



June 28, 2013

PHILIPPINE STOCK EXCHANGE
4th Floor, PSE Center, Exchange Road
Ortigas Center, Pasig City
Metro Manila

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Gentlemen:

We are submitting herewith the Annual Corporate Governance Report (SEC Form - AGCR) of Manila Broadcasting Company for the year ended December 31, 2012.

We trust you will find everything in order.

Very truly yours,


EDUARDO G. CORDOVA
SVP-Chief Finance Officer

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Mr. Eduardo G. Cordova

(Contact Person)

832-61-49

(Company Telephone Number)

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Month Day Year
(Calendar Year)

A G C R

(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

615

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2012**
2. Exact Name of Registrant as Specified in its Charter:
MANILA BROADCASTING COMPANY
3. Address of Principal Office / Postal Code:
MBC BLDG., STAR CITY, CCP COMPLEX, ROXAS BLVD., PASAY CITY 1300
4. SEC Identification Number: **1674**
5. Industry Classification Code _____ (SEC Use Only)
6. BIR Tax Identification Number: **000-479-027**
7. Issuer's Telephone Number, including area code: **(632) 832-6149; 832-6150**
8. Former name or former address, if changed from the last report:
No change in address since its last report to this Honorable Commission

TABLE OF CONTENTS

A. BOARD MATTERS

1. BOARD OF DIRECTORS
 - a. Composition of the Board
 - b. Directorship in Other Companies
 - c. Shareholding in the Company
2. CHAIRMAN AND CEO
3. OTHER EXECUTIVE, NON EXECUTIVE AND INDEPENDENT DIRECTORS
4. CHANGES IN THE BOARD OF DIRECTORS
5. ORIENTATION AND EDUCATION PROGRAM

B. CODE OF BUSINESS CONDUCT & ETHICS

1. POLICIES
2. DISSEMINATION OF CODE
3. COMPLIANCE WITH CODE
4. RELATED PARTY TRANSACTIONS
 - a. Policies and Procedures
 - b. Conflict of Interest
5. FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS
6. ALTERNATIVE DISPUTE RESOLUTION

C. BOARD MEETINGS AND ATTENDANCE

1. SCHEDULE OF MEETINGS
2. DETAILS OF ATTENDANCE OF DIRECTORS
3. SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS
4. ACCESS TO INFORMATION
5. EXTERNAL ADVICE
6. CHANGES IN EXISTING POLICIES

D. REMUNERATION MATTERS

1. REMUNERATION PROCESS
2. REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS
3. AGGREGATE REMUNERATION
4. STOCK RIGHTS, OPTIONS AND WARRANTS
5. REMUNERATION OF MANAGEMENT

E. BOARD COMMITTEES

1. NUMBER OR MEMBERS, FUNCTIONS AND RESPONSIBILITIES
2. COMMITTEE MEMBERS
3. CHANGES IN COMMITTEE MEMBERS
4. WORK DONE AND ISSUES ADDRESSED
5. COMMITTEE PROGRAM

F. RISK MANAGEMENT

1. STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM
2. RISK POLICY
3. CONTROL SYSTEM

G. INTERNAL AUDIT AND CONTROL

1. STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM
2. INTERNAL AUDIT
 - a. Role, Scope and Internal Audit Function
 - b. Appointment /Removal of Internal Auditor
 - c. Reporting Relationship with the Audit Committee
 - d. Resignation, Re-assignment and Reasons
 - e. Progress against Plans, Issues, Findings and Examination Trends
 - f. Audit Control Policies and Procedures
 - g. Mechanisms and Safeguards

H. RIGHTS OF STOCKHOLDERS

1. RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS
2. TREATMENT OF MINORITY STOCKHOLDERS

I. INVESTORS RELATIONS PROGRAM

J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

L. INTERNAL BREACHES AND SANCTIONS

A. BOARD MATTERS

1. Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | 9 |
|---|---|

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|---|---|
| Actual number of Directors for the year | 9 |
|---|---|

a. Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) | Elected when (Annual/Special Meeting) | No. of years served as director |
|--------------------------|---|------------------------------------|---|--------------------|---|---------------------------------------|---------------------------------|
| Fred J. Elizalde | ED | NA | Nominating Committee | 1985 | 10.24.12 | Annual Meeting | 28 |
| Ruperto S. Nicdao Jr. | ED | NA | Nominating Committee | 1988 | 10.24.12 | Annual Meeting | 25 |
| Eduardo G. Cordova | ED | NA | Nominating Committee | 1988 | 10.24.12 | Annual Meeting | 25 |
| Julio Manuel P. Macuja | ED | NA | Nominating Committee | 1999 | 10.24.12 | Annual Meeting | 14 |
| Rudolf Steve F. Jularbal | ED | NA | Nominating Committee | 2011 | 10.24.12 | Annual Meeting | 2 |
| Juan Manuel Elizalde | ED | NA | Nominating Committee | 1995 | 10.24.12 | Annual Meeting | 18 |
| Jose M. Taruc | ED | NA | Nominating Committee | 2001 | 10.24.12 | Annual Meeting | 12 |
| George T. Goduco | NED / ID | NA | Nominating Committee | 2003 | 10.24.12 / 10yrs | Annual Meeting | 10 |
| Gary C. Huang | NED / ID | NA | Nominating Committee | 2012 | 10.24.12 / 1yr | Annual Meeting | 1 |

- 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.

ANSWER:

The Company realizes its duty to protect the rights and benefits of shareholders and to place importance on fair and equal treatment of all shareholders. It is the Company's policy to disclose information with respect to business operation with accuracy and transparency, including any issues that could impact the Company's business and the rights in which shareholders are entitled to, such as shareholders' participation in the shareholders' meeting to exercise their voting rights, the rights to receive dividend, or the rights to approve a decrease or an increase of capital.

- c. How often does the Board review and approve the vision and mission?

ANSWER:

The Board of directors review the Company's mission and vision statement annually during one the officers' strategic planning meeting. It is done on a yearly basis because the company's values and core strategy must be synchronized with its mission and vision, as well as the revenue-generating activities of product development, marketing and eventually sales. The Company's vision must outline what the organization wants to be, or how it wants the world in which it operates to be while the Company's mission defines the fundamental purpose of the organization or enterprise, succinctly describing why it exists and what it does to achieve the vision.

d. Directorship in Other Companies

(i) Directorship in the Company's Group

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. |
|------------------------|--|--|
| FRED J. ELIZALDE | Elizalde Land, Inc. (ELI) | Executive (Chairman) |
| | Star Parks Corporation (Star City) | Executive (Chairman) |
| | Philippine International Corporation (PIC) | Executive (Chairman) |
| | Elizalde Holdings Corporation (EHC) | Executive (Chairman) |
| | Sunshine Inns, Inc. (SII) | Executive (Chairman) |
| RUPERTO S. NICDAO, JR. | Cebu Broadcasting Company (CBC) | Executive |
| | Elizalde Land, Inc. (ELI) | Executive |
| | Sunshine Inns, Inc. (SII) | Non-Executive |
| | Philippine International Corporation (PIC) | Non-Executive |
| | Star Parks Corporation (Star City) | Non-Executive |
| | Elizalde Holdings Corporation (EHC) | Non-Executive |
| EDUARDO G. CORDOVA | Elizalde Holdings Corporation (EHC) | Non-Executive |
| | Philippine Broadcasting Company (PBC) | Executive (Chairman) |
| | Cebu Broadcasting Company (CBC) | Executive |
| | Pacific Broadcasting System (PBS) | Executive |
| | Elizalde Land, Inc. (ELI) | Executive |
| | Sunshine Inns, Inc. (SII) | Executive |
| | Star Parks Corporation | Executive |

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|--------------------------|--|----------------------|
| | (Star City) | |
| | Philippine International Corporation (PIC) | Executive |
| JULIO MANUEL P. MACUJA | Elizalde Holdings Corporation (EHC) | Executive |
| | Philippine Broadcasting Company (PBC) | Executive |
| | Elizalde Land, Inc. (ELI) | Non-Executive |
| | Star Parks Corporation (Star City) | Non-Executive |
| | Sunshine Inns, Inc. (SII) | Non-Executive |
| | Philippine International Corporation (PIC) | Executive |
| JUAN MANUEL ELIZALDE | Cebu Broadcasting Company (CBC) | Executive (Chairman) |
| | Philippine Broadcasting Company (PBC) | Non-Executive |
| | Sunshine Inns, Inc. (SII) | Non-Executive |
| | Elizalde Holdings Corporation (EHC) | Non-Executive |
| | Star Parks Corporation (Star City) | Non-Executive |
| | Philippine International Corporation (PIC) | Non-Executive |
| RUDOLF STEVE E. JULARBAL | Pacific Broadcasting System (PBS) | Executive |
| | Philippine Broadcasting Company (PBC) | Executive |
| | Elizalde Land, Inc. (ELI) | Executive |
| | Sunshine Inns, Inc. (SII) | Executive |
| | Elizalde Holdings Corporation (EHC) | Executive |
| | Star Parks Corporation (Star City) | Executive |
| | Philippine International Corporation (PIC) | Executive |

(ii) Directorship in Other Listed Companies

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

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|--|------------------------|--|
| None of the Directors hold a directorship position in other publicly listed companies. | | |

(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 its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|--|--|--|
| Juan Manuel Elizalde (Director / VP-Operations) | Fred J. Elizalde (Director / Chairman) | Mr. Juan Manuel Elizalde is the son of Mr. Fred J. Elizalde. |
| Julio Manuel P. Macuja (Director / EVP-Treasurer) | Fred J. Elizalde (Director / Chairman) | Mr. Julio Manuel P. Macuja is the brother-in-law of Mr. Fred J. Elizalde |

(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:

ANSWER:

Yes. The Company has set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) than an individual director of the Company may hold. On the other hand, the CEO of the company is not allowed to hold office as CEO in other publicly listed companies unless otherwise permitted by the Board.

| Director's Name | Guidelines | Maximum Number of Directorships in other companies |
|---|--|---|
| Executive Directors: - Fred J Elizalde - Ruperto S. Nicdao, Jr. - Eduardo G. Cordova - Julio Manuel P. Macuja - Rudolph Steve F. Jularbal - Juan Manuel Elizalde - Jose M. Taruc | 1. The Directors shall accept and hold the office because they believe they will be able to dedicate the time necessary to perform their duties diligently, taking into account both the number and nature of the offices they hold on the board of directors and boards in other companies and the commitment required of them by their additional professional activities and the offices they hold in associations. 2. The Company's | - For a director whose role is that of Chief Executive Officer, as a rule, it is not allowed – unless a different and justified assessment is expressed by the Board of Directors of the Company – To hold any office as a CEO in other publicly listed companies. - For Directors other than the Company's CEO, 5 Board Seats is the maximum number of directorship in other companies a director can hold. |
| Non-Executive Directors: - George T. Goduco - Gary C. Huang | | |
| CEO: - Fred J Elizalde | | |

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| | <p>directors, upon acceptance of their office, shall inform MBC HR and Legal Department of any office they hold on the boards of directors in other public companies. Furthermore, they shall promptly inform MBC's HR and Legal Department of any change that takes place with regard to the above mentioned offices. When doing so, they shall specify the average monthly commitment connected with the offices they hold in other companies so that the total weight of the aforementioned offices can be established.</p> | |
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a. Shareholding in the Company

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

| Name of Director | Number of Direct shares | Number of Indirect shares / through (name of record owner) | % of Capital Stock |
|--------------------------|-------------------------|--|--------------------|
| Fred J. Elizalde | 94 | - | 0.0000% |
| Ruperto S. Nicdao Jr. | 129,201 | - | 0.0321% |
| Eduardo G. Cordova | 12,779 | - | 0.0032% |
| Julio Manuel P. Macuja | 36 | - | 0.0000% |
| Juan Manuel Elizalde | 1,000 | - | 0.0002% |
| Jose M. Taruc | 1,000 | - | 0.0002% |
| Rudolf Steve F. Jularbal | 10,807 | - | 0.0027% |
| George T. Goduco | 1,000 | - | 0.0002% |
| Gary C. Huang | 36 | - | 0.0000% |
| TOTAL | 155,953 | - | 0.0387% |

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

ANSWER:

As recognized by the Revised Code of Corporate Governance, the positions of the Chairman and CEO may be unified provided there are proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives.

- a. The CEO is not the President.
b. There is a separate Office of the President.

Identify the Chair and CEO:

| | |
|-----------------------------|-----------------------|
| Chairman of the Board / CEO | Fred J. Elizalde |
| President | Ruperto S. Nicdao Jr. |

- b. Roles, Accountabilities and Deliverables

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

| | Chairman / Chief Executive Officer |
|------|---|
| Role | <ul style="list-style-type: none"> - Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance. - Ensure effective communication with shareholders, host governments and other relevant constituencies and that the views of these groups are understood by the Board. - Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making. - Chair the Nominations Committee and build an effective and complementary Board, initiating change and planning succession on Board and Group Executive appointments. - Ensure that all Board committees are properly established, composed and operated. - Ensure comprehensive induction programs for new directors and updates for all directors as and when necessary. - Maintain access to senior management as is necessary and useful. - Promote effective relationships and communications between non-executive directors and members of the Group Executive Committee. - Ensure that the performance of the Board, its main committees and individual directors is formally evaluated on an annual basis. - Develop strategy proposals for recommendation to the Board and ensure that agreed strategies are reflected in the business. - Develop annual plans, consistent with agreed strategies, for presentation to the Board for support. - Plan human resourcing to ensure that the Company has the capabilities and resources required to achieve its plans. - Develop an organizational structure and establish processes and |

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| | <p>systems to ensure the efficient organisation of resources.</p> <ul style="list-style-type: none"> - Be responsible to the Board for the performance of the business consistent with agreed plans, strategies and policies. - Lead the executive team, including the development of performance contracts and appraisals. - Develop and promote effective communication with shareholders and other relevant constituencies. - Ensure that business performance is consistent with the Business Principles. - Ensure that robust management succession and management development plans are in place and presented to the Board from time to time. - Develop processes and structures to ensure that capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps taken to manage the risks. - Develop and maintain an effective framework of internal controls over risk in relation to all business activities including the Company's trading activities. - Ensure that the flow of information to the Board is accurate, timely and clear. |
| Accountabilities | <ul style="list-style-type: none"> - Formulates and promotes a vision for the Company and its contribution to the Filipinos, and leads the development and implementation of a long term strategy and direction for the Company. - Creates an environment that encourages industry leaders, associations, other regulatory jurisdictions, professional bodies, and other interested parties to broadcast development and trade in the Filipino public interest. - Provides leadership to Board Members by setting and managing the Board's agenda, directing the assignment of responsibilities to Board Members for particular files and projects, and participating in the selection process for Board Members to ensure the Board encompasses a broad base of knowledge and skills. - Promotes, through example, key corporate values such as fairness, professionalism, collegiality and innovation. - Obtains resources consistent with the Strategic Plan, ensures that appropriate financial and management objectives are established and that systems are in place to protect assets and maintain effective control of operations. |
| Deliverables | <ul style="list-style-type: none"> - Improve operating performance - Work with the Board and the appropriate staff to develop a tactical plan for achieving goals. - Build and manage the staff - Create a plan to build unity, encourage teamwork, improve communication, and foster individual staff development and ensure that the Company has outstanding and dedicated employees. - Prepare and manage the budget - Establish a process to create and monitor the budget and control costs. - Establish and implement a strategic plan – Develop and implement tactical/operating plans that lead to the Company's financial strengthening and facility development. - Lead fundraising efforts – review the Company's current fund requirements and take an active role and lead the initiatives in |

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| | <p>recruiting and promoting the Company to prospective clients</p> <ul style="list-style-type: none"> - Address specific growth and development areas – The Company has significant facility development opportunities and issues, as well as the need to update its technology systems. The goal for technology is to identify the Company’s technology needs both in terms of hardware and software/operational systems and to develop a plan to address these technology needs. - Advocate the Company’s vision within the community – Be an ambassador for the mission, goals, and values of the Company within the community. The CEO must be active in civic and community groups, be respected as a leader, uphold the highest standards and values exemplified in the Company’s heritage. - Develop an effective and diverse board – work closely with the board to evaluate the strengths and needs of the board’s composition relative to the strategic plan and key goals. - Establish a culture – Establish a culture of inclusion, integrity, character and lifelong learning within the Company that reinforces, encourages and promotes values of honesty, respect, responsibility and caring. - Be visible with the Company – The CEO is the heart and soul of the operation. Constantly interacts with the employees not to lose track of the needs of the company. - Establish a formal CEO performance review process – Develop a formal review process with the Board of Directors for the assessment of the CEO’s performance and contributions to the Company. |
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3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

ANSWER:

Developing a plan for succession involves developing an inventory of current directors’ skills, talents and attributes that are then matched against the requirements of the Company. Identifying the requirements of the organization will involve a mix of the professional skills that make up a high performance Board (accounting, legal, strategic, etc.) the talents that Directors required to use, (e.g. Networking, questioning skills, non judgemental, conscious awareness etc.), and the attributes that each director represents (male/female, age, ethnicity, geographic location etc.)

The responsibility for succession planning falls to the Nomination Committee. The committee is responsible for:

- Developing a continuous list of eligible Board candidates
- Screening and interviewing potential candidates
- Recommending candidates to the full board
- Ensuring each new Board member receives induction and training

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.

ANSWER:

Yes. The Company is committed to ensuring that there is a diverse and inclusive workforce who is capable of fulfilling the employees', customers' and shareholders' expectations while building a sustainable future for the business.

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

ANSWER:

We have several non-executive directors who possess the competence and experience in the field of broadcasting or broadcasting-related disciplines. This can be gauged from the respective business experiences of the Company's Directors during the past five (5) years, as these are described in the appropriate section of the 2012 SEC Form 20-IS, Information Statement.

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

| | Executive | Non-Executive | Independent Director |
|------------------|---|---|----------------------|
| Role | <p>Generally the President shall be the Chief Executive Officer of the Corporation and shall be responsible for the effective management of the Company.</p> <p>He shall supervise and manage the internal organization and business affairs of the Corporation and ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.</p> | <p>A director's office is one of trust and confidence.</p> <p>Directors should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness.</p> <p>He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.</p> <p>In addition, an independent director identifies the most critical issues for the board to deal with and assist the board in achieving consensus on important issues.</p> | |
| Accountabilities | <p>Upon authority granted by the Board of Directors the President;</p> <ul style="list-style-type: none"> • signs deeds, bonds, contracts, or other instruments; • authorizes the purchase or acquisition of personal properties, furniture, fixtures, or other office equipments • approves all expenses or disbursements authorized in the budget of the Corporation • represents the Corporation in any negotiation which may be | <p>He shall observe the following norms of conduct:</p> <ul style="list-style-type: none"> • Conduct fair business transactions with the corporation and ensure that personal interest does not prejudice Board decisions; • Devotes time and attention necessary to properly discharge his duties and responsibilities; • Acts judiciously; • Exercises independent judgment; • Have working knowledge of the | |

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| | <p>necessary to make in the usual course of business</p> <ul style="list-style-type: none"> • represents the Corporation in any judicial or administrative proceedings • appoints and discharge employees occupying the positions authorized by the Board of Director • performs all other duties customarily incident to his office and as may be prescribed by the Board from time to time. | <p>statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation, By-laws, the requirements of the SEC, and where applicable the requirements of other regulatory agencies;</p> <ul style="list-style-type: none"> • Observes confidentiality; • Ensures the continuing soundness, effectiveness and adequacy of the Company's internal control system. <p>Directors shall have the duty of preparing and actively participating in board meetings.</p> <p>Independent directors should always attend board meetings.</p> |
| Deliverables | <p>Submits and recommends for Board approval:</p> <ul style="list-style-type: none"> • short and long range plans for the Corporation; • Balance Sheet, Profit and Loss Statement, Budget of administration expenses and • Annual Report on the operation and condition of the Corporation <p>Executes all resolutions of the stockholders and the Board of directors.</p> | <p>The Board establishes the general policies and guidelines which will enable Management to render an effective management of the Company and as part of which undertakes to:</p> <ul style="list-style-type: none"> • Formulate company's vision and mission; • Approve and confirm management's corporate strategies, major plans of actions, risk policy, annual budget and business plan; • Adopts a succession plan • Review annually the Company's compliance with its Code of Corporate Governance; • Approve corporate policies on major areas of operations, including Underwriting, Investments, Reinsurance Claims management and risk management • Ensures the adequacy and effectiveness of the Company's internal control and management information systems • Approves annual budget and general expenses upon recommendation of the |

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| | | President <ul style="list-style-type: none"> • Submits annually at regular General Meeting of Stockholders the Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Company; |
|--|--|---|

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

ANSWER:

Independent Director refers to a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having any relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities or a director. This means that apart from directors' fees and shareholdings, he should be independent of Management and free from any business or other relationships which could materially interfere with the exercise of his independent judgment. He must also possess all the qualifications and none of the disqualifications of an independent director provided under SRC Rule 38, the SEC Revised Code of Corporate Governance, and SEC issuances and regulations.

Pursuant to the applicable rules and regulations of the SEC, independent directors are nominated and elected in the Annual Stockholders' Meeting and each director issues a certification confirming his independence within 30 days from his election. Mr. George T. Goduco and Mr. Gary C. Huang are currently the Company's Independent Directors.

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

ANSWER:

In compliance with Memorandum Circular No. 9 series of 2011, issued by the Securities and Exchange Commission, effective January 2, 2012, Independent director (ID) can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated.

After completion of the five-year service period, an ID shall be ineligible for election as such in the Company unless the ID has undergone a "cooling off" period of two (2) years, provided that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the Company.

An ID re-elected as such in the Company after the "cooling off" period can serve for another five (5) consecutive years.

After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the Company, without prejudice to being elected as ID in other companies outside of the business conglomerate.

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

a. Resignation / Death / Removal

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

| Name | Position | Date of Cessation | Reason |
|-------------------|----------------------|-------------------|-------------|
| Santiago Z. Ureta | Independent Director | October 24, 2012 | Resignation |

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 process adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
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| a. Selection/Appointment | | |
| (i) Executive Directors | <ul style="list-style-type: none"> • Assess the current Board's skills, experience and expertise to identify the skills that would best increase Board effectiveness. • Assess the needs of the business currently and going forward. The Board should be structured in a way that it: <ul style="list-style-type: none"> - Has a proper understanding of, and competence to deal with, the current and emerging issues of the business - Exercises independent judgement - Encourages enhanced performance of the Company - Can effectively review and challenge the performance of management. • Develop selection criteria for potential board candidate(s) • Informal discussion by the Board to generate a list of potential candidates who may fill | <ul style="list-style-type: none"> • competencies and qualifications; • independence; • other directorships held (previously and currently); • time availability; • contribution to the overall balance of the composition of the Board; • depth of understanding of the role and legal obligations of a director |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | <p>the stated criteria.</p> <ul style="list-style-type: none"> • Where considered necessary, use the services of an independent executive search firm to assess the appropriateness of potential candidates or to supplement a candidate list provided by directors. • Measure the final potential candidate(s) against the selection criteria. • The Board examines the final list of candidate(s) and agrees an order of preference. • Chairman approaches desired candidate(s). • Candidate is appointed to the Board. Non-executive directors should be appointed for specific terms subject to re-election, the Company's Constitution and to the provisions concerning removal of a director. The terms and conditions of appointment of nonexecutive directors should be made available for inspection. The letter of appointment should set out <ul style="list-style-type: none"> - the expected time commitment - term of appointment - powers and duties of directors - duties attaching to the position - circumstances in which an office of director becomes vacant - expectations regarding involvement with committee work - remuneration including superannuation, and expenses - requirement to disclose directors interests and any matters which affect the directors independence | <p>executive capacity by that public company, any of its related companies or any of its substantial shareholders within the last two (2) years.</p> <ul style="list-style-type: none"> • not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through his firm • not engaged and does not engage in any transaction with the corporation, or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant. |
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| | <ul style="list-style-type: none"> - fellow directors - trading policy governing dealings in securities and related financial instruments by directors, including notification requirements - induction training and continuing education arrangements - board policy on access to independent professional advice - indemnity and insurance arrangements - confidentiality and rights of access to corporate information - a copy of the constitution - organisational chart of management structure - induction procedures in place <p>Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.</p> <ul style="list-style-type: none"> • Appointment is announced to the various stock exchanges. • Appointment is ratified by Shareholders at the following AGM. The names of candidates submitted for election as directors should be accompanied by the following information to enable shareholders to make an informed decision <ul style="list-style-type: none"> - biographical details, including competencies and qualifications and | |
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| | <p>information sufficient to enable an assessment of the independence of the candidate</p> <ul style="list-style-type: none"> - details of relationships between: <ul style="list-style-type: none"> the candidate and the company the candidate and the directors of the company - directorships held - particulars of other positions which involve significant time commitments - the term of office currently served by any directors subject to re-election - any other particulars required by law. | |
| b. Re-appointment | | |
| (i) Executive Directors | <p>The re-appointment of directors will not be automatic. The board will ensure planned and progressive refreshing of the board. Every Director shall retire from office at each annual general meeting. A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed or deemed reappointed, he may retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.</p> <ul style="list-style-type: none"> • Assess the current Board's skills and qualities • Assess the needs of the business currently and going forward • Develop criteria required • Measure each retiring director's skills against the criteria. In support for their re-election, nonexecutive directors should provide the Nomination Committee with details of other | <ul style="list-style-type: none"> • competencies and qualifications; • independence; • other directorships held (previously and currently); • time availability; • contribution to the overall balance of the composition of the Board; • depth of understanding of the role and legal obligations of a director |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | <p>commitments and an indication of time involved. The Nomination Committee should regularly review the time required from a non-executive director and whether directors are meeting that requirement.</p> <ul style="list-style-type: none"> • Directors discuss and agree whether each retiring director should stand for re-election at the next Annual General Meeting. Non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them • If recommended for re-appointment, each retiring director stands for re-election at the shareholder meeting in accordance with the Constitution and the listing rules. Otherwise the new director selection process commences. The names of candidates submitted for election as directors should be accompanied by the following information to enable shareholders to make an informed decision: <ul style="list-style-type: none"> - biographical details, including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate - details of relationships between <ul style="list-style-type: none"> the candidate and the company the candidate and the directors of the company - directorships held - particulars of other | |
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| | <p>positions which involve significant time commitments</p> <ul style="list-style-type: none"> - the term of office currently served by any directors subject to re-election - any other particulars required by law | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | <ul style="list-style-type: none"> • an application will need to be made to the Court. Depending on the nature of the director's alleged offences, this can be either the Criminal or Civil Court – most commonly; these cases take place in the Civil Court. • Before an application is made, an investigation will need to be carried out by the relevant body to determine the case against the director(s) in question. • Following the submission of the disqualified directors order application to the relevant Court, a date will be set by the court for a hearing in front of a registrar. • Before the Court makes its final decision, the defendant will be given a chance to defend their actions. • If the Court grants a Directors Disqualification Order, the person in question is bound to abide by it for the duration of the order. • A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. | <p>The following are permanently disqualified to become a Director of the Company:</p> <ul style="list-style-type: none"> • Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as fraud, estafa, counterfeiting, misappropriation, embezzlement, extortion, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts. • Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract. • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that <ul style="list-style-type: none"> - involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), - arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or - arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them. • Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | | <p>the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from</p> <ul style="list-style-type: none"> - acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; - acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; - engaging in or continuing any conduct or practice in any of the above capacities mentioned above, or wilfully violating the laws that govern securities and banking activities. <ul style="list-style-type: none"> • Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or any of its implementing rules, regulations or orders. • Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above. • Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election. |
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| | | <ul style="list-style-type: none"> • Any person who is an officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths vote, determines to be competitive or antagonistic to that of the Corporation • Any person who is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation, when in the judgement of the Board, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors • If the Board, in the exercise of its judgement in good faith, determines by at least three-fourths vote that he is the nominee of any person set forth in the preceding 2 paragraphs |
| d. Temporary Disqualification | | |
| (i) Executive Directors | <ul style="list-style-type: none"> - an application will need to be made to the Court. Depending on the nature of the director's alleged offences, this can be either the Criminal or Civil Court – most commonly; these cases take place in the Civil Court. - Before an application is made, an investigation will need to be carried out by the relevant body to determine the case against the director(s) in | <p>The following are temporarily disqualified from holding a director position in the Company:</p> <ul style="list-style-type: none"> • Any person who refuses to comply with the disclosure requirements of the SRC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists. • Any Director who has been absent or have not participated in more than fifty percent (50%) of all |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | <p>question.</p> <ul style="list-style-type: none"> - Following the submission of the disqualified directors order application to the relevant Court, a date will be set by the court for a hearing in front of a registrar. - Before the Court makes its final decision, the defendant will be given a chance to defend their actions. - If the Court grants a Directors Disqualification Order, the person in question is bound to abide by it for the duration of the order. - A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. | <p>regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.</p> <ul style="list-style-type: none"> • Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists. • Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory. • Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Board. • Any person dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity. • Any person under preventive suspension. • Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity. • If the independent director becomes an officer or employee of the same |
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| | | <p>corporation he shall be automatically disqualified from being an independent director.</p> <ul style="list-style-type: none"> • If the beneficial equity ownership of an independent director in the Company or its affiliates exceeds the ten percent (10%) limit. • If any of the judgements or orders cited in the grounds for permanent disqualification has not yet become final. |
| e. Removal | | |
| (i) Executive Directors | <p>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, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote; Provided that such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock.</p> | <ul style="list-style-type: none"> • failure to take up a share qualification required by the Articles within two months of the appointment; • the director reaches the relevant age limit; • the director becomes bankrupt; • the director is disqualified from being a director by a court order • if the director resigns; • if the director is absent from board meetings for a specified period (typically six months); • if the director becomes bankrupt or makes any compromise or arrangement with his creditors generally; • if the director suffers from mental disorder; • if the director is disqualified |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| f. Reinstatement | | |
| (i) Executive Directors | <ul style="list-style-type: none"> • An excluded, suspended or resigned director shall not resume his/her position or practice of | <ul style="list-style-type: none"> • That the excluded director has the good moral character and reputation, competency, and learning in |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | <p>profession before the Office unless otherwise reinstated by order of the Board of Directors.</p> <ul style="list-style-type: none"> • An excluded or suspended Director shall be eligible to apply for reinstatement only upon expiration of the period of suspension or exclusion. • A suspended director shall be eligible to apply for reinstatement no earlier than at least five years from the effective date of the suspension. • If the suspended director is not eligible for reinstatement, or if the Board determines that the petition is insufficient or defective on its face, the Board may dismiss the petition. Otherwise the Board shall consider the petition for reinstatement. The suspended Director seeking reinstatement shall have the burden of proof by clear and convincing evidence. • If the suspended Director is found to unfit to resume his/her position or the practice of profession before the office, the Board shall first provide the suspended director with an opportunity to show cause in writing why the petition should not be denied. • If a petition for reinstatement is denied, no further petition for reinstatement may be filed until the expiration of at least one year following the denial unless the order of denial provides otherwise. • Proceedings on any petition for reinstatement shall be open to the public. Before reinstating | <p>his/her profession required for admission</p> <ul style="list-style-type: none"> • That the resumption of position before the Office will not be detrimental to the administration of justice or subversive to the public interest |
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| | any suspended director, the Board shall publish a notice of the suspended director's petition for reinstatement and shall permit the public a reasonable opportunity to comment or submit evidence with respect to the petition for reinstatement. | |
| g. Suspension | | |
| (i) Executive Directors | <p>There are mainly three reasons why the Company may suspend a director:</p> <ul style="list-style-type: none"> • The director may be suspended as a disciplinary sanction (punitive suspension) following a disciplinary hearing. As much suspension is the outcome or penalty of being found guilty in a disciplinary hearing. • The director may be suspended as a preventive action (precautionary) pending a hearing. This is done to ensure that evidence needed for the hearing is not tampered with and/or that other employees (in some cases these may be witnesses) are not intimidated • The director may be suspended as a preventive action (precautionary) pending a disciplinary hearing in order to protect the Company's property or for safety reasons <p>The process followed when considering the suspension of director:</p> <ul style="list-style-type: none"> • Management should develop clear procedures to manage suspensions. These procedures should ensure the management of suspensions in an efficient and effective way and that the rules of natural justice are | <ul style="list-style-type: none"> • The director has wilfully and knowingly committed any substantial violation of the Company's Code or any regulation issued by the Company • Has wilfully and knowingly committed, engaged or abetted any act, omission, or practice which constitutes a substantial breach of a fiduciary duty of that person as a director • the violation or breach of fiduciary duty is one involving personal dishonesty on the part of such director • The Director does not possess the required qualifications or competence to represent others • Seriously lacking in character or integrity or to have engaged in material unethical or improper professional conduct • Have caused unfair and material injury or prejudice to another party, such as prejudicial delay or unnecessary expenses • Have engaged in contemptuous conduct before the Company • With the intent to defraud in any manner, to wilfully and knowingly deceived, misled or threatened any client or prospective client |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

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| | <p>adhered to.</p> <ul style="list-style-type: none"> • The Board should apply its mind as to whether there are grounds for suspending the director based on the seriousness of the transgression, and then consider whether the director should be allowed to continue his/her substantive duties. • If there are grounds for suspension, the Board should, based on the unique circumstances around each case, consider the forms of suspension (temporary removal from the place work of work or from nature of work) • The Board should schedule a meeting with the director. He/she should be informed of the following: <ul style="list-style-type: none"> - Date, time and venue of the meeting - Proposed action by the employer - Allegations that gave rise to the proposed action - During the meeting, he/she will be afforded the opportunity to make representations as to why he/she should not be suspended - He/she has the right to be represented as provided for in the disciplinary code and procedures - Should he/she fail to avail him/herself of the opportunity to make representations at the meeting, he/she will be given the opportunity to submit written representations by a certain time and date. • The director's representations, if any, should be carefully | |
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| | <p>considered by the delegated member of the board to ensure that there is sufficient evidence or legitimate reasons for the transfer/suspension.</p> <ul style="list-style-type: none"> • Once a final decision has been made, the decision should be conveyed to the director in writing and the notice should contain the following: <ul style="list-style-type: none"> - The decision by the board - The reasons why the Board saw it fit to transfer/suspend the director, based on the representations made by the director - The possible length of the transfer/suspension - The conditions to access to the workplace, and other conditions, during the course of suspension | |
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Voting Result of the last Annual general Meeting

| Name of director | Votes Received |
|--------------------------|----------------|
| Fred J. Elizalde | majority vote |
| Ruperto S. Nicdao Jr. | majority vote |
| Eduardo G. Cordova | majority vote |
| Julio Manuel P. Macuja | majority vote |
| Juan Manuel Elizalde | majority vote |
| Jose M. Taruc | majority vote |
| Rudolf Steve F. Jularbal | majority vote |
| George T. Goduco | majority vote |
| Gary C. Huang | majority vote |

6. Orientation and Education Program

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

ANSWER:

Structure of the Company’s Orientation Program

- I. Introduction to the Position and the Company
 - Mission, vision and values
 - Company overview
 - Industry overview
 - Current projects in which the Company is involved (related to facilities improvement, strategic planning, community involvement and so forth)

- II. Board Administrative Issues
 - Governance structure (including board job descriptions and committee charters)
 - Board meeting agendas, consent agendas and how meetings are run
 - Board by-laws, policies and procedures
- III. Board Duties, Roles, and Responsibilities
 - Fiduciary duties
 - Conflict of interest
 - Core responsibilities

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

Seminar on Corporate Good Governance, held on April 11, 2008 at MBC Office, participated by all Directors and Officers of the Company.

c. Continuing education programs for directors: programs and seminar and roundtables attended during the year.

| Name of Directors/Officer | Date of Training | Program | Name of Training Institution |
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| Robert A. Pua (VP-Controller / Compliance Officer) | Dec. 9, 2010 | Annual Listing & Disclosure Rules Seminar | The Philippine Stock Exchange |
| | Feb. 17-18, 2011 | Best Practices For Financial Controllers | Center For Global Best Practices |

B. CODE OF BUSINESS CONDUCT & ETHICS

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

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|--|--|-------------------|-----------|
| a. Conflict of Interest | It is a Company's policy that employees and others acting on the Company's behalf must be free from conflicts of the interest that could adversely influence their judgement, objectivity or loyalty to the Company in conducting Company's business activities and assignments. The company recognizes that employees may take part in legitimate financial, business, charitable and other activities outside their jobs with the company, but any potential conflict of interest raised by those activities must be disclosed promptly to management. | | |
| b. Conduct of Business and Fair Dealings | No Director, executive officer or any employee shall: <ul style="list-style-type: none"> • compete with the Company by providing service to a competitor as an employee, officer or director or in a similar capacity; • profit, or assist others to profit, from confidential information or business opportunities that are available because of service to the Company; • improperly influence or attempt to influence any business transaction between the Company and another entity in which a | | |

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| | <p>Director or Executive Officer has a direct or indirect financial interest or acts as an employee, officer or director or in a similar capacity; or</p> <ul style="list-style-type: none"> • take unfair advantage of any customer, supplier, competitor or other person through manipulation, concealment, misrepresentation of material facts or other unfair-dealing practice. |
| c. Receipt of gifts from third parties | <p>The term “business gifts” in this policy includes business entertainment, as well as gift items. The giving of business gifts is a customary way to strengthen business relationships and, with some restrictions, is a lawful business practice. It is Company’s policy that its employees may give and receive appropriate, lawful business gifts in connection with their MBC work with commercial customers and other nongovernmental parties, provided that all such gifts are nominal in value and not given or received with the intent or prospect of influencing the recipient’s business decision-making.</p> |
| d. Compliance with Laws & Regulations | <p>It is a Company policy that employees and others acting on Company’s behalf must comply with all laws and Company’s Business Conduct Policies. Employees also are expected to help company management promptly address suspected violations by bringing the concerns to the attention of management or using the reporting options available in the company. Supervisors and managers are expected to escalate suspected violations that come to their attention by centrally reporting them in accordance with company policy.</p> |
| e. Respect for Trade Secrets/Use of Non-public Information | <p>Employees and others acting on Company's behalf are responsible for protecting the Company's confidential information, including trade secrets, from unauthorized disclosure whether internal or external, deliberate or accidental. Employees and others acting on Company's behalf must know:</p> <ul style="list-style-type: none"> • The information classification of the company information they create or have access to (Public, Internal, Confidential or Regulated). Any of these classifications other than Public may represent a company trade secret. • The security precautions that apply to company information, and • How long to retain company information, and how to properly dispose of it. <p>Just as we expect others to respect our Company's confidential information, the Company respects the confidential information of other parties. It is a Company’s policy to use only legal and ethical means to collect and use business and market information in order to better understand our markets, customers and competitors. The company will not collect or use another party's confidential information without that party's permission.</p> |

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| <p>f. Use of Company Funds, Assets and Information</p> | <p>Each Director, Executive Officer and Employee shall protect the Company's funds, assets and information and shall not use the Company funds, assets or information to pursue personal opportunities or gain. No Company funds, assets or information shall be used for any unlawful purpose. No undisclosed or unrecorded fund or asset shall be established for any purpose. No false or artificial entries shall be made in the books and records of the Company for any reason, and no Director or Executive Officer shall engage in any arrangement that results in such prohibited act.</p> |
| <p>g. Employment & Labor Laws & Policies</p> | <p>Our most important resource is our employees. It is our policy to comply with all applicable laws and regulations, including those concerning hours, compensation, opportunity, human rights and working conditions. The Company strictly prohibits discrimination or harassment against any employee because of the individual's race, color, religion, gender, sexual orientation, national origin, age, disability, veteran's status or any status protected by law. In addition to local laws and regulations, the Company's Policy on the employment of young persons prohibits the employment of people under the age of 18 in the conduct of any of our businesses. Forced or compulsory labor of any workers is also prohibited. It is our policy that all employees work in a clean, orderly and safe environment. The Company requires full compliance with applicable workplace safety and industrial hygiene standards mandated by law.</p> |
| <p>h. Disciplinary action</p> | <p>It is the policy of the company that all employees should achieve and maintain agreed standards of conduct, attendance and performance and that everything within reason will be done to help all employees achieve these standards. If these standards are not achieved and disciplinary action has to be taken against employees it should:</p> <ul style="list-style-type: none"> • Be undertaken only in cases where good reason and clear evidence exist; • Be appropriate to the nature of the offence that has been committed; • Be demonstrably fair and consistent with previous action in similar circumstances; • Take place only when employees are aware of the standards that are expected of them or the rules with which they are required to conform; • Allow employees the right to be accompanied by a representative or colleague of their choice during any formal proceedings; |

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| | <ul style="list-style-type: none"> • Allow employees the right to know exactly what charges are being made against them and to respond to those charges. • Allow employees the right of appeal against any disciplinary action through the Personal Grievance procedure. |
| i. Whistle Blower | <p>It is Company's policy that all individuals working at all levels within the company, including directors, officers, employees, and contract employees to disclose any information that relates to suspected wrongdoing or dangers at work. This may include:</p> <ul style="list-style-type: none"> - criminal activity; - miscarriages of justice; - danger to health and safety; - damage to the environment; - failure to comply with any legal or professional obligation or regulatory requirements; - bribery; - financial fraud or mismanagement; - negligence - breach of our internal policies and procedures (including the Company's Code of Conduct); - conduct likely to damage the Company's reputation; - unauthorized disclosure of confidential information; - any conduct that may have a detrimental effect on the well-being of staff or the Company; and - the deliberate concealment of any of the above matters. <p>All concerns raised will be treated in confidence and every effort will be made not to reveal the identities of the whistle blower if this is his/her wish. However, in certain cases, it may not be possible to maintain confidentiality if the whistle blower is required to come forward as a witness. Once the claim of malpractice or misconduct is made, the manager, senior manager or the designated executive will respond to the whistleblower within 10 working days setting out the intended investigation plan. An investigation may include internal reviews, reviews by the external auditors or lawyers or some other external body. If the claim of malpractice or misconduct is substantiated, appropriate disciplinary action will be taken against the responsible individual(s) up to and including termination of employment. The malicious use of the whistle blowing policy will result in disciplinary action against the whistle blowing complainant, up to and including termination of employment.</p> |
| j. Conflict Resolution | <p>The Company encourages its employees, management and directors to resolve any issues or concerns that they may have at the earliest opportunity. It is important that as issues do arise, they</p> |

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| | <p>are dealt with in a fair and timely manner. While some conflicts will be resolved by an informal discussion between the parties, others will need a process for successful resolution. If the conflict cannot be resolved to the satisfaction of both parties through informal processes, then mediation or a formal complaint's process will need to occur.</p> <p>Principles to be followed:</p> <ul style="list-style-type: none"> • Respect for another's point of view; • Commitment to resolving the issue; • Willingness to compromise; • Confidentiality; • Impartiality; • Respect; • Prompt action; and, • Freedom from repercussions |
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2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

ANSWER:

Yes, and the Company did not merely disseminated the code of conduct but they also made sure that this code is fully understood and utilized by all the directors, senior management and employees either in terms of application, increasing awareness, understanding or fostering change.

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

ANSWER:

The ethics and compliance is under the supervision of the Human Resource Department with the help of the Company's Legal Department. It is composed of senior managers who report directly to the Chairman. It ensures that the Company's Code of Ethics and all internal regulations derived therefrom are properly adhered to. They make proposals to the Chairman of the Company and the Board of Directors concerning ethics and compliance. They also organize reports from the managers of the Company on how the Code is being applied. Any employee can refer an issue to the Human Resource Department on any subject relative to the principles set forth in the Code.

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, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|----------------------------------|---|
| 1. Parent Company | The Company does not have any parent company, joint venture arrangement and any subsidiary. |
| 2. Joint Ventures | |
| 3. Subsidiaries | |
| 4. Entities Under Common Control | POLICY: |

| | |
|---|--|
| 5. Substantial Stockholders | <p>It is the policy of the Company that all Related Party Transactions shall be subject to approval or ratification in accordance with the procedures set forth in the Company's rulings. Annually, the Company will disclose the information regarding Related Party Transactions that is required by regulations of the SEC to be disclosed, or incorporated by reference, in the Company's Annual Report.</p> <p>PROCEDURES:</p> <ul style="list-style-type: none"> • A "Related Party" includes any (a) person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 17-A and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director, (b) greater than 5 percent beneficial owner of the Company's common stock, or (c) immediate family member of the foregoing. An "immediate family member" includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person. • A "Related Party Transaction" is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (a) the Company is a participant, and (b) any Related Party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity). • The Board shall review the material facts of all Related Person Transactions that require the Board's approval and either approve (or ratify, as applicable) or disapprove of the Related Party Transaction. Specifically, each executive officer, director or nominee for director of the Company shall disclose to the Board of Directors the information relating to a Related Party Transaction. Such disclosure to the Board should occur on a timely basis after the executive officer, director or nominee for director becomes aware of the Related Party Transaction, but in no case later than the time of the next following circulation of the questionnaire described in the following |
| 6. Officers including spouse / children / siblings / parents | |
| 7. Directors including spouse / children / siblings / parents | |
| 8. Interlocking director relationship of Board of Directors | |

| | |
|--|--|
| | <p>sentence. The questionnaire sent annually by the Company to directors and executive officers will solicit information regarding Related Party Transactions that are currently proposed or occurred since the beginning of the Company's last fiscal year</p> <ul style="list-style-type: none"> • The information regarding a Related Person Transaction that should be reported to the Board by the executive officer, director or nominee for director pursuant to Section 3 above should include (a) the name of the Related Party, and if he or she is an immediate family member of an executive officer, director or nominee for director, the nature of such relationship; (b) the Related Party's interest in the transaction, (c) the approximate peso value of the amount involved in the transaction, (d) the approximate peso value of the amount of the Related Party's interest in the transaction; and (e) in the case of indebtedness, the largest total amount of principal outstanding since the beginning of the Company's last fiscal year, the amount of principal outstanding as of the latest practicable date, the amount of principal paid since the beginning of the Company's last fiscal year, and the rate or amount of interest payable on the indebtedness. • The Board's decision whether or not to approve or ratify the Related Party Transaction should be made in light of the Board's determination as to whether consummation of the transaction is believed by the Board to not be or have been contrary to the best interests of the Company. The Board may take into account the effect of a director's Related Party Transaction on such person's status as an independent member of the Company's board of directors and eligibility to serve on board committees under SEC and PSE rules. |
|--|--|

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 | <ul style="list-style-type: none"> • Mr. Juan Manuel Elizalde, Director and VP-Operations is the son of the Chairman & CEO, Mr. Fred J. Elizalde |

| | |
|----------------------------------|--|
| | <ul style="list-style-type: none"> Mr. Julio Manuel P. Macuja, Director and EVP-Treasurer is the brother-in-law of the Chairman & CEO, Mr. Fred J. Elizalde |
| Name of Officer/s | Not applicable |
| Name of significant Shareholders | Not applicable |

(ii) Mechanism

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

| | Directors / Officers / Significant Shareholders |
|---------|---|
| Company | <ol style="list-style-type: none"> Identify relevant conflict-of-interest situations – Provide a clear and realistic description of what circumstances and relationships can lead to a conflict-of-interest situation. Establish procedures to identify, manage and resolve conflict-of-interest situations – Ensure that Directors, Officers and Significant Shareholders of the Company know what is required of them in identifying and declaring conflict-of-interest situations. Demonstrate leadership commitment – Directors, Officers and Significant Shareholders should take responsibility for the effective application of conflict-of-interest policy, by establishing a consistent a consistent decision-making process, taking decisions based on this model in individual cases, monitoring and evaluating the effectiveness of the policy and, where necessary, enhancing or modifying the policy to make it more effective. Create a partnership with employees – Ensure wide publication, awareness and understanding of the conflict-of-interest policy through training and counselling. Enforce the conflict-of-interest policy – Provide procedures for establishing a conflict-of-interest offence, and consequences for non-compliance, including disciplinary sanctions. |
| Group | |

5. Family Commercial and Contractual Relations

- a. Indicate, if applicable, any relation of a family, 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 |
|--|----------------------|---------------------------------------|
| Elizalde Holdings Corporation | | Please see letter c below |
| Elizalde Land, Inc. | | Please see letter c below |
| Romulo, Mabanta, Buenaventura, Sayoc and delos Angeles Law Offices | | Please see letter c below |
| Cebu Broadcasting Company | | Please see letter c below |

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

| Names of related Significant Shareholders | Type of Relationship | Brief Description |
|---|----------------------|-------------------|
| | | |
| Not Applicable | | |
| | | |

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

| Names of related Significant Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|---|---------------------------------------|---|
| Elizalde Holdings Corporation | 34.66% | The Chairman, Fred J. Elizalde, holds voting trust or similar agreements to more than 5% of the common stock of the corporation and has voting rights and such powers as provided in the Corporation Code. Elizalde Holdings Corporation is owned by various trust funds that have executed voting trusts in favour of the Chairman, Fred J. Elizalde. These agreements shall last during the lifetime of Fred J. Elizalde as provided for in the agreements. Fred J. Elizalde holds office at the principal office of the Corporation. |
| Elizalde Land, Inc. | 21.61% | ELI is a 100% owned subsidiary of Elizalde Holdings Corporation. Mr. Eduardo G. Cordova, the Company's Chief Financial Officer, is the person designated to exercise voting power over the shares of ELI. Mr. Cordova holds office at the principal office of the Corporation. |

| | | |
|--|--------|---|
| Romulo, Mabanta, Buenaventura, Sayoc and delos Angeles Law Offices | 17.36% | Atty. Reynaldo G. Geronimo is the designated Trustee of the Romulo Mabanta, Buenaventura, Sayoc & delos Angeles Trust Fund that holds voting trust or similar agreements to more than 5% of the Common stock and has voting rights and such powers as provided in the Corporation Code. The designation as trustee shall continue in accordance with the agreements. He holds office at 30 th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City. |
| Cebu Broadcasting Company | 12.42% | CBC is a 100% owned subsidiary of Elizalde Holdings Corporation. Mr. Robert A. Pua, the Company's VP-Controller and Compliance Officer, is the person designated to exercise voting power over the shares of CBC. Mr. Pua holds office at the principal office of the Corporation. |

6. Alternative Dispute Resolution

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

| Alternative Dispute Resolution System | |
|---------------------------------------|--|
| Corporation & Stockholders | <ul style="list-style-type: none"> • NEGOTIATION – participation is voluntary and there is no third party who facilitates the resolution process or imposes a resolution. • MEDIATION – there is a third party, a mediator, who facilitates the resolution process, but does not impose a resolution on the parties. • COLLABORATIVE LAW – each party has an attorney who facilitates the resolution process within specifically contracted terms. The parties reach agreement with support of the attorney and mutually-agreed experts. No one imposes a resolution on the parties. However, the process is a formalized process that is part of the litigation and court system. Rather than being an alternative resolution methodology it is a litigation variant that happens to rely on ADR like attitudes and processes. • ARBITRATION – participation is typically voluntary, and there is a third party who, as a private judge, imposes a resolution. Arbitrators often occur because parties to contracts agree that any future dispute concerning the agreement will be resolved by arbitration. |
| 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?

Answer:

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

2. Attendance of Directors

| Board | Name | Date of election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|---------------------------|------------------|--------------------------------------|--------------------------|------|
| Chairman | Fred J. Elizalde | 10/24/12 | 12 | 10 | 83% |
| Member | Ruperto S. Nicdao Jr. | 10/24/12 | 12 | 12 | 100% |
| Member | Eduardo G. Cordova | 10/24/12 | 12 | 12 | 100% |
| Member | Julio Manuel P. Macuja | 10/24/12 | 12 | 12 | 100% |
| Member | Juan Manuel Elizalde | 10/24/12 | 12 | 11 | 92% |
| Member | Jose M. Taruc | 10/24/12 | 12 | 9 | 75% |
| Member | Rudolph Steve F. Jularbal | 10/24/12 | 12 | 12 | 100% |
| Independent | George T. Goduco | 10/24/12 | 12 | 11 | 92% |
| Independent | Santiago Z. Ureta* | 10/24/12 | 9 | 8 | 89% |
| Independent | Gary C. Huang* | 10/24/12 | 3 | 3 | 100% |

*Mr. Gary C. Huang was elected as independent director effective October 24, 2012 in lieu of Mr. Santiago Z. Ureta who resigned as director effective the same date.

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

ANSWER:

The non-executive directors did not have a separate meeting during the year.

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

ANSWER:

Yes, the quorum requirement in every meeting or any board decision in the Company is set at two-thirds of board members. The requirement of a quorum is set for the protection against unrepresentative action in the name of the Company by an unduly small number of people.

5. Access to Information

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

ANSWER:

Board papers are provided to the board of directors at least two weeks before the actual date of meeting so that they have ample time to carefully review the board papers and prepare the needed reports for the meeting.

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

ANSWER:

Yes. Any member of the board may interact directly with management of the Company or with the Corporate Secretary regarding any matter concerning the Company, at the officer level or below as and when the director deems necessary and appropriate. It is assumed that the directors will exercise their judgement so that such contact is not distracting to the business, and the chief executive officer is appropriately advised of any such contact.

- 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?

ANSWER:

The Company's Secretary has the following duties and functions:

- to record the minutes of all meetings of the Board of Directors, the Executive Committee, the Stockholders and the special and Standing committees of the Board
- to give, or cause to be given, all notices required by law or by the By-laws of the Corporation, as well as notices required of meetings of the Directors and of the stockholders
- to keep records indicating the details required by law with respect to the certificates of stock of the Corporation, including ledgers and stock transfers and the date of each issuance thereafter
- to full and countersign all certificates of stocks issued and to make the corresponding annotations on the margins or stubs of such certificates upon their issuance
- to take note of all stock transfers and cancellations, and keep in alphabetical or numerical order all certificates of stocks so transferred as well as the names of stockholders, their addresses and the number of shares owned by each
- to prepare the various reports, statements, certifications and other documents which may from time to time be required by government rules and regulations, except those required to be made by the Treasurer, and to submit the same to the proper government agencies
- to keep and affix the corporate seal to all paper and documents requiring a seal, and to attest by his signature all corporate documents
- to pass upon the form and the manner of voting of proxies, the acceptability and validity of their issuance and use, and to decide all contests and returns relating to the election of the members of the Board of Directors
- to perform such duties and functions as may, from time to time, be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

Yes, the Secretary's 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.

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

ANSWER:

Yes, the Company's Corporate Secretary is well –versed in both legal and accounting matters. Atty. Rudolf Steve E. Jularbal is currently the Company's Corporate Secretary. He obtained his Bachelor's Degree in Law from the University of the Philippines-Diliman in 1979 and was admitted to the Bar the following year. He also holds degrees in Management and Marketing obtained from Saint Louis University in Baguio City.

- 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 | The Company uses a computerized system of maintaining all of its financial and historical records. Any Director who desires to take information shall make a request in writing or via email to the concerned Department, specifying the particulars of the information sought for. This request is then reviewed and shall be approved. Where possible, the information requested will be provided to the applicant in the manner requested. The concerned Department will seek to provide a response as soon as possible and, in any event within one (1) week, unless it is necessary to ask for further information which it reasonably requires in order to identify and locate the information requested. |
| 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:

ANSWER:

The Company's board may consider the need of seeking independent professional advice in order to effectively deal with an issue and it is considered good practice to have policies and procedures in place to do so.

| Procedures | Details |
|--|---|
| In most cases, advice from within the Company should be sought in the first instance. | The Company's own legal adviser regarding legal issues and the Company's auditors regarding accounting issues. |
| Other potential sources of advice should also be considered. | The Board may seek advice of other legal expert from a reputable law firm or a public accountant from the Company's external accounting/auditing firm. |
| Directors shall have, within the financial limits, the right to take advice from, at Company's expense, independent advisers | <ul style="list-style-type: none"> include advice on their legal, accounting and regulatory duties exclude advice to individual member of the |

| | |
|---|--|
| on any matters concerning the exercise of their own powers and responsibilities. | board concerning their own respective personal interests in relation to the Corporation |
| The Board who intend to seek advice shall give prior written notice to the corporate secretary. | Such notice contain: <ul style="list-style-type: none"> • a summary of issues on which advice is sought • if independent advice is sought, (ie. not from the Company's advisers), name(s) or source of the advisers whom the Board proposes to instruct together with a short explanation of the reasons why consultation with the Company's advisers on the particular issue is considered to be inappropriate. |
| The Corporate Secretary shall forward a copy of the notice to the Chairman of the Board. | Whenever practicable, the Board shall first enquire the Corporate Secretary whether professional advice has already been obtained by the Company before giving notice to the Chair. |
| The Chairman is authorized by the Company to confirm the request and expenditure towards the costs of independent professional advice. | Approved requests will be counter-signed for expenditure purposes by the Chief Financial Officer. |
| The Chair shall decide whether to authorize such advice and payment or contribution as soon as practicable after receiving a copy of the notice seeking advice, | The Chair cannot unreasonably bar access to independent advice, especially in the case that the Company's advisers are not able to advice or their advice has proven inadequate. |
| The Corp. Secretary shall notify the Board when the request for independent advice has been actioned and when a response can be anticipated. | If the request has not been supported, or has been forwarded to the Company advisers for action, the Board will be informed of this decision, with a supporting rationale. |

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:

ANSWER:

There is no change introduced by the Board of Directors on existing policies that may have an effect on the business of the Company.

| Existing Policies | Changes | Reason |
|-------------------|---------|--------|
| NOT APPLICABLE | | |
| | | |

D. REMUNERATION MATTERS

1. Remuneration Process

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

| Process | CEO / Top 4 Highest paid Management Officers |
|--|--|
| 1. Fixed remuneration | The fixed remuneration is established taking into account the level of responsibility and the professional path of the director/officer within the Company. A wage benchmark is established for each function, reflecting its value to the organization. This wage benchmark is defined by analyzing its equivalence and fairness inside the Company and on the market outside. The fixed remuneration is continuously reviewed by the Nomination & Compensation Committee against comparable positions. |
| 2. Variable remuneration | The variable component of the total remuneration package is performance related. It consists of short and long-term components. Performance targets and conditions are derived from our strategy and annual business plans. The targets are assigned prior to the relevant year and assessment of realization is conducted after year-end by the Senior Management. |
| 3. Per diem allowance | Per diem allowances are fixed rate payments made on a per day basis for attendance at meetings of the Board of Directors. |
| 4. Bonus | Members of the Board have the right to participate in a bonus scheme based on the Company's performance for the year. The bonus is paid out annually after adoption of the annual report for the relevant financial year. The bonus pay-out level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at a certain percentage of the annual base salary respectively. No pay-out will be made if the targets are not met at the defined minimum acceptable performance level. The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT and cash flows as well as may targets approved by the Board of Directors. |
| 5. Stock Options and other financial instruments | Stock options or other financial instruments may be granted to directors in lieu of monetary remuneration under the Share Option Plan. |
| 6. Others (specify): Personal benefits | Members of the Board have access to a number of work-related benefits, including car incentive, communication allowance, work-related news papers and magazine subscriptions. The extent of individual benefits is negotiated with each individual member of the Board and reflects local market practice. |

2. Remuneration Policy and Structure for Executive and Non-Executive Directors

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

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|-------------------------|---|--|--|
| Executive Directors | Follows Company's salary structure and benefit package and Board-approved rate/package. | Compensation/salary package is composed of basic monthly pay plus number of bonus months as approved by the Board. | Basic monthly salary is multiplied by the number of bonus months then divided by (Divisor) 261 days for daily rate factor, which is used in computing other benefits (e.g. sick leave, vacation leave, etc.) |
| Non-Executive Directors | Per diem on BOD Meetings | | |

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.

ASNWER:

No, the stockholders of the Corporation do not have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors. The amount of remuneration are determined by the Board of Directors but in no case shall said remuneration exceed five (5%) of the net income of the Corporation before tax.

| Remuneration Scheme | Date of Stockholders' Approval |
|--|--------------------------------|
| No change from the policy and scheme mentioned above and the same have been approved during the respective annual stockholders' meeting. | October 28, 2010 |
| | August 25, 2011 |
| | October 24, 2012 |

3. Aggregate Remuneration

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

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--------------------------|---------------------|--|-----------------------|
| a. Fixed Remuneration | P8,259,640.84 | | |
| b. Variable remuneration | | | |
| c. Per diem Allowance | 155,555.56 | | 155,555.40 |

| | | | |
|---|---------------|--|-------------|
| d. Bonuses | | | |
| e. Stock Options and/or other financial instruments | | | |
| f. Others (specify) | | | |
| TOTAL | P8,415,196.40 | | P155,555.40 |

| Other Benefits | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| a. Advances | | | |
| b. Credit Granted | | | |
| c. Pension Plan/s Contributions | | | |
| d. Pension Plans, Obligations incurred | | | |
| e. Life Insurance Premium | | | |
| f. Hospitalization Plan | | | |
| g. Car Plan | | | |
| h. Others (specify) | | | |
| TOTAL | | | |

4. Stock Rights, Options and Warrants

a. Board of Directors

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

| Director's Name | Number of Direct Option/Rights / Warrants | Number of Indirect Option/Rights / Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|--|---|---|-----------------------------|----------------------------|
| None of the Company's Common Shares are subject to outstanding options or warrants to purchase, or securities convertible into Common shares of the Company. | | | | |

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 |
|---|------------|--------------------------------|
| No amendment or discontinuance of any incentive program was introduced. | | |

c. Remuneration of Management

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

| Name of Officer/Position | Total Remuneration |
|--------------------------|--------------------|
| George T. Goduco | P155,555.40 |
| Gary C. Huang | |

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 | Key Responsibilities | Power |
|------------|-------------------------|------------------------------|---------------------------|-------------------------|---|---|
| | Executive Director (ED) | Non-Executive Director (NED) | Independent Director (ID) | | | |
| Audit | 2 | - | 1 | Audit Committee Charter | <ol style="list-style-type: none"> 1. Financial Reporting and Disclosures 2. Risk Management 3. Internal Control 4. Management 5. Internal Audit 6. External Audit | <ol style="list-style-type: none"> 1. To investigate any activity within its terms of reference. 2. To seek information from any employee 3. To obtain outside legal or other professional advice 4. To secure attendance of outsiders with relevant expertise, if it considers necessary |
| Nomination | 2 | - | 1 | | <ol style="list-style-type: none"> 1. Board Composition and Performance <ul style="list-style-type: none"> - Composition-General - Board Diversity - Appointment, Election and Re-Election of Directors - Performance 2. Director Independence | <ol style="list-style-type: none"> 1. To have access to adequate internal and external resources including having unrestricted access to management, employees and information 2. To obtain independent advice at |

| | | | | | | |
|--------------|---|---|---|--|---|---|
| | | | | | 3. Appointment of the CEO and CEO succession planning 4. CEO and Company Secretary Performance 5. Outside Directorship Requests | Company's expense, including engaging and receiving advice and recommendations from appropriate independent experts. |
| Remuneration | 2 | - | 1 | | 1. Remuneration policy recommendation 2. Contract terms 3. Incentive plans, share right plans, performance targets and bonus payments 4. Terms and conditions of employee incentive plans 5. Content of the remuneration report to be included in the Company's Annual Report | 1. To discuss directly with management, auditors and consultants any issue within the scope of responsibilities 2. To request reports, information and explanations about any activities of the Company relevant to the Committee's responsibilities 3. To obtain external advice from any consultants it considers necessary to carry out its responsibilities |

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 | Fred J. Elizalde | 10/24/12 | 12 | 10 | 83% | 28 years |
| Member (ED) | Ruperto S. Nicdao, Jr. | 10/24/12 | 12 | 12 | 100% | 25 years |
| Member (ED) | Eduardo G. Cordova | 10/24/12 | 12 | 12 | 100% | 25 years |
| Member (ED) | Julio Manuel P. Macuja | 10/24/12 | 12 | 12 | 100% | 14 years |
| Member (ED) | Rudolph Steve F. Jularbal | 10/24/12 | 12 | 12 | 100% | 2 years |

b. Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | George T. Goduco | 10/24/12 | 12 | 11 | 92% | >5 years |
| Member (ED) | Eduardo G. Cordova | 10/24/12 | 12 | 12 | 100% | >5 years |
| Member (ED) | Julio Manuel P. Macuja | 10/24/12 | 12 | 12 | 100% | >5 years |

Disclose the profile or qualifications of the Audit Committee members.

Answer:

George T. Goduco (Chairman) – at present, he is the President of Healthlab, Inc., a full service diagnostics laboratory and medical examination facility. He was EVP/COO of Star Parks Corporation in 2000-2002. He also served as Vice President and Treasurer of the FJE Group of Companies in 1997-2000 and its Director for Corporate Planning in 1995-1997. He also served as Account Officer in Solidbank and Boston Bank from 1988-1991. He holds an MBA from the University of Bridgeport, Connecticut and a Bachelor of Science in Economics from the University of the Philippines.

Eduardo G. Cordova (Member) – has been a Director of the company since 1988 and is currently the SVP-CFO of the Company and Elizalde Holdings Corporation. He is also Chairman/President of our affiliate Philippine Broadcasting Corporation. He is a member of the Philippine Institute of Certified Public Accountants (PICPA). He is a Certified Public Accountant and obtained his Master's in Business Administration, with honors, from University of St. La Salle and his bachelor's degree in business administration from University of the East.

Julio Manuel P. Macuja (Member) – is EVP-Treasurer of the Company which he joined in 1999. He is the Chief Information Officer registered with the Philippine Stock Exchange. He is also a Director of Elizalde Holdings Corporation and Star Parks Corporation. He was formerly part of the Treasury Group of the Bank of Philippine Islands. Prior to this, he was Acting Director of the Ateneo Center for Social Policy and Public Affairs and part time faculty member of the Economics Department., Ateneo de Manila University, where he finished his Bachelor of Arts Degree in Economics (Honors) in 1985. He completed his post-graduate studies as a scholar of the British Council at the Victoria University of Manchester in 1989, obtaining a degree of Masters of Arts in Economic and Social Studies (Major in Development Studies).

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

Answer:

- Review External Auditor's engagement letter.
- Obtain a good understanding of the roles and responsibilities of External Auditors, the nature and scope of the audit and the Auditor's approach that will be adopted in the performance of the audit.

- Assess the qualification, expertise and resources, effectiveness and independence of the External Auditor. External Auditor should be free from any business or other relationships with the company that could materially interfere with their ability to act with integrity and objectivity
- Review the effectiveness of the External Auditor, including compliance with different national and international auditing standards.
- Review the cost effectiveness of the audit.
- Evaluate and determine the non-audit work, if any, of the External Auditor.
- Review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Corporation's overall consultancy expenses.
- The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence.
- Review the report of the External Auditor and ensure that the management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.
- Assess & evaluate External Auditor's performance and make recommendations to the Board on the appointment and reappointment of External Auditor.
- Communication with the External Auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting must be made on a complete and timely basis.
- Discuss to the External Auditor any matter relating to suspected fraud, irregularity or infringement to which has or is likely to have a material impact on the Company's operating results or financial position, and at an appropriate time, report the matter to the Board.
- Review and assess Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions made concerning Auditor's findings.
- Meet separately with the External Auditor to discuss any matters that the Committee or Auditors believe should be discussed privately.
- Conduct a thorough assessment of the functions of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment are for the purpose of both the evaluation of external auditors for new appointments as well as the evaluation of the incumbent external auditors with regards to re-appointment.

c. Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | George T. Goduco | 10/24/12 | 12 | 11 | 92% | >5 |
| Member (ED) | Fred J. Elizalde | 10/24/12 | 12 | 10 | 83% | >5 |
| Member (ED) | Ruperto S. Nicdao, Jr. | 10/24/12 | 12 | 12 | 100% | >5 |

d. Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Gary C. Huang | 10/24/12 | 3 | 3 | 100% | 3 months |
| Member (ED) | Fred J. Elizalde | 10/24/12 | 10 | 12 | 83% | >5 years |
| Member (ED) | Ruperto S. Nicdao, Jr. | 10/24/12 | 12 | 12 | 100% | >5 years |

e. Others (Specify)

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

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|----------------|------|---------------------|----------------------|--------------------------|---|------------------------------------|
| NOT APPLICABLE | | | | | | |

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 | Reasons |
|------------------------|--------------------|-------------|
| Remuneration Committee | Santiago Z. Ureta* | Resignation |

*Mr. Gary C. Huang was elected as independent director effective October 24, 2012 in lieu of Mr. Santiago Z. Ureta who resigned as director effective the same date.

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"> To ensure that the consideration of matters and decisions relating to strategy, performance and resources are consistent with the Company's wish to promote equality and eliminate discrimination. To keep a watchful eye, and be prepared to advise, on the implementation of the medium to long-term strategy | Strategic issues and follow-up on budget and forecasts |

| | | |
|-------|--|---|
| | <p>approved by the Company.</p> <ul style="list-style-type: none"> • To approve and recommend to the Board the Company's annual revenue and capital budgets, in order to achieve the objectives of the approved strategy. • To ensure the implementation of the approved budgets, including the monitoring of performance against budgets. • To consider, approve and keep under review the method by which resources are allocated within the Company and to receive regular reports from the Secretary on these matters. • To be a point of reference and advice about the overall day-to-day business of the Company as well as maintaining the appropriate balance between implementation of policy and the responsibilities of executive management. • To reflect in its decisions the risk strategy and risk management process approved by the Audit Committee. • To consider and determine such other matters as may be delegated or referred to it. • To report to each meeting of the stockholders on the work it has undertaken on its behalf. | |
| Audit | <ul style="list-style-type: none"> • In charge of the financial reporting and disclosure. • Coordinated and assisted the Company's external auditors in their performance of the 2012 FS audit. | <p>Reviewed and discussed quarterly unaudited financial statements, audited annual financial statements including Management's Discussion and analysis of financial condition and results of operations, adequacy of the company's enterprise risk management framework, and the effectiveness of the</p> |

| | | |
|--------------|---|---|
| | | <p>system for monitoring compliance with laws and regulations.</p> <p>Approved the overall scope and audit plans of Internal and external audits, effectiveness</p> <p>of the internal audit function and recommended for approval the reappointment of the current external auditors.</p> <p>Performed a self-evaluation of the Committee in terms of expectations set out in the Audit Committee Charter.</p> |
| Nomination | <ul style="list-style-type: none"> Recommended the list of stockholder's eligible for being elected as Board of Directors for the fiscal year 2013. | <p>Reviewed the qualifications of all nominees to the Board of directors, taking into consideration the relevant requirements of the Securities and Exchange Commission relative to qualifications and disqualifications of both regular and independent director nominees.</p> |
| Remuneration | <ul style="list-style-type: none"> Ongoing oversight of the compensation policies and plans for all employees of the Company. Perform the annual review of the Company's compensation strategy and ensure that it is aligned with stockholders' interests, supports the Company's business and strategic objectives and provides appropriate rewards and incentives to attract, retain and motivate employees to perform in the | <p>Provided oversight over remuneration of senior management and other key personnel.</p> <p>No other resolution relating to director's remuneration has been adopted by the Board of Directors as the schedule of the amount of per diem for attendance in meetings of the Board of Directors/Committees</p> |

| | | |
|------------------|--|---------------------|
| | best interest of the Company and its stockholders. | remained unchanged. |
| Others (specify) | Not Applicable | |

5. Committee Program

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

| Name of Committee | Planned Programs | Issues to be Addressed |
|----------------------------|--|--|
| Audit | <ul style="list-style-type: none"> Align existing charter with other Board Committee Charter Deliver 2013-2014 Internal Audit Work Plan & 2013 Compliance Work Plan. Conduct Board self-evaluation of the company's current and potential state of CG practices using existing CG scorecards and best practice guidelines. Conduct learning sessions for the company- toward improving audit consciousness and compliance awareness throughout the organization. | <ul style="list-style-type: none"> Review Audit Committee Charters Review financial reporting process, system of internal control and the company's process for monitoring compliance with laws and regulations and the code of conduct. A more-focused compliance function will ensure that all regulatory requirements are generally complied as well as internal policies and procedures are implemented accordingly. CG practices to evolve from mere compliance to performance improvement and consistent implementation. Better understanding of roles, responsibilities, business policies, processes and procedures as well as laws, rules and good conduct lead to well-informed and more productive work force. |
| Nomination Compensation | <ul style="list-style-type: none"> Formalize a Board Committee Charter Pre-screen qualifications of all nominees to the Board of Directors | <p>Defines the purpose, roles and responsibilities, membership, authority, frequency of meetings and other matters affecting the committee.</p> <p>Ensures all nominees to the Board both regular and independent directors possess all the qualifications and non of the disqualifications enumerated.</p> |
| Others (specify) | Not Applicable | |

F. RISK MANAGEMENT SYSTEM

1. Disclose the following:

a. Overall risk management philosophy of the company.

ANSWER:

The identification and management of risk reduce the uncertainty associated with the execution of our business strategies allow the Company to maximize opportunities that may arise. Risk takes on many forms and can have material adverse impacts on the Company's ability to achieve our stated objectives, by potentially impacting our reputation, operation, human resources and financial performance.

The Board is overall responsible for determining the Company's risk profile, overseeing the Company's risk management framework, reviewing the Company's key risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures. The Audit Committee review the management of these risks and effectiveness of mitigation strategies and controls.

The Management has the primary responsibility of identifying, managing and reporting the key risks faced by the Company to the Board. The Management is also responsible for ensuring that the risk management framework is effectively implemented within all areas of the respective business units. In addition, specialized areas such as Regulatory, Legal, Environment, Insurance, Treasury and Credit support the Company in the management of these risks.

The Company's philosophy and approach towards effective risk management are underpinned by three key principles:

Culture

We seek to build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks, and promoting accountability. In short, we seek to promote a risk-conscious workforce across the Company.

Structure

We seek to put in place an appropriate organizational structure that promotes good corporate governance, provides for proper segregation of duties, defines clearly risk-taking responsibility and authority, and promotes ownership and accountability for risk taking.

Process

We seek to implement robust processes and systems for effective identification, quantification, monitoring, mitigation and management of risk. We seek to improve our risk management as well as internal control policies and procedures on an ongoing basis to ensure that they remain sound and relevant by benchmarking against global best practices.

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

ANSWER:

The Board has reviewed the effectiveness of the risk management system the Company is currently implementing. An overall rating of the risk management function of the Company considers both its characteristics and the effectiveness of its performance in executing its mandate, in the context of the nature, scope, complexity and risk profile of the Company.

Based on the review performed by the board, the assessment reflects that the risk management system of the Company is at acceptable level. It means that the mandate, organization structure, resources, methodologies and practices of the risk management function met what is considered necessary, given the nature, scope, complexity, and risk profile of the Company. Risk management characteristics and performance meet generally accepted risk management practices.

- c. Period covered by the review;

ANSWER:

The review of the Company's risk management system covers the entire fiscal year, 2012.

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

ANSWER:

The Board review the Company's risk management system at least annually.

The quality of the risk management function's performance is demonstrated by its effectiveness in overseeing the identification and management risks, with due regard to the Company's safety and soundness. The assessment will consider the effectiveness with which the risk management function anticipates, identifies and measures risks in a dynamic operating environment and oversees management of those risks within the tolerance limits established by the Board. The Company will look to indicators of effective risk management performance to guide its judgement in the course of its supervisory activities.

Indicators that could be used to guide supervisory judgement to assess the effectiveness of risk management system of the Company:

- Proactively updates its policies, practices and limits in response to changes in the industry and in the Company's strategy, business activities and risk tolerances;
- Integrates its policies, practices and limits with day-to-day business activities and with the Company's strategic, capital and liquidity management policies;
- Models and measures inherent risks and actively participates in the development of new initiatives to ensure processes are in place to appropriately identify and mitigate risks prior to implementation;
- Monitors risk positions against approved limits and ensure that material breaches are addressed on a timely basis;
- Uses risk measurement and monitoring tools that are sensitive enough to provide early warning indicators of adverse trends and conditions; proactively analyzes these trends and conditions; and follows up to ensure that they are addressed on a timely basis;

- Proactively and effectively addresses risk management issues identified as a result of internal or external events, or by other control functions; and
 - Provides regular, comprehensive, reports to the Board (or a Board committee) and Senior Management on the effectiveness of the institution's risk management processes and ensures that significant issues are escalated to Senior Management and the Board on a timely basis.
- e. Where no review was conducted during the year, an explanation why not.

ANSWER:

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 | It is a company policy that all clients who wish to trade on credit terms are subjected to credit verification process. | To ensure that the Company's exposure to bad debts is not significant. |
| Liquidity Risk | Projected and actual cash flow information is regularly evaluated and funding sources are continuously assessed. | To finance capital expenditures, services and maturing obligations as scheduled. |

b. Policy

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

| Risk Exposure | Risk Management Policy | Objective |
|----------------|---|--|
| Credit Risk | It is a company policy that all clients who wish to trade on credit terms are subjected to credit verification process. | To ensure that the Company's exposure to bad debts is not significant. |
| Liquidity Risk | Projected and actual cash flow information is regularly evaluated and funding sources are continuously assessed. | To finance capital expenditures, services and maturing obligations as scheduled. |

c. Minority Shareholders

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

| Risk to Minority Shareholders |
|---|
| Minority shareholders have no voting power. |
| They have little control over the company's finances. |
| The removal of a Director will not be allowed if this will result in a denial of minority shareholders representation in the Board. |

3. Control System Set Up

a. Company

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

| Risk Exposure | Risk Management (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|--|---|
| Credit Risk | Continuously review and evaluate ceding companies' financial capacity, payment history, other available credit information and compliance with IC's requirements such as capitalization, latest available certificate of authority and any relevant reports. | The management of credit risks comprises several process steps that cover various functions of risk management. These functions can be combined into three functional blocks to set up organizational units: <ul style="list-style-type: none"> • Strategic credit risk planning – typically includes planning and monitoring the credit risk level, defining the credit risk strategy, deriving the target level structure, and aligning the actual credit risk with guidelines of Company-wide capital allocation. • Operational credit risk analysis – comprises identifying, measuring, and aggregating the credit risk at acceptable level. The employees in charge of these activities apply the level risk models developed in the central credit staff and prepare reports based on their analysis. • Credit risk controlling in a narrow sense – covers, among other things, defining and monitoring limits, deriving recommendations |

| | | |
|----------------|--|--|
| | | for courses of action if limits are exceeded, and setting risk-adjusted prices. |
| Liquidity Risk | Established an Investment (Board) Committee to oversee investment performance relative to Company's adherence to approved investment policy /guidelines. Prepares an annual budget for investment income and related strategies involved is submitted for review and evaluation of the Investment committee prior to seeking final Board approval. | Renders regular investment report to the Investment Committee and the Board on the following: <ul style="list-style-type: none"> • Actual results vs. budgeted figures; • Monitoring of non-Philippine peso cash flows (foreign currency risk); • Maintaining investment limits per asset class (market price risk); • Establishing limits on the duration and average maturity of the variable investment income portfolio (interest rate risk); and • General adherence to established investment policy and guidelines. |

b. Group

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

| Risk Exposure | Risk Management (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|----------------|--|---|
| | | |
| Not Applicable | | |
| | | |

c. Committee

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

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

| | | |
|--|----------------------|---|
| | the Code of Conduct. | channel of communications to the Board for the internal and external auditor, officers and other concerned parties. |
|--|----------------------|---|

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;

ANSWER:

Internal control system is the set of rules, procedures and organizational structures aimed at making possible a sound and correct management of the company consistent with the established goals, through adequate identification, measurement, management and monitoring of the main risks.

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

ANSWER:

The Board has reviewed the effectiveness of the internal control system and considered them effective and adequate.

- c. Period covered by the review;

ANSWER:

The Board reviewed the internal control system covering the period of January to December of 2012.

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

ANSWER:

The review of the internal control system implemented by the company is done at least annually by the Board specifically the members of the Audit Committee.

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

ANSWER:

Not Applicable

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 |
|--|---|--|---|-------------------|
| Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information. | All financial, managerial, and operating information and the means used to identify, measure, classify, and report such information is accurate, reliable and timely. | In-house | George T. Goduco | Quarterly |
| Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization. | Compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization. | In-house | George T. Goduco | Annual |
| Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets. | All Company assets | In-house | George T. Goduco | Annual |
| Evaluating the effectiveness and efficiency with which resources are employed. | All resources | In-house | George T. Goduco | As needed |

| | | | | |
|--|---|----------|------------------|-----------|
| Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. | All key operations or programs | In-house | George T. Goduco | As needed |
| Monitoring and evaluating governance processes. | Includes reviewing the quality and continuous improvement program fostered in the organization's control process and interacting with related groups as needed. | In-house | George T. Goduco | Annual |
| Monitoring and evaluating the effectiveness of the organization's risk management processes. | All risk management processes | In-house | George T. Goduco | Annual |
| Evaluating the quality of performance of external auditors and the degree of coordination with internal audit. | Based on the leading practices' criteria, as approved by Audit Committee | In-house | George T. Goduco | Annual |
| Performing consulting and advisory services related to governance, risk management and | Non-assurance services related to governance, | In-house | George T. Goduco | As needed |

| | | | | |
|--|---|----------|------------------|----------------------|
| control as appropriate for the organization. | risk management and control as appropriate for the organization. | | | |
| Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. | Based on the leading practices' criteria, as approved by Audit Committee | In-house | George T. Goduco | Quarterly / Annually |
| Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board. | All risk exposures and control issues including fraud risks, governance issues, and other matters needed or requested by the Board. | In-house | George T. Goduco | As needed |
| Monitoring all significant legislative and/or regulatory issues are properly recognized and addressed. | All impacting the organization | In-house | George T. Goduco | Quarterly |
| Evaluating specific operations at the request of the Board or management, as appropriate. | Based on the request of the sponsor | In-house | George T. Goduco | As needed |

- 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?

ANSWER:

The appointment and/or removal of the internal auditor or the accounting/auditing firm or corporation does not require the approval of the Audit Committee. However, the Committee is in charge of assessing the qualification, expertise and resources, effectiveness and independence of the internal auditor and then make recommendations to the nominating 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?

ANSWER:

An internal audit group should report functionally to an internal audit committee and administratively to a senior executive such as the Chief Financial Officer.

Yes, the internal audit activity of the internal auditors, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free and unrestricted access to any and all of Company’s records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

- 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 reasons/s for them.

| Name of Audit Staff | Reason |
|--|--|
| Ms. Aileen Saringan (SGV & Co. CPAs), Partner-in-charge until year 2009 | Rotation of partner-in-charge in compliance with the requirements of SRC Rule 68, Paragraph 3 (b) (iv) |
| Ms. Cynthia Manlapig (SGV & Co. CPAs), Partner-in-charge until year 2004 | |

- e. Progress against Plans, Issues, Findings and Examination Trends

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

| | |
|------------------------|---|
| Progress Against Plans | 96% |
| Issues | No critical issues noted |
| Findings | No critical findings noted |
| Examination Trends | Continuous review of the Company’s financial reports. |

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

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

6. Conduct of the foregoing procedures on a regular basis.]

f. Audit Control Policies and Procedures

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

| Policies & Procedures | Implementation |
|---|---|
| Provide an objective and independent evaluation of the adequacy, efficiency, and effectiveness of management controls over the Company's financial, human and physical resources. | In order to make an objective assessment of the effectiveness and efficiency of internal controls, the Board and the Management developed a set of criteria that will serve as a basis for making judgements. |
| Monitor and evaluate risk management procedures and internal controls, and ensure financial and operational risks are understood and appropriately managed; | The Company's internal control system and risk management procedures are regularly monitored and evaluated. Management ensures that regular communication regarding the internal control systems, as well as the outcomes, takes place at all levels within the Company to make sure that the internal control principles are fully understood and correctly applied by all. |
| Advise stakeholders of findings and recommendations regarding significant risks, performance and governance issues. Also, identify business, finance and internal control/business system risks to key decision-makers; | Chairman of the Board will encourage discussion of risk management and internal control issues during board meeting, as appropriate as an additional item to the normal board agenda. |
| Determine the extent to which Company assets are accounted for and safeguarded from losses of all kinds and to verify the existence of assets; | Internal auditors will review the means of safeguarding assets and, as appropriate, verify the existence of such assets. <ul style="list-style-type: none"> • Internal auditors will review the means used to safeguard assets from various types of losses such as those resulting from theft, fire, improper or illegal activities, and exposure to elements. • Internal auditors, when verifying the existence of assets, will use appropriate audit procedures. |
| Monitor whether organizational units are operating in compliance with Company policies and procedures, national laws and regulations, contractual obligations and sound business practices; | Internal auditors will review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and should determine whether the organization is in compliance. <ul style="list-style-type: none"> • Management is responsible for establishing the systems designed to |

| | |
|---|--|
| | ensure compliance with such requirements as policies, plans, procedures, and applicable laws and regulations. Internal auditors are responsible for determining whether the systems are adequate and effective and whether the activities audited are complying with the appropriate requirements. |
| Review operations or programs to ascertain whether results are consistent with established objectives and goals and are being carried out as planned; | Internal auditors will ascertain whether such objectives and goals conform to those of the organization and whether they are being met. |
| Review the reliability, integrity and adequacy of financial and operating information and the means in use to identify, measure, classify and report information; | Internal auditors will review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information. Information systems provide data for decision making, control, and compliance with external requirements. Therefore, internal auditors examine information systems and, as appropriate, ascertain whether: <ul style="list-style-type: none"> • Financial and operating records and reports contain accurate, reliable, timely, complete, and useful information. • Controls over record keeping and reporting are adequate and effective. |
| Execute audits of specific areas or functions in accordance with generally accepted auditing standards as required from time to time; | Internal auditor plans, conducts and reports results of an audit in accordance with generally accepted auditing standards. These standards provide a measure of audit quality and the objectives to be achieved in an audit. |
| Enhance the transparency and accountability of the Company's fiscal operations by making available the work of the Internal Auditor to external auditors in their examination of the Company's financial records and the annual financial statements. | Key information are appropriately disclosed to the Company's external auditors so that they have the necessary facts about the Company's performance and operations. |

g. Mechanism and Safeguards

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

| | | | |
|----------------------------------|--------------------|------------------|-----------------|
| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|----------------------------------|--------------------|------------------|-----------------|

| | | | |
|-----------------------------------|--------------------------------|-----------------------------|--------------------------------|
| Ceiling on audit fees | Ceiling on professional fees | Independent appointing body | Ceiling on professional fees |
| Restrictions on other services | Restrictions on other services | | Restrictions on other services |
| Rotation of auditors | Restriction on removal | | Restriction on removal |
| Independent appointing body | | | |
| Restriction on removal | | | |
| Accounting standards / guidelines | | | |
| Peer review | | | |
| Audit committee | | | |
| User Education | | | |

- h. State the offices (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.

ANSWER:

MBC Chairman and CEO, Mr. Fred J. Elizalde and MBC President Mr. Ruperto S. Nicdao, Jr. attest that the Company has fully complied with the requirements of the Code of Corporate Governance by the Securities and Exchange Commission (SEC).

Company directors, officers and employees are given proper instruction as to what are their respective roles, duties and responsibilities to be able to maintain the highest standards of ethical conduct, professionalism and quality in all activities in the Company. Thus, the Company is assured of their compliance with the mandates of the Code.

Rules are established, measures are implemented, and the situation is regularly being monitored, so that the Company's system continues to be compliant with the Code. Such compliance is ensured by a relevant mechanism put into place. Internal audits are regularly performed to assess the level of compliance and make sure that there is a mechanism in place to ensure consistent compliance.

H. ROLE OF STAKEHOLDERS

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

| | Policy | Activities |
|--------------------|--|--|
| Customers' welfare | It is the Company's policy to protect the interest of its costumers/clients, promote their general welfare and establish standards of conduct for business and industry. | <ul style="list-style-type: none"> • Encourage the customers to provide feedback to be able to learn what they really want • Provide a system that will suit the customers' needs • Provide an open channel |

| | | |
|--|--|---|
| | | <p>of communication with customers and clients</p> <ul style="list-style-type: none"> • Handle customers' complaints promptly and effectively |
| Supplier/contractor selection practice | Supplier/contractor selection is based on overall value for money. Whilst price is important, the Company will always consider quality, reliability, safety, good design, timely delivery/performance, maintenance and after sales support before arriving at a decision which is the most economically advantageous to the Company. | <p>Supplier qualification screening process:</p> <ul style="list-style-type: none"> • Reference checks • Financial status checks • Surge capacity availability • Indications of supplier quality • Ability to meet specifications |
| Environmentally friendly value-chain | The Company's unending goal is to reduce, mitigate or eliminate any harmful effects on the environment. | <ul style="list-style-type: none"> • comply with all local, relevant environmental legislation • apply best practices to manage disposal of wastes • actively promote internal recycling programs • encourage the efficient use of energy, utilities and natural resources • educate and train the Company's employees for awareness of the relevant environmental issues • organize several projects that will benefit the environment |
| Community interaction | Radio being one of the key part of media, plays an integral role to play in the community. The company is committed to be the conduits that improve social interaction, help develop citizens and promote their engagement in identifying and solving local, national, and international concerns. | <ul style="list-style-type: none"> • Information: Create awareness in society of what is currently happening around the globe • Education: Educate the listeners by creating radio programs that are informative, educational and will broaden the listener's knowledge about certain topic. • Watch dog and surveillance: Follow-up society to issues like religion, politics and education, crimes and security issues. |

| | | |
|---|---|---|
| | | <ul style="list-style-type: none"> • Agenda setting: Presents to society issues yet to become public debates. • Behavioral change agent: Represent and stand for society values, goals and culture. • Mobilization of society towards common goal: Can be used as mobilization campaign. Radio can be used to as early warning mechanism and then mobilize society for action during times of disasters. • Avenue for advertisement: Provide society with knowledge of products in the market. • Exposure: Connect the needy in society with the people or organizations who wish to help them deal with their problem. • Psychological support in society: Produce programs where people share problems with counsellors, doctors and get answers or solutions at no cost. |
| Anti-corruption programmes and procedures | Our Company's long-standing commitment to doing business with integrity means avoiding corruption in any form, including bribery, and complying with the anti-corruption laws of every country in which we operate. The Company's Code of Conduct and Anti-Bribery Policy provide guidance on how to conduct business in a fair, ethical and legal manner. Anti-Bribery Policy provide guidance on how to conduct business in a fair, ethical and legal manner. | The Company's compliance program encompasses numerous reporting, monitoring and certification controls, as well as a critical education component comprising both web-based and in-person training. |
| Safeguarding creditors' rights | The Company recognizes its obligations to its creditors. The company plans to discharge the said obligation in the proper way in conformity with the terms of the obligation and with the requirements of the law and | <ul style="list-style-type: none"> • Respect creditors' right to information regarding the Company's financial status |

| | | |
|--|---|--|
| | of the other legal acts, and in the absence of such terms and requirements – in conformity with the customs of the business turnover or with the other habitually presented demands of the creditors. | |
|--|---|--|

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

ANSWER:

There is no separate corporate responsibility section or sustainability report/section in the Company.

3. Performance-enhancing mechanisms for employee participation.

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

ANSWER:

- The health, safety and welfare of all its employees while they are at work (in whatever operation or location, whether on site or in transit on authorised business), of visitors to Company premises and operations and of others who may be affected by its actions.
- The provision of safe systems of work that are without risks to health with necessary supervision and control mechanisms to ensure health & safety.
- The maintenance of a working environment that is safe and without risks to health and the provision of adequate facilities and arrangements for welfare at work.
- The provision of plant, machinery, equipment and vehicles, whether owned or hired in conditions that are safe and without risks to health and to provide systems for inspections and preventative maintenance to ensure safe conditions.
- That arrangements are in place for ensuring safety and absence of risks to health in connection with the use, handling, storage and transportation of articles and substances.
- The provision of such information, instruction, training and supervision necessary to ensure the health & safety at work of employees, and information to contractors and others who may be affected by the Company's operation or products.
- The provision of a safe means of access to, movement within and egress from places of work.
- Co-operation with and involvement of employees in meeting health & safety objectives.

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

ANSWER:

- Adequate facilities such as clinic, toilets, meal areas and first aid services are provided.
- The Company doctor and the company nurse are always on stand-by to attend the medical needs of employees or any emergency situation of employees while they are at work.

- Office equipments, machineries, appliances are well-maintained and always in a safe condition.
 - Safety information, instruction, training and supervision necessary to ensure the safety of each employee from injury or any health risk are provided.
 - The management is monitoring the working conditions of every employee at any workplace that is under the management's control.
 - Ensure that safety instructions/signages and warning signs are installed in a conspicuous place around the work place.
- c. State the company's training and development programmes for its employees. Show the data.

ANSWER:

The company is committed on the ongoing development of its employees in line with its business and corporate objectives and appreciates its employees' desire to acquire new knowledge and skills and master new technology. The Company sees it as its mission to create a continuous education system for production and management personnel at all levels, from rank in file employees to top managers.

Training and development programs offered by the Company focus on three main areas:

- Professional training programs designed to improve knowledge and skills for specific positions and functions
 - Corporate management competence development programs
 - Business awareness development programs
- d. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

ANSWER:

The Company believes that it is the best interest of both the Company and the employees to fairly compensate the workforce for the value of the work provided. It is the Company's intention to use a compensation system that will determine the current market value of a position based on the skills, knowledge and behaviors required of a fully competent employee. The system used will be objective and non-discriminatory in theory, application and practice. The company has determined that this can best be accomplished by using a professional assessment and system recommended by executive/senior management and approved by the Board of Directors.

The Company has a clear and compelling strategy for implementing a well thought-out total reward/compensation plan to attract, retain and motivate key talent. This total reward strategy integrates key components including:

- Total compensation
 - Benefits
 - Work-life balance
 - Training career and personal growth opportunities
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.

ANSWER:

The Company's procedure for handling complaints by employees concerning illegal (including corruption) and unethical behavior is part of the Company's whistle blowing policy.

Once the claim of illegal or unethical is made, the manager, senior manager or the designated executive will respond to the whistleblower within 10 working days setting out the intended investigation plan. An investigation may include internal reviews, reviews by the external auditors or lawyers or some other external body. If the claim of illegal or unethical behavior is substantiated, appropriate disciplinary action will be taken against the responsible individual(s) up to and including termination of employment. The malicious use of the whistleblowing policy will result in disciplinary action against the complainant, up to and including termination of employment.

All concerns raised will be treated in confidence and every effort will be made not to reveal the identity of the complainant if this is his/her wish. However, in certain cases, it may not be possible to maintain confidentiality if the complainant is required to come forward for further questioning.

I. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure

a. Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|--|------------------|---------|--|
| Elizalde Holdings Corporation | 139,558,774 | 34.66% | Elizalde Holdings Corporation |
| Elizalde Land, Inc. | 87,000,000 | 21.61% | Elizalde Land, Inc. |
| Romulo, Mabanta, Buenaventura, Sayoc and delos Angeles Law Offices | 69,910,993.25 | 17.36% | Romulo, Mabanta, Buenaventura, Sayoc and delos Angeles Law Offices |
| Cebu Broadcasting Company | 50,000,000 | 12.42% | Cebu Broadcasting Company |
| AQC Corporation | 33,000,000 | 8.20% | AQC Corporation |

| Name of Senior Management | Number of Direct Shares | Number of Indirect Shares/ Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|---|--------------------|
| Fred J. Elizalde | 94 | NA | 0.0000% |
| Ruperto S. Nicdao Jr. | 129,201 | NA | 0.0321% |
| Eduardo G. Cordova | 12,779 | NA | 0.0032% |
| Julio Manuel P. Macuja | 36 | NA | 0.0000% |
| Rudolf Steve F. Jularbal | 10,807 | NA | 0.0027% |
| Juan Manuel Elizalde | 1,000 | NA | 0.0002% |
| Jose M. Taruc | 1,000 | NA | 0.0002% |

| | | | |
|------------------|---------|----|---------|
| George T. Goduco | 1,000 | NA | 0.0002% |
| Gary C. Huang | 36 | NA | 0.0000% |
| TOTAL | 155,953 | | 0.0387% |

2. Does the Annual Report disclose the following:

| | |
|--|-----|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |
| Non-financial performance indicators | Yes |
| Dividend policy | No |
| 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 meeting 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 reasons for the non-disclosure.

ANSWER:

- Dividend policy: The Company's dividend policy is not disclosed in its 2012 Annual Report. However, matters relating to the Company's cash dividend declaration were disclosed in the SEC Form 17-C submitted last November 21, 2012.
- Details of whistle blowing policy: The details of whistle blowing policy of the company can be found in this form (SEC FORM – AGCR). Please refer to the Code of Business Conduct & Ethics part of this form.
- Training and/or continuing education programme attended by each director/commissioner: The details of the directors' training and/or continuing education can be found in this form (SEC FORM – AGCR). Please refer to the Orientation & Education Program part of this form.
- Number of board of directors meeting held during the year as well as the Attendance details of each director in respect of meetings held: Details of the directors' attendance were disclosed in the Certificate of Attendance by Members of the Board of Directors filed with the PSE last January 2, 2013.

3. External Auditor's Fee

| Name of Auditor | Audit Fee | Non-audit Fee |
|--|-----------|---------------|
| Sycip, Gorres, Velayo & Co., CPAs (SGV & Co.) | 620,000 | - |

4. Medium of Communication

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

ANSWER:

The Company's purpose is to engage in the business of radio and television broadcasting. The Company is utilizing its own resources, the radio and television, as the primary and most effective mode of communication to disseminate information. By using these communication approaches, the Company is able to reach its nationwide listeners and viewers. Another means of communication being utilized by the Company is the use of social media such as Facebook, and Twitter. The Company's official website is also available for the online public to explore and access the Company's radio and tv stations via online streaming.

5. Date of release of audited financial report.

ANSWER:

The Company's Audited Financial Statements were authorized for issuance by the Board of Directors on April 5, 2013, filed with the Bureau of Internal Revenue (BIR) on April 16, 2013 and submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on April 29, 2013.

6. Company Website

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

| | |
|--|-----|
| Business operations | |
| Financial statements/reports (current and prior years) | Yes |
| Materials provided in briefings to analysts and media | Yes |
| Shareholding structure | |
| Group corporate structure | No |
| Downloadable annual report | Yes |
| Notice of AGM and/or EGM | No |
| Company's constitution (company's by-laws, memorandum and articles of association) | No |

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

ANSWER:

The Company is still in the process of improving its website for a better service to its clients, consumers and the public.

7. Disclosure of RPT

| RPT | Relationship | Nature | Value |
|---|-------------------------------|----------------------|-------|
| Elizalde Holdings Corporation (EHC) | Entities under common control | Realty Company | |
| Cebu Broadcasting Company (CBC) | Entities under common control | Broadcasting Company | |
| Pacific Broadcasting System, Inc. (PBSI) | Entities under common control | Broadcasting Company | |
| Philippine Broadcasting Corporation (PBC) | Entities under common control | Broadcasting Company | |

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 a particular of its minority shareholders and other stakeholders?

ANSWER:

All related party transactions are fully disclosed to the Board of Directors. All transactions are treated to be done in the regular course of business and conducted on an arm’s length basis, negotiated based on prevailing competitive commercial terms and approved by the Company’s Board of Directors. None of the Company’s related parties are granted special privileges or concessions.

J. RIGHTS OF STOCKHOLDERS

1. Right to participate effectively in and vote in Annual/Special Stockholders’ Meeting

a. Quorum

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

| | |
|-----------------|---|
| Quorum Required | In all regular or special meeting, the presence of shareholders who represent a majority of the outstanding capital stock entitled to vote shall constitute a quorum and all decisions made by the majority shall be final, unless pertaining to resolutions which the laws require a greater number. |
|-----------------|---|

b. System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| System Used | Votation Method |
|-------------|---|
| Description | <p>A meeting will be called for an electorate to gather and make a decision—often following discussions, debates, or election campaigns.</p> <p>The method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded by secret ballot.</p> |

c. Stockholders’ Rights

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

| Stockholders’ Rights under the Corporation Code | Stockholders’ Rights not in the Corporation Code |
|---|--|
| Right to vote | The Right to Transfer Ownership |
| Pre-emptive right | The Right to Sue for Wrongful Acts |
| Right to inspect | |

| | |
|--------------------|--|
| Right to receive | |
| Right to dividends | |
| Appraisal right | |

Dividends

| | | |
|-------------------|-------------------|-------------------|
| Declaration Date | Record Date | Payment Date |
| November 21, 2012 | December 10, 2012 | December 21, 2012 |

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 |
|--|---|
| <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation.</p> <p>Stockholders should be encouraged to personally attend subject meeting and if not possible, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p> <p>To promote stockholders participation in the Annual Stockholders' Meeting, the Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.</p> | <ol style="list-style-type: none"> 1. Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE and other regulating agencies. 2. Shareholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code. 3. Shareholders, upon request, are provided with periodic reports which disclose personal and professional information about the directors, officers and certain other matters such as their shareholdings, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers. 4. Stockholders are informed at least 10 business days before the scheduled date of the Annual Stockholders' Meeting. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders |

| | |
|---|--|
| <p>Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</p> <p>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</p> | <p>entitled to vote, and the date and place of proxy validation.</p> <ol style="list-style-type: none"> 5. Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. 6. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting. 7. The Company has also designated relations officers to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website. 8. The Company continues to actively maintain its website to provide timely information updates on its governance, operational, and financial performance. |
|---|--|

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

a. Amendments to the company's constitution

ANSWER:

Any amendments will require BOD approval and ratification by the majority stockholders.

b. Authorization of additional shares

ANSWER:

The Company can issue new shares only if it has been authorized. In cases where the previously authorized share limit is binding, the Company must first propose higher authorization levels, subject to shareholders' approval, before the new shares can be used.

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

ANSWER:

This will require BOD approval and ratification by the majority stockholders.

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?

ANSWER:

No. Annual General Meeting of the stockholders may be held without prior notice.

- a. Date of sending out notices:

ANSWER:

The regular meeting of stockholders may be held without prior notice. Notices for special meeting of stockholders may be sent by the Secretary at least ten (10) days prior to the date of the meeting of the stockholders of record or by publishing the notice in a newspaper of national circulation at least ten (10) days prior to the date of the meeting.

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

ANSWER:

The regular meeting of stockholders shall be held on the Second Thursday of June of each year. If the day fixed for the regular meeting falls on legal holiday, such meeting shall be held at the same time on the first working day following said date. The Board may, for good cause, postpone the regular meeting to a reasonable date.

Special meetings may be called by the Chairman, the Chief Executive Officer, on in his absence, by the President. They may also be called by a majority of the Board of Directors any time they may deem necessary to hold a stockholders' meeting.

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

Answer:

None.

5. Result of Annual/Special Stockholders' Meeting Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|---|-----------------|------------|------------|
| Approval of the 2011 Audited Financial Statements | 100% of present | - | - |
| Ratification of all acts of the Board of Directors and Officers of the Corporation from the date of last stockholders' meeting up to October 24, 2012 | 100% of present | - | - |
| Election of Directors of the year 2012-2013 | 100% of present | - | - |

| | | | |
|----------------------------------|-----------------|---|---|
| Appointment of External Auditors | 100% of present | - | - |
|----------------------------------|-----------------|---|---|

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

ANSWER:

The results of the annual stockholder's meeting were immediately disclosed to PSE's On-line Disclosure System (ODiSy) a day after the meeting was held.

- e. Modifications

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

| Modifications | Reason for Modification |
|--|-------------------------|
| No modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year. | |

- f. Stockholders' Attendance

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

| Type of Meeting | Names of Board members/ officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | Directors: Fred J. Elizalde Ruperto S. Nicdao, Jr. Eduardo G. Cordova Julio Manuel P. Macuja Rudolf Steve F. Jularbal Juan Manuel Elizalde Jose M. Taruc George T. Goduco Gary C. Huang Officers: Robert A. Pua Irving A. Lisondra Ellen C. Fullido Carlea C. Miranda Jonathan E. Decena Elpidio Macalma Jose Ma. T. Parroco Wilfredo Espinosa | 10/24/12 | By ballots | | | |
| Special | No Special Meeting held during the year. | | | | | |

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

ANSWER:

No, the Company does not appoint any independent party to count and/or validate the votes during the ASM and SSMs, it is the Office of the Corporate Secretary who handles the counting of votes and the counting of proxies.

- (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.

ANSWER:

The Company issues only one class of shares which is Common shares and each share entitle the holder to one vote that may be exercised in person or by proxy at shareholders' meetings, including the Annual Stockholders' Meeting.

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 | Stockholders may delegate in writing their right to vote and, unless otherwise expressed. |
| Notary | Proxies do not need to be notarized to be legal unless otherwise required by the corporate by-laws. |
| Submission of Proxy | All proxies must be in the hands of the Secretary of the Corporation not later than ten (10) working days before the time set for the meeting. |
| Several Proxies | <p>If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of</p> <p>the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-Laws.</p> <p>If multiple proxies are issued by the same shareholder, the only valid one is that which was issued latest in time.</p> |
| Validity of Proxy | Proxy shall be valid only for the meeting at which it has been presented to the Secretary. |
| Proxies executed abroad | Proxies executed abroad must be duly authenticated by the Philippine Embassy of Consular Office. |

| | |
|---------------------|--|
| Invalidated Proxy | A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting. There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. |
| Validation of Proxy | <p>Validation of proxies shall be held at the date, time and place as may be stated in the Notice of the stockholders' meeting which in no case shall be less than five (5) calendar days prior to the date of stockholders meeting.</p> <p>In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of Directors which shall be empowered to pass on the validity of proxies. Any dispute that may arise pertaining thereto shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party, or by the SEC officer supervising the proxy validation process. All issues relative to proxies including their validation shall be resolved prior to the canvassing of votes for purposes of determining a quorum.</p> |
| Violation of Proxy | Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void. |

h. Sending of Notices

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

| Policies | Procedure |
|---|--|
| Regular Stockholders Meeting shall be held on the second Thursday of June of each year. | The regular meeting of stockholders may be held without prior notice. |
| Special meetings may be called by the Chairman/CEO, or in his absence, by the President. They may also be called by a majority of the Board of directors. | <ul style="list-style-type: none"> Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days |

| | |
|--|--|
| | <p>prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation at least ten (10) days prior to the date of the meeting.</p> <ul style="list-style-type: none"> • The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. Only matters stated in the notice can be the subject of motions or discussions at the meeting.- • Notice of special meetings may be waived in writing by any stockholder, in person or by proxy, before or after the meeting. • When the meeting of the stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. • At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting. |
|--|--|

i. Definitive Information Statements and Management Report

| | |
|---|---|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 605 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | September 21, 2012 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | September 21, 2012 |
| State whether CD format or hard copies were distributed | Only hard copies of the Definitive Information Statement were distributed |
| If yes, indicate whether requesting stockholders were provided hard copies | Yes, copies of the Definitive Information Statement were distributed to all requesting parties. |

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.

9. Treatment of Minority Stockholders

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

| Policies | Implementation |
|--|---|
| It is the Company's duty to ensure the equitable treatment of all shareholders, including minority shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. | <ul style="list-style-type: none"> • Ensuring that the Board adopts a shareholders' perspective when making decisions and ensuring minority shareholders' interests are protected • Improving communications and interactions between minority shareholders, board members and management. • Ensuring the minority shareholders are duly accorded with their three basic rights: <ul style="list-style-type: none"> - The right to seek information - The right to voice opinion - The right to seek redress |

- b. Do minority stockholders have a right to nominate candidates for board of directors?

ANSWER:

No. The minority stockholders do not have the right to nominate candidates for board of directors. It is the duty of the Nomination Committee to select candidates for the board whenever the need for a new member of the board arises.

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.

ANSWER:

The Company recognizes that active communication with different stakeholders and the general public is an integral part of good business and administration. In order to reach its overall goals for communication, the Company follows a set of guiding principles.

- Efficiency. The Company uses modern communication technologies in a timely manner to convey its messages to its target groups. The Company replies without unnecessary delay to information requests by the media and the public.

- Transparency. The Company strives in its communication to be as transparent and open as possible. This contributes to maintaining high level of accountability.
 - Proactivity. The company proactively develops contacts with its target groups and identifies topics of possible mutual interest.
 - Clarity. The Company aims at clarity, i.e., to send uniform and clear messages on key policy issues. It avoids unnecessary jargon in its communication. The company reinforces clarity by adhering to a well-defined visual identity in its external communication.
 - Cultural awareness. The Company operates in a multicultural environment. While most of its communication material is provided only in English, the Company strives to communicate with its target groups to the extent possible in their own languages.
 - Feedback. The Company actively and regularly seeks feedback on its image and communication activities both from the media as well as from its key target groups. This feedback is used to fine tune communication activities.
2. Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

| | Details |
|--------------------------------|--|
| 1. Objectives | To disseminate information to shareholders, financial professionals, and potential investors about the Company's competencies, competitive advantages, strengths, weaknesses, strategies, vision and mission – the objective being to ensure that the Company will be accurately valued in the marketplace. |
| 2. Principles | The communications agenda for investor relations will serve to reinforce the Company's credibility and reputation in the financial community |
| 3. Modes of Communications | <ul style="list-style-type: none"> • Written Communication – letters, memos, circulars • Oral Communications – phone calls, video chats, teleconferences • Face-to-face Communication – meetings • Online Communication – website, emails • Media – television, radio, news papers, magazines • Social Media – facebook, twitter, instagram • Outside advertisement – billboards, tarpaulins, posters, flyers |
| 4. Investors Relations Officer | Atty. Rudolph E. Jularbal |

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?

ANSWER:

The 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:

- Should be clearly articulated and disclosed so that investors understand their rights and are provided recourse

- Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.
- Anti-take-over devices shall not be used to shield management from accountability
- Shareholders, including corporate

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

ANSWER:

Nothing to report. The Company does not have any transaction of this nature.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

| Initiative | Beneficiary |
|--|------------------|
| Promote fair, just and equitable employment policies | Employees |
| Promote and be sensitive to the preservation and protection of the natural environment | General Citizens |
| Be sensitive to and conscious of gender interests and concerns | Employees |
| Promote and protect the rights of children and other vulnerable groups | General Citizens |
| Enhance and promote the rights and participation of host communities | General Citizens |

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 |
|----------------------|---|---|
| CEO/President | Board Performance Assessment Process a. Directors complete a self-assessment and an assessment of each board member b. Data is collected and reports are run c. Each Director receives an Individual Feedback Report d. The Board receives an Overall Board Report e. The Performance Assessment facilitator will meet with the board to deliver the feedback f. Directors summarize their feedback to one another and create an individual action plan for improvement | The Performance is conducted using a rating system described as follows: 1 – Needs immediate attention 2 – Needs strengthening 3 – Satisfactory 4 – Good 5 – Very Good |
| Board of Directors | | |
| Individual Directors | | |
| Board of Committees | | |

| | | |
|--|--|--|
| | e. the board creates a Board of Action Plan for Improvement that includes specific tasks and goals it will hold itself accountable for achieving | |
|--|--|--|

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 |
|--|---|
| Category I Violations – Accidental or Unintentional: The violation was inadvertent and is due to human error, carelessness or lack of knowledge or understanding. | <ul style="list-style-type: none"> • Verbal warning • Counselling • Education • Training |
| Category II Violations – Deliberate Violation of Policies without Harmful Intent or Repeat Category I Violations: The violation was due to poor job performance despite being aware of organization policies and procedures or repeat category I violations. | <ul style="list-style-type: none"> • Memo of expectation • Written reprimand • Suspension • Education • Training |
| Category III Violations – Wilful and Malicious Violation or Repeat Category I or II Violations: The violation was intentional and deliberate and could cause harm to other person or to the Company or repeat of category I or II violations. | <ul style="list-style-type: none"> • Suspension • Termination • Reporting to the authorities |

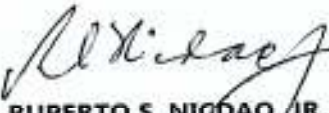
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of PASIG CITY on JUN 28 2013, 2013.

JUN 28 2013

SIGNATURES


FRED J. ELIZALDE

Chairman of the Board / Chief Executive Officer


RUPERTO S. NICDAO, JR.
Chief Operating Officer


EDUARDO G. CORDOVA
Chief Financial Officer


ROBERT A. PUA
Controller / Compliance Officer



GEORGE T. GODUCO
Independent Director


GARY C. HUANG
Independent Director

SUBSCRIBE AND SWORN to before me this _____ day of JUN 28 2013, 2013, affiants exhibiting to me their Residence Certificates, as follows:

| NAMES | RES. CERT. NO. | DATE OF ISSUE | PLACE OF ISSUE |
|------------------------|--------------------|-------------------|--------------------|
| FRED J. ELIZALDE | 02658866 | 01/22/2013 | Pasay City |
| RUPERTO S. NICDAO, JR. | 02658863 | 01/22/2013 | Pasay City |
| EDUARDO G. CORDOVA | 08958282 | 01/24/2013 | Pasay City |
| ROBERT A. PUA | 08958281 | 01/24/2013 | Pasay City |
| GEORGE T. GODUCO | <u>01729725</u> | <u>06/28/2013</u> | <u>MANDALUYONG</u> |
| GARY C. HUANG | Passport EB3140125 | 07/22/2011 | DFA Manila |

Doc. No. 36
Page No. 8
Book No. XLVIII
Series of 2013.


ATTY. RAMON L. CARPIO
NOTARY PUBLIC
UNTIL DECEMBER 31/2013
ROLL NO. 22-172 TIN: 106-918-897
MCLE NO. IV-0006700/IBP/NO. 913609
PTR NO. 8410181 ISSUED ON JAN. 2, 2013 AT PASIG CITY