	4	100	1

Disclose the profile or qualifications of the Audit Committee members.

**Mr. Alvin D. Lao, 45, is an Independent Director of the Company. Mr. Lao is also the President and Chief Executive Officer of D&L Industries, Inc. He is currently the independent director of Xeleb Technologies Inc. He is also the Chief Financial Officer and Treasurer of Chemrez Technologies Inc. He serves as Director of Axis REIT, a real estate investment trust listed in Malaysia and as a Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology), and is a past president and current member of the Entrepreneurs Organization (EO, Philippine Chapter). He is also a member of the Financial Executives Institute of the Philippines (FINEX) and the Wallace Business Forum. He is a director of Enderun Colleges, Gurango Software Corporation, First in Colours, Incorporated, D&L Polymer and Colours, Incorporated, FIC Tankers Corporation, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Science degree in Information Technology (Honours) and Statistics. He also holds a Masters degree in Business Administration from the MIT Sloan School of Management.**

**Mr. Raymond Gerard S. Racaza, 39 is a co-founder and currently the President and Chief Operating Officer of the Company. He is also the Chairman, President and Chief Executive Officer of Xeleb Technologies Inc. He is responsible for the overall business operations of the Company, such as carrier-relationship management, marketing, product design, and other core Company services. Before founding the Company, he was a Senior Solutions Consultant of Wireless Internet Solutions, Inc. and was part of the original development team of iAyala that built the first Wireless Application Protocol (WAP) site in the Philippines.**

In 2016, Mr. Racaza was recognized as Executive of the Year in the consumer non-durables category of the International Business Awards. Mr. Racaza holds a Bachelor of Science degree in Computer Science, Major in Information Technology from De La Salle University.

Atty. Mercedita S. Nollo do, 74, is a director of the Company. Atty. Nollo do is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank and BPI Capital Corporation, Anvaya Golf and Nature Club, Inc., Honda Cars Makati, Inc., Automotive Isuzu Dealership, Iconic Dealership, Inc. and Ayala Automotive Holdings. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nollo do was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nollo do placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar examination. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nollo do holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Mr. Fernando Jude F. Garcia, 43, is a director of the Company and has been its Chief Technology Officer since 2001. He served as Corporate Secretary of the Company until December 2014. He created the Company's Griffin Platform, the mobile consumer content gateway and platform for all of the Company's mobile consumer content products and services. He also created the Company's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Company's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS). He is also responsible for architecting the Company's fully Cloud-based system infrastructure. Before founding the Company, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

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

The Manual on Corporate Governance provides that the Audit and Risk Committee shall provide oversight over the Company's internal and external auditors. The particular duties and responsibilities of the Audit and Risk Committee are as follows:

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
- Be responsible for the setting up of an internal audit department and consider the appointment of the chief audit executive; establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;
- Ensure that internal auditors have free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
- Provide oversight of the Company's internal and external auditors;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following:



- A definitive timetable within which the accounting system of the Company will be compliant with International Accounting Standards (IAS); and
  - An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;
  - Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that the management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
  - Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with the accounting standards, and compliance with tax, legal and stock exchange requirements;
  - Recommend and review the appointment of external auditors and their remuneration; and
  - Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in the relation to the Company's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of non-audit work shall be disclosed in the annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Nico Jose S. Nollado	May 11, 2016	1	1	100	2
Member (ED)	Raymond Gerard S. Racaza					
Member (NED)	Mercedita S. Nollado					
Member (ID)	Jonathan Gerard A. Gurango					

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Raymond Gerard S. Racaza	May 11, 2016	1	1	100	2
Member (ED)	Fernando Jude F. Garcia					
Member (ID)	Jonathan Gerard A. Gurango					

(e) Others: Finance 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	Raymond Gerard S. Racaza					

Member (ED)	Nico Jose S. Nolledo	May 11, 2016	1	1	100	2
Member (ED)	Fernando Jude F. Garcia					

### 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		No change
Audit and Risk		
Nomination		
Compensation and Remuneration		
Finance (specify)		

### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	<ul style="list-style-type: none"> <li>Discuss strategies and potential acquisitions to be presented to the Board</li> <li>Overall direction of the Company</li> </ul>	
Audit and Risk	<ul style="list-style-type: none"> <li>Complied with duties and responsibilities under the Manual on Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>Approval of Quarterly financial statements</li> <li>Review of the 2016 audited financial statements and discussion with External Auditor of areas of audit emphasis and issues;</li> <li>Review and approval of the external audit work and all audit fees;</li> <li>Review of quarterly financial statements</li> </ul>
Nomination	<ul style="list-style-type: none"> <li>Screened the nominations for the election of directors for the year 2016</li> </ul>	
Compensation and Remuneration	<ul style="list-style-type: none"> <li>Fixed the remuneration packages of corporate officers and directors for 2017.</li> </ul>	
Others: Finance	<ul style="list-style-type: none"> <li>Conducted an annual financial review, and operations review, which covers the financial activities of the Company during the immediately preceding year.</li> </ul>	

### 5) Committee Program

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

**The Committees will monitor activities and will review matters within the scope of their duties and responsibilities.**

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

**The Board of Directors has the responsibility of ensuring the presence of organizational and procedural controls, supported by an effective management informational system and risk management reporting system.**

(a) Overall risk management philosophy of the company;

**The Company aims to identify, measure, monitor and control all forms of risks that may affect the Company.**

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

**There is no statement issued for the year 2016. The Audit Committee reviews the effectiveness of risk management system employed by the Company.**

(c) Period covered by the review;

**For the year 2016.**

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

**The risk management system is discussed and reviewed annually.**

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

**Not applicable.**

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Credit risk is the risk of loss that the Company would incur if counterparties default on their contractual obligations.  The Company monitors its exposure to credit risk on a continuous basis.	<ul style="list-style-type: none"> <li>To identify and monitor such risks on an ongoing basis;</li> <li>To minimize and mitigate such risks; and</li> <li>To provide a degree of certainty about costs.</li> </ul>
Liquidity Risk	Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.  The Company policy is to manage said risk by closely monitoring its future and contingent obligations and setting up the required cash reserves.	<ul style="list-style-type: none"> <li>To be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts.</li> </ul>
Operational Risk	Operational risk is the risk of	<ul style="list-style-type: none"> <li>To identify and monitor such</li> </ul>

<ul style="list-style-type: none"> <li>• Short Term Contract with Telcos</li> <li>• Reliance on Senior management and retention of qualified and competent personnel</li> <li>• Ability to adapt to new technologies</li> <li>• Increased regulation</li> </ul>	<p>change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses.</p> <p>The Company's policy is to manage said risk through continuous risk identification, risk assessment, and implementation of risk controls.</p>	<p>risks on an ongoing basis;</p> <ul style="list-style-type: none"> <li>• To minimize and mitigate such risks; and</li> <li>• To provide a degree of certainty about costs.</li> </ul>
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(b) Group

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

**The Group's risk management policies are essentially the same as those implemented by the Company.**

(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
None has been identified. Minority Shareholders' rights are duly protected under the By-Laws of the Company.

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 (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Liquidity Risk	In addition to daily monitoring, input from the Company's Chief Finance Officer is considered in assessing the liquidity of the Company.	<p>The Company manages said risk by closely monitoring its future and contingent obligations and setting up the required cash reserves.</p> <p>The Company covers its short-term to long term-funding requirements through the use of internally generated funds and available short-term credit facilities. As may be appropriate, these short-term credit facilities may be converted into medium term loans to support expenditures which are long-term in nature.</p> <p>Credit facilities are obtained from designated banks at amounts based on financial forecast approved by the Board of Directors.</p>

Credit Risk	In addition to internal control reviews, input from the Company's external legal counsel is considered in contracting with counterparties.	The Company manages said risk through imposition of transaction limits. It also manages its credit risk by closely monitoring the same.
Operational Risk <ul style="list-style-type: none"> <li>• Short Term Contract with Telcos</li> <li>• Reliance on Senior management and retention of qualified and competent personnel</li> <li>• Ability to adapt to new technologies</li> <li>• Increased regulation</li> </ul>	In addition to daily monitoring, inputs from the appropriate Company employees and officers are considered in assessing operational risk.	The Company manages said risk through continuous risk identification, risk assessment, risk decision-making and implementation of risk controls. <ul style="list-style-type: none"> <li>• The Company is working on expanding its mobile operator client base to Telcos or other mobile operators outside of the Philippines and within the South East Asia Region.</li> <li>• The Company institutionalizes critical operational systems and procedures to be able to lessen over-dependence on individuals. The Company also establishes organizational development policies and procedures to ensure continuous development of its officers and staff.</li> <li>• The Company continues to pursue diversification of its products and client base.</li> <li>• The Company has a legal team that monitors and periodically advises the Company on recent or emerging trends and developments in the regulation of the Company's business.</li> </ul>

(b) Group

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

**The Group's risk control system is essentially the same as that implemented by the Company.**

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Risk Committee	Close coordination with the Company's Compliance Officer and the external legal counsel	Checks all financial reports against compliance with the internal financial management handbook, applicable accounting standards, and regulatory requirements; performs oversight financial

		management functions; pre-approves all audit plans, performs direct interface functions with the external auditors of the Company; elevates international standards the accounting and auditing processes and practices of the Company; and develops a transparent financial management system that will ensure the integrity of internal control activities throughout the Company.
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## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

**The Manual on Corporate Governance provides that the Board has the responsibility of ensuring the presence and adequacy of internal control mechanisms for good governance. The Minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:**

- **Ensure the presence of organizational and procedural controls, supported by an effective management informational system and risk management reporting system;**
- **Reviewing conflict of interest and providing appropriate remedial measures for the same;**
- **Appointing a CEO with the appropriate ability, integrity and experience to fill the role, and defining the duties and responsibilities of the CEO;**
- **Reviewing proposed senior management appointment;**
- **Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;**
- **Institutionalizing the internal audit function; and**
- **Ensuring the presence of, and regularly reviewing, the performance of quality of external audit.**

For items (b) to (e)

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

**No statement has been issued. The Internal Audit Group shall provide the Board, Management and Stockholders with reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with. It has the duty to review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.**

**The Internal auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing.**

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 Internal Audit Group shall provide the Board, Management and the stockholder with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.</p>	<ul style="list-style-type: none"> <li>The Internal Audit Group shall perform its auditing function faithfully by maintaining independence from the management and controlling shareholders.</li> <li>The Internal Auditors shall have free and full access to all of the Corporation's records, properties and personnel relevant to and required by its function and the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results.</li> </ul>	<p>Outsource</p>	<p>Erick Andrew R. Olonan</p>	<p>The Internal Audit Group shall be headed by a Chief Audit Executive. They shall report to the Audit and Risk Committee of the Board of Directors.</p>

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

**The Audit and Risk Committee is responsible for the setting up and establishment of the internal audit committee.**

- (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 Audit Group reports to the Audit and Risk Committee. It has free and full access to all of the Company’s records, properties and personnel relevant to and required by its function and all of its internal audit activities are free from interference in determination of its scope, performance of its work and communicating its results.**

- (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.

**There has been no resignation or transfer in the internal audit department of the Company.**

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

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

**The Internal Audit Group is currently preparing an audit plan which shall include recommendations for improvement as to the over-all process of the Company. The Company, upon receipt of this report shall review its existing policies and procedures to consider the suggested changes and improvements of functions within the Company.**

- (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.”

**The Company follows certain policies and procedures in relation to its over-all operations. The Company is currently updating its policies and procedures to consider changes, improvements and realignment of functions within the Company.**

- (g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>The mechanism established by the Company to safeguard the independence of the auditors is through the establishment of the Audit and Risk Committee.</p> <p>The Audit and Risk Committee is responsible for setting up an internal audit department and the appointment of the chief audit executive. It shall establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities.</p>	None		



The Audit and Risk Committee shall provide oversight of the Corporation's internal and external auditors.	
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(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 Compliance Officer will have to attest to the Company's full compliance with the SEC Code of Corporate Governance.**

**H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
Customers' welfare		<ol style="list-style-type: none"> <li>1. The Company has established both face-to-face and remote channels for communications with customers.</li> <li>2. Customers may visit the Company's website for contact information of the Company.</li> <li>3. Use of any personal information obtained through communications with customers shall remain confidential.</li> <li>4. Customer relations activities are shares and monitored within the Corporation.</li> <li>5. Customer suggestions and ideas shall be carefully assessed and used as a source for continued improvement.</li> <li>6. Fast and effective solutions are tailored to customer needs.</li> <li>7. Prompt response to all customer requests.</li> </ol>
Supplier/contractor selection practice		<ol style="list-style-type: none"> <li>1. The Company shall uphold the highest professional standards in dealing with its suppliers.</li> <li>2. All suppliers shall undergo accreditation.</li> <li>3. The Company shall maintain mutually beneficial relationships with suppliers.</li> <li>4. All directors, officers and employees are encouraged to be vigilant against any irregular, illegal, or unethical conduct of suppliers. All directors, officers and employees may report their knowledge of any such irregular, illegal or unethical conduct.</li> <li>5. Establishment of a culture of good corporate governance by maintaining accountability, integrity, fairness and transparency in business relationships with suppliers.</li> <li>6. All offers and dealings with suppliers shall be confidential.</li> <li>7. Payments due to suppliers shall be disbursed in a timely manner and in accordance with relevant and applicable contract provisions.</li> </ol>
Environmentally friendly value-chain		<ol style="list-style-type: none"> <li>1. The Company shall encourage interaction and constant communication among the various stages of the supply chain.</li> <li>2. Every stage of the supply chain, from brainstorming sessions to operations to marketing and sales, shall adopt environmentally friendly processes and procedures.</li> </ol>
Community interaction		<ol style="list-style-type: none"> <li>1. The Company takes its corporate social responsibility seriously. It shall undertake to conduct outreach projects in relation to the youth of the country.</li> <li>2. Values, needs and concerns of the youth, their parents and guardians, shall be taken into consideration in the development of its products.</li> </ol>

	<ol style="list-style-type: none"> <li>3. The Company shall help in fostering a stable and secure online and telecommunications environment which shall be monitored for continuous improvement.</li> <li>4. The impact of the Company's products on the online and telecommunications environment shall be monitored for continuous improvement.</li> </ol>
Anti-corruption programmes and procedures?	<ol style="list-style-type: none"> <li>1. The Company shall uphold the highest professional standards in dealing with the government and shall not engage in unethical or illegal conduct.</li> <li>2. Laws, rules and regulations relevant to the conduct of the Company's business shall be complied with.</li> <li>3. Laws in relation to gifts, contributions and entertainment of government officials shall be complied with.</li> </ol>
Safeguarding creditors' rights	<ol style="list-style-type: none"> <li>1. Relationships with creditors shall be characterized by trust and transparency.</li> <li>2. The Company shall not defraud any of its creditors.</li> <li>3. The Company shall always maintain assets adequate to cover all its debts.</li> </ol>

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

**None.**

3) Performance-enhancing mechanisms for employee participation.

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

**To assist in providing a safe and healthful work environment for employees, customers and visitors, the Company has established a workplace safety program. The Human Resources Department is responsible for implementing, administering, monitoring and evaluating the occupational safety and health program of the Company and for ensuring that said program is compliant with Department of Labor and Employment's rules and regulations. The Company has adopted guidelines to deal with intimidation, harassment or other threats of (or actual) violence that may occur during business hours or on its premises. The Company also has a policy on Drug-Free Workplace. Smoking is also prohibited throughout the workplace, as required by law. This policy applies to all employees, customers and visitors. The Company is also committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive.**

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

**No material accidents or physical injuries have occurred to employees in the conduct of their job within the Company's premises.**

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

**The Human Resources Department offers various training opportunities for the Company's employees both for skills relating to their position and for personal improvement. Classes address a wide range of training issues, including management and supervisory skills, computer skills, basic communication skills and writing and literacy skills.**

**The Human Resources Department is also available for appointments and consultations to assist with:**

- **Personal assessments of employee skills, competencies, knowledge, and values;**
- **Career counseling, planning, skill/competency assessment and job choice help;**
- **Referrals to other community-based job assistance services and useful websites and insightful readings, references and other referrals;**
- **Job change information;**
- **Referrals for professional development/training options;**

- Needs of staff on layoff status;
- Guidance on mentoring relationships; and
- Promotional and succession planning assistance.

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

**The employees receive salaries and other incentives based on their performance.**

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

**The Company has a Code of Conduct wherein it states that employees must perform their duties in a manner that maintains and enhances public confidence and trust in the integrity, objectivity and impartiality of the Company. The Human Resource Officer shall act as the Company's disciplinarian and as such, he/she shall be responsible for the maintenance of order and discipline inside the Company.**

**For purposes of grievances and complaint against a co-employee or the management, it shall be addressed to the Human Resource Officer. The Human Resource Officer shall thereafter conduct an investigation to check if such complaint is meritorious.**

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

- (a) Holding 5% shareholding or more<sup>1</sup>

Shareholder	Number of Shares	Percent	Beneficial Owner
Nico Jose S. Nollo do	415,765,960	22.39%	Nico Jose S. Nollo do
Raymond Gerard S. Racaza	415,765,960	22.39%	Raymond Gerard S. Racaza
Fernando Jude F. Garcia	415,765,960	22.39%	Fernando Jude F. Garcia
PCD Nominee Corp. (Filipino)	289,455,990	15.59%	Various
PCD Nominee Corp. (Non-Filipino)	320,181,622	17.24%	Various

- (b) Security Ownership of Management<sup>2</sup>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Nico Jose S. Nollo do <i>Chief Executive Officer</i>	415,765,960	None	22.39%
Raymond Gerard S. Racaza <i>President and Chief Operating Officer</i>	415,765,960	None	22.39%
Fernando Jude F. Garcia <i>Chief Technology Officer</i>	415,765,960	None	22.39%
Jose Vicente T. Colayco <i>Chief Business Development Officer</i>	14,450,320	None	0.78%
Alfonso A. Tagaysay <i>Chief Marketing Officer</i>	14,450,320	None	0.78%
TOTAL	1,276,198,520		68.73%

<sup>1</sup> As of March 1, 2017

<sup>2</sup> As of May 20, 2017

2) Does the Annual Report disclose the following:

Key risks	No
Corporate objectives	No
Financial performance indicators	Yes
Non-financial performance indicators	No
Dividend policy	Yes
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

Pursuant to the SEC Memorandum Circular No. 20 Series of 2016, the deadline for submission of the 2016 ACGR is on May 30, 2017. As such, there are items here that were not submitted in the Annual Report for the year ended December 31, 2016, but are included here in the ACGR.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres Velayo & Co.	For 2016: Php880,000.00	none

4) Medium of Communication

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

- Regulatory reports submitted to Securities and Exchange Commission and Philippine Stock Exchange, Inc.; and
- Company Website

5) Date of release of audited financial report: The Audited Financial Statements were approved by the Board of Directors on March 27, 2017.

6) Company Website

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

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES

Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

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

## 7) Disclosure of RPT

**Please refer to Note 18 of the 2016 Audited Financial Statements for the discussion on Related Party Transactions.**

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?

**In order to maintain objectivity in its dealings, the Company mandates that transactions with a related party are carefully reviewed and approved to ensure that the same are made within arm's length and its terms are fair.**

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

Explain the system used to approve corporate acts.

<b>System Used</b>	At all meetings of stockholders, a stockholder may vote in person or proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. Proxies must be filed with the Secretary, Assistant Secretary or transfer agent of the Company at least seven (7) days before the day of the meeting.
<b>Description</b>	

#### (c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
<b>Right to request for a Special Meeting. The special meeting of the stockholders may be called at the written request of stockholders representing majority of the outstanding capital</b>	None

<b>stock</b>	
<b>Notice of Meeting.</b> Notice of regular or special meetings of stockholders shall be sent by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address.	
<b>Voting Right.</b> A stockholder may vote in person or by proxy.	
<b>Pre-emptive Rights.</b> All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation.	
<b>Right of Inspection.</b> Stockholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code.	
<b>Rights to dividends.</b> Shareholders shall have the right to receive dividends subject to the discretion of the Board.	

Dividends

**For the year 2016:**

Declaration Date	Record Date	Payment Date
May 10, 2016	May 31, 2016	June 23, 2016

(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
Notice of Meeting	Notice of regular or special meetings of stockholders shall be sent by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address.
Manner of Voting	At all meetings of stockholders, a stockholder may vote in person or by proxy.

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

- a. Amendments to the company's constitution

**The Company adopts Section 16 of the Corporation Code which states that any provision or matter stated in the articles of incorporation shall be approved by at least 2/3 of the outstanding capital stock.**

- b. Authorization of additional shares

**The Company adopts Section 38 of the Corporation Code which states that any increase in its capital stock shall be approved by 2/3 of the outstanding capital stock.**

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

**The Company adopts Section 40 of the Corporation Code which states that any transfer of all or substantially all assets shall be authorized by the vote of the stockholders representing 2/3 of the outstanding capital stock.**

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

**The Company's By-laws state that Notices for regular or special meetings of stockholders may be sent by the Secretary at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address.**

- a. Date of sending out notices:

**All stockholders have received the Notice on or before April 19, 2016.**

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

**May 11, 2016.**

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

**No significant question was raised during the Annual Stockholders' Meeting.**

- 5. Result of 2016 Annual Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the previous meeting	Majority of stockholders in attendance in person or by proxy		
Annual Report of the Chief Operating Officer and Approval of the Audited Financial Statements for 2015			
Approval of the Employee Stock Option Plan			
Ratification of all acts of the Board of Directors			
Election of Board of Directors:			
<ul style="list-style-type: none"> <li>a. Nico Jose S. Nolloo;</li> <li>b. Raymond Gerard S. Racaza;</li> <li>c. Fernando Jude F. Garcia;</li> <li>d. Mercedita S. Nolloo;</li> <li>e. Wilfredo O. Racaza;</li> <li>f. Alvin D. Lao; and</li> <li>g. Jonathan Gerard A. Gurango</li> </ul>			
Appointment of External Auditor: SGV			

- (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:

**Not Applicable**

(f) Stockholders' Attendance

(i) Details of Attendance in the 2016 Annual Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<ul style="list-style-type: none"> <li>• Nico Jose S. Nollo;</li> <li>• Raymond Gerard S. Racaza;</li> <li>• Fernando Jude F. Garcia;</li> <li>• Mercedita S. Nollo;</li> <li>• Wilfredo O. Racaza;</li> <li>• Alvin D. Lao;</li> <li>• Jonathan Gerard A. Gurango;</li> <li>• Jose Vicente T. Colayco;</li> <li>• Alfonso A. Tagaysay</li> </ul>	May 11, 2016	By Ballots	79.77%	5.16%	84.93%
Special	<b>Not Applicable</b>					

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

**The external legal counsel of the Company counts/validates votes. But if there is a need in the future, the Board can designate the external auditor or stock transfer agent to count/validate votes.**

(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's common shares carry one vote for each share.**

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	<b>Proxies shall be in writing signed by the stockholder and filed before the scheduled meeting with the Corporate Secretary.</b>
Notary	<b>Not required</b>
Submission of Proxy	<b>Proxies must be filed with the Secretary at least seven (7) days before the day of the meeting.</b>
Several Proxies	<b>As per SRC Rule 20.11.2.14</b>
Validity of Proxy	<b>Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended.</b>
Proxies executed abroad	<b>As per SRC Rule 20.11.2.17</b>



Invalidated Proxy	<b>Invalidated proxies shall be set aside and cannot be entitled to vote</b>
Validation of Proxy	<b>Validation of proxies shall be done at least five (5) days before the day of the meeting.</b>
Violation of Proxy	<b>[As may be provided by relevant laws and regulations]</b>

(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>
<p><b>Notice for regular or special meetings of the stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting of each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.</b></p> <p><b>When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place at which the meeting is adjourned are announced at which the adjourned is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.</b></p>	

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	15
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	April 19, 2016.
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	April 19, 2016.
<b>State whether CD format or hard copies were distributed</b>	CD format
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Not Applicable. No stockholder requested for hard copies.

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

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

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
Voting Rights. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of 2/3 of the outstanding capital stock.	
Pre-emptive rights. All stockholders have pre-emptive right.	
Notice and Agenda. The Minority shareholders shall have the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.	
Right to information. In accordance with exiting law and jurisprudence, minority shareholders 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 should include such information and if not included, then the minority shareholder can propose to include such matters in the agenda of stockholder’s meeting provided that this right of access is conditioned upon the requesting shareholder’s having legitimate purpose for such access.	

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

Yes

**K. INVESTORS RELATIONS PROGRAM**

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

**The Investor Relations Officer is responsible for ensuring that shareholders have timely and uniform access to official announcements, disclosures and market sensitive information relating to the Company. The Investor Relations Officer is responsible for receiving and responding to investor and shareholder queries.**

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

	Details
(1) Objectives	1. The Investor Relations Division within the Company is tasked with: a. The creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities; and b. The formulation of a clear policy on communicating or relaying relevant information to the Company’s stockholders, and to the broader investor community, accurately, effectively and sufficiently.  All announcements and disclosures from the Investor Relations Division are submitted to the Board of Directors for review.
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

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

**The Company conducts a thorough due diligence. Details of the acquisition of corporate control in the capital**

markets and other extraordinary transactions such as mergers and sales of substantial portions of corporate assets are thoroughly reviewed by the Board of Directors with the best interests of all stakeholders in mind.

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

Not applicable

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
The Company took part in an outreach program	Gawad Kalinga Ave Maria Village, Tanay, Rizal
The Company will sponsor a Performing Arts Workshop event through the King's Kids Workshop Team.	Ligaya ng Panginoon is a family-based transparochial community with more than 1900 members bound by the common desire to live out Christian values as it serves the Church in various ways.

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

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

	Process	Criteria
<b>Board of Directors</b>	The Board of Directors may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Code.  The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.	
<b>Board Committees</b>	Audit Committee conducts annual performance evaluation in compliance with SEC Memorandum Circular No. 4, Series of 2012.	Guidelines for the assessment of the performance of audit committees of companies listed on the exchange under SEC Memorandum Circular No. 4, series of 2012.
<b>Individual Directors</b>	None	None
<b>CEO/President</b>	None	None

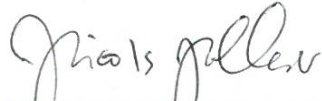
**N. INTERNAL BREACHES AND SANCTIONS**

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

Violations	Sanctions
First Violation: Reprimand Second Violation: Suspension form Office; The duration shall depend on the gravity of the violation. Third Violation: Removal from office.	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of PASIG CITY on MAY 30 2017, 2017.

**SIGNATURES**



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**NICO JOSE S. NOLLEDO**  
Chief Executive Officer



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**ALVIN D. LAO**  
Independent Director



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**JONATHAN GERARD A. GURANGO**  
Independent Director




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**ALEXANDER D. CORPUZ**  
Chief Compliance Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of MAY 30 2017 2017, affiant(s) exhibiting to me their Competent Evidence as follows:  
OF Identity

Name	ID No.	Date of Issue	Place of Issue
Nico Jose S. Nollado	Passport No. EB8683342	July 16, 2013	DFA Manila
Alvin D. Lao	Passport NO. EC2844011	November 27, 2014	DFA NCR Northeast
Jonathan Gerard A. Gurango	Passport No. EB8429510	June 19, 2013	DFA NCR Central
Alexander D. Corpuz	Passport No. EB9863376	December 20, 2013	DFA NCR East

Doc No. 508  
Page No. 103  
Book No. I  
Series of 2017.

  
**ROSE ANN R. BAGAY**  
PTR No. 2624442/01-18-2017/ Pasig City  
IBP No. 1070606; 01-26-17/ Cavite City  
Roll No. 64361  
MCLE Compliance No. V-0014543; 02-29-2016  
15/F Strata 2000, F. Ortigas Jr. Road,  
Ortigas Center, Pasig City  
Telephone No. 696-0687; 696-0988  
Appointment No. 209 (2016-2017) - Pasig City  
Commissioned until 31 December 2017