

**Consolidated Changes in the Annual Corporate
Governance Report (“ACGR”) for the year 2014**

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SECRETARY'S CERTIFICATE

I, PAULINE C. TAN, of legal age, Filipino and with office address at 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am the duly appointed and incumbent Assistant Corporate Secretary of MEDCO HOLDINGS, INC. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila.

2. The attached updated Annual Corporate Governance Report ("ACGR") of the Corporation contains the Consolidated Changes in the ACGR for the year 2014. The changes to the following updated portions of the attached ACGR are underlined therein.


1. A.1(a) Composition of the Board
2. A.1(e) Shareholding in the Company
3. A.5 Changes in the Board of Directors
4. A.6 Orientation and Education Program
5. C.2 Board Meetings and Attendance
6. D.3 Aggregate Remuneration
7. D.5 Remuneration of Management
8. E.1(a) Audit Committee
9. E.1(b) Nomination Committee
10. E.1(c) Remuneration Committee
11. I.3 Auditor's Fee
12. I.6 Company Website
13. I.7 Disclosure of RPT
14. J.1(d) Stockholders' Participation
15. J.1(f) Stockholders' Attendance
16. K (2) Investors Relations Program

IN WITNESS WHEREOF, I have hereunto set my hand on this 09 JAN 2015 at Makati City.


PAULINE C. TAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 09 JAN 2015 at Makati City, affiant exhibited to me her SSS ID no. 33-0293610-9.

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM - ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2014**
2. Exact Name of Registrant as Specified in its Charter: **Medco Holdings, Inc.**
3. **31/F Rufino Pacific Tower, Ayala Avenue, Makati City** **1226**
Address of Principal Office Postal Code
4. SEC Identification Number: **39652**
5. ████████ (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **004-844-938**
7. **(632)-811-0465 to 67**
Issuer's Telephone number, including area code
8. **N/A**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Sai Chong Cheng	NED	Citivist Asia Limited	Dionisio E. Carpio, Jr.	2006	December 15, 2014	Annual	8
Dionisio E. Carpio, Jr.	ED	Citivist Asia Limited	Dionisio E. Carpio, Jr.	1998	December 15, 2014	Annual	16
Pauline C. Tan	ED	Citivist Asia Limited	Dionisio E. Carpio, Jr.	2009	December 15, 2014	Annual	5
Edna Reyes	NED	N/A	Dionisio E. Carpio, Jr.	2000	December 15, 2014	Annual	14
Pedro M. Cadavida, Jr.	NED	Citivist Asia Limited	Dionisio E. Carpio, Jr.	2003	December 15, 2014	Annual	N.A.
Solomon R. B. Castro	ID	N/A	Dionisio E. Carpio, Jr. (no relationship)	1998	December 15, 2014 (served 3 years as ID)	Annual	16
Caly D. Ang	ID	N/A	Dionisio E. Carpio, Jr. (no relationship)	1995	December 15, 2014 (served 3 years as ID)	Annual	19

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

The Board should be transparent and fair enough in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. 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

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

proxy. 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. 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.

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

No specific period.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group²

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Dionisio E. Carpio, Jr.	Medco Asia Investment Corporation	ED
Edna D. Reyes	Medco Asia Investment Corporation	Chairperson and NED
Caly D. Ang	Medco Asia Investment Corporation	NED

- (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		

- (iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
NONE		

² The Group is composed of the parent, subsidiary, and associates of the company.

- (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? **No**. In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **No**. If yes, briefly describe other guidelines: **Not Applicable (N/A)**

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	N/A
Non-Executive Director	N/A	N/A
CEO	N/A	N/A

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through	% of Capital Stock
Dionisio E. Carpio, Jr.	1,008	None	Nil
Edna D. Reyes	50,000	None	Nil
Solomon R. B. Castro	11	None	Nil
Pauline C. Tan	1	None	Nil
Caly D. Ang	1	None	Nil
Sai Chong Cheng	1	None	Nil
Pedro M. Cadavida, Jr.	1	None	Nil
TOTAL	51,023		

2) Chairman and CEO

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

Yes No

Identify the Chair and CEO:

Chairman of the Board	Sai Chong Cheng
CEO/President	Dionisio E. Carpio, Jr.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	CEO/President
Role	Ensure that the meetings of the Board are held in	a) To perform the duties of the Chairman of the Board

	<p>accordance with the by-laws or as the Chair may deem necessary</p>	<p>in the absence of the Chairman or because of the inability to act.</p> <p>b) To sign certificates of stock with the Corporate Secretary or other officer performing the latter's duties.</p> <p>c) To execute stockholders' consents, attend meetings, and act and vote in person or by proxy at any meeting of stockholders in which the Corporation may own stock, or designate his alternate or alternates from among the Board.</p> <p>d) To act as ex-officio member of any and all committee created by and in the Board.</p> <p>e) To prescribe duties for officers and employees that are not otherwise defined.</p> <p>f) To prescribe duties for officers and to countersign checks, drafts and orders for the payment of moneys.</p> <p>g) To exercise general superintendent and direction over all employees, agency managers, general agents, agents, and subordinate personnel of the Corporation, and shall see to it that their respective duties are properly performed.</p> <p>h) To suspend any of his subordinate officers or employees should the exigency of the service so require, submitting a report thereon to the Board of Directors.</p>
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		<p>i) To make recommendations to the Board of Directors in regard to transaction not provided for by the By-laws.</p> <p>j) To submit such reports, including annual reports, on the operation of the Corporation as the Board may require.</p>
Accountabilities	Supervise the preparation of the agenda of the meeting in coordination with Corporate Secretary	Please see above
Deliveries	Maintain qualitative and timely lines of communication and information between the Board and Management	Please see above

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

Top key management positions are filled up based on the requirements of the company and qualifications of the appointee.

- 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? **Yes.** Please explain. **Directors are nominated and elected based on their experience and background.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? **Yes.** Please explain. **Directors are nominated and elected based on their experience and background.**

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

	Executive	Non-Executive	Independent Director
Role	Please see footnote ³	Same as Executive Directors	Same as Executive Directors
	Executive	Non-Executive	Independent Director
Accountabilities	Please see footnote ³	Same as Executive Directors	Same as Executive Directors
Deliveries	Please see footnote ³	Same as Executive Directors	Same as Executive Directors

³ Unless otherwise provided by law, the corporate powers of the Corporation shall be exercised, all business conducted and all property of the Corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers as may be granted by law, the Board of Directors shall have the following express powers:

- a) From time to time, make and change rules and regulations not inconsistent with the Articles of Incorporation and these By-laws for the management of the Corporation's business and affairs;
- b) To purchase, receive, take, or otherwise acquire in any lawful manner, for and in the name of the Corporation, any and all properties, rights, interests or privileges, including securities and bonds of other Corporations, as the transaction of the business of the Corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- c) To invest the funds of the Corporation in another Corporation or business or for any purposes other than those for which the Corporation was organized, whenever in the judgment of the Board of Directors the interests of the Corporation would thereby be promoted, subject to such stockholders approval as may be required by law;
- d) To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, instruments, bonds, debentures, or securities, subject to such stockholder approval as may be required by law, and/or pledged, mortgage, or otherwise encumber all or part of the properties and rights of the corporation;
- e) To guarantee, where it is in the best interests of the Corporation, for and in behalf of the Corporation obligations of other Corporations or entities in which it has lawful interests;
- f) To make provisions of the discharge of the obligations of the Corporation as they mature, including payment for any property, or in stocks, bonds, debentures, or other securities of the Corporation lawfully issued for the purpose;
- g) To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever in the Board's judgment, the Corporation's interest would thereby be promoted; provided that no agreement, contract, or obligation involving the payment of money or of the credit or liability of the Corporation shall be made without the approval of the Board of Directors, except by an officer or agent who is authorized generally or specifically, if the nature of the agreement requires specific authority, by the Board of Directors;
- h) To establish pension, retirement, bonus, profit-sharing or other types of incentives or compensation plans for the employees, including officers and directors of the Corporation and to determine the persons to participate in any such plans and the amount of their respective participation;
- i) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with the business of the Corporation, and likewise, to grant installments for the payment or settlement of whatsoever debts are payment to the Corporation;
- j) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the Corporation to any standing or special meeting or to any officer or agent and to appoint any persons to be agents of the Corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit;
- k) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under any existing law, rules or regulation.

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

Independent of management and free from any business or other relationship which could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of independent judgement in carrying out one's responsibilities. The company complies strictly with this definition.

Does the company have a term limit of five consecutive years for independent directors? **Yes, pursuant to SEC Memorandum Circular No. 9 Series of 2011 which stipulates that an independent director can serve for five (5) consecutive years from January 2, 2012.** 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? **No.** Please explain. **Under the aforementioned SEC Memorandum Circular No. 9, after a "cooling off" period of 2 years, a former independent director of a Company is eligible for re-election as such in the same Company and can serve for another five (5) consecutive years.**

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Say Hing Wong	Director	August 18, 2014	He has retired from the banking industry and currently resides in HongKong.

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴

⁴ The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

Qualifications:

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

Disqualifications:

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the SRC, the Corporation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or any rule, regulation or order of the SEC or BSP;
- Any person judicially declared to be insolvent;

Procedure	Process Adopted	Criteria
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors
b. Re-appointment		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors
c. Permanent Disqualification		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors
d. Temporary Disqualification		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors

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- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
 - Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
 - b. Any of the following shall be a ground for the temporary disqualification of a director:
 - Refusal to fully disclose the extent of his business interest as required under the SRC and the implementing Rules and Regulations thereof. This qualification shall be in effect as long as his refusal persists;
 - Absence or non-participation for whatever reason/s for more than 50% of all meetings, both regular and special, of the Board of Directors during the incumbency, or any twelve (12)-month period during said incumbency. In view of the modern technology, however, attendance at Board meetings through teleconference or videoconference will be allowed. This disqualification applies for purposes of the succeeding election;
 - Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
 - Being under preventive suspension by the Corporation;
 - If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; or
 - Conviction that has not yet become final referred to in the grounds for disqualification of directors.
 - c. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:
 - The nature of the business of the corporations which he is a director;
 - Age of the director;
 - Number of directorships/active memberships and officerships in other corporations or organizations; and
 - Possible conflict of interest.

Procedure	Process Adopted	Criteria
e. Removal		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors
f. Re-instatement		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors
g. Suspension		
(i) Executive Directors	Please see footnote ⁴	Please see footnote ⁴
(ii) Non-Executive Directors	Same as Executive Directors	Same as Executive Directors
(iii) Independent Directors	Same as Executive Directors	Same as Executive Directors

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Sai Chong Cheng	<u>498,837,032</u>
Dionisio E. Carpio, Jr.	<u>498,837,032</u>
Edna D. Reyes	<u>498,837,032</u>
Solomon R. B. Castro	<u>498,837,032</u>
Pauline C. Tan	<u>498,837,032</u>
Caly D. Ang	<u>498,837,032</u>
Pedro M. Cadavida, Jr	<u>498,837,032</u>

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any. ***Each new director is required to attend a formal corporate governance course for directors at an SEC-accredited training institution.***
- (b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years: ***Each new director is required to attend a formal corporate governance course for directors at an SEC-accredited training institution.***
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Sai Chong Cheng	Dec. 16, 2014	Seminar on Corporate Governance	Philippine Securities Consultancy Corporation

<u>Dionisio E. Carpio, Jr.</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
<u>Edna D. Reyes</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
<u>Solomon R. B. Castro</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
<u>Pauline C. Tan</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
<u>Caly D. Ang</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
<u>Pedro M. Cadavida, Jr</u>	<u>Dec. 5, 2014</u>	<u>Seminar on Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>

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	If an actual or potential conflict of interest may arise on the part of a director, senior management, or employee, they should fully and immediately disclose it and should not participate in the decision-making process.	Please see previous column	Please see previous column
(b) Conduct of Business and Fair Dealings	A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness.	Management must actively manage and operate the Corporation in a sound, fair and prudent manner.	Employees must conduct the business of the Corporation in a sound, fair and prudent manner
(c) Receipt of gifts from third parties	Same as above	Same as above	Same as above

(d) Compliance with Laws & Regulations	Have a working knowledge of the statutory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws and the rules and regulations of the Commission.	Have a working knowledge of the statutory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws and the rules and regulations of the Commission	Have a working knowledge of the statutory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws and the rules and regulations of the Commission
(e) Respect for Trade Secrets/Use of Nonpublic Information	A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness.	Management must actively manage and operate the Corporation in a sound, fair and prudent manner	Employees must conduct the business of the Corporation in a sound, fair and prudent manner
(f) Use of Company Funds, Assets and Information	Same as above	Same as above	Same as above
(g) Employment & Labor Laws & Policies	Same as above	Same as above	Same as above
(h) Disciplinary action	Same as above	Same as above	Same as above
(i) Whistle Blower	Same as above	Same as above	Same as above
(j) Conflict Resolution	Same as above	Same as above	Same as above

2) Has the code of ethics or conduct been disseminated to all directors, senior management⁵ and employees? **Yes**

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. ***The company, through its Board of Directors and management, strictly implements and monitors compliance with the code of ethics and conduct.***

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
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⁵ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(1) Parent Company	Transactions must be fair and at arm's length. Related party transactions are reviewed by the Board of Directors.
(2) Joint Ventures	Same as above
(3) Subsidiaries	Same as above
(4) Entities Under Common Control	Same as above
(5) Substantial Stockholders	Same as above
(6) Officers including spouse/children/siblings/parents	Same as above
(7) Directors including spouse/children/siblings/parents	Same as above
(8) Interlocking director relationship of Board of Directors	Same as above

(b) Conflict of Interest

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

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

	Details of Conflict of interest (Actual or Probable)
Name of Director/s	NONE
Name of Officer/s	NONE
Name of Significant Shareholders	NONE

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	The company, through its Board of Directors and management, monitors and resolves all possible conflict of interest situations.
Group	Same as above.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁶ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
NONE		

⁶ Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
NONE		

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

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

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	NONE
Name of Officer/s	NONE
Name of Significant Shareholders	NONE

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **No. They are scheduled as required.**
- 2) Attendance of Directors

<u>Board</u>	<u>Name</u>	<u>Date of Election</u>	<u>No. of Meetings Held during the year</u>	<u>No of Meetings Attended</u>	<u>%</u>
<u>Chairman</u>	<u>Sai Chong Cheng</u>	<u>06/28/2013 and re-elected on 12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>
<u>Member</u>	<u>Dionisio E. Carpio, Jr.</u>	<u>06/28/2013 and re-elected on 12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>

<u>Member</u>	<u>Pauline C. Tan</u>	<u>06/28/2013</u> <u>and re-</u> <u>elected on</u> <u>12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>
<u>Member</u>	<u>Edna D. Reyes</u>	<u>06/28/2013</u> <u>and re-</u> <u>elected on</u> <u>12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>
<u>Member</u>	<u>Say Hing Wong (until August 18, 2014)</u>	<u>06/28/2013</u> <u>and re-</u> <u>elected on</u> <u>12/15/2014</u>	<u>9 (4 were</u> <u>held prior to</u> <u>8/18/14)</u>	<u>4</u>	<u>100%</u>
<u>Member</u>	<u>Pedro M. Cadavida, Jr. (beginning December 15, 2014)</u>	<u>First</u> <u>elected on</u> <u>12/15/2014</u>	<u>9 (8 were</u> <u>held prior to</u> <u>12/15/2014)</u>	<u>1</u>	<u>100%</u>
<u>Independent</u>	<u>Solomon R. B. Castro</u>	<u>06/28/2013</u> <u>and re-</u> <u>elected on</u> <u>12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>
<u>Independent</u>	<u>Caly D. Ang</u>	<u>06/28/2013</u> <u>and re-</u> <u>elected on</u> <u>12/15/2014</u>	<u>9</u>	<u>9</u>	<u>100%</u>

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? **No.** If yes, how many times?
- 4) Is the minimum quorum requirement for Board decision set at two-thirds of board members? Please explain. **No. The Corporation Code and By-laws of the Company only require a majority of the board for quorum in board meetings.**
- 5) Access to Information
- (a) How many days in advance are board papers⁷ for board of directors meetings provided to the board? **Three days.**
- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? **Yes, as follows: (1) Inform the members of the Board, in accordance with the by-laws, of agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. (2) Have appropriate administrative and interpersonal skills. (3) Be responsible for safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation (4) if he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and**

⁷ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

regulations necessary in the performance of his duties and responsibilities.

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

(e) Committee Procedures

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

Yes No

Committee	Details of the procedures
Executive	N/A
Audit	Such information is made available by the committee chairman.
Nomination	Such information is made available by the committee chairman.
Remuneration	Such information is made available by the committee chairman.
Others (specify)	N/A

6) External Advice

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

Procedures	Details
NONE	

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
NONE		

D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO/President	Top 4 Highest Paid Management Officers

(1) Fixed remuneration	NONE	The remuneration of such officer is determined by considering both her duties and responsibilities and her annual performance evaluation.
(2) Variable remuneration	NONE	NONE
(3) Per diem allowance	Determined by the Board and the stockholders.	NONE
(4) Bonus	NONE	NONE
(5) Stock Options and other financial	NONE	NONE
(6) Others (specify)	NONE	NONE

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Given a per diem allowance only.	N/A	N/A
Non-Executive Directors	Same as above.	N/A	N/A

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

Remuneration Scheme	Date of Stockholders' Approval
NONE	

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
(a) Fixed Remuneration	P2,340,000	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	P45,000	<u>P137,000</u>	P90,000

(d) Bonuses	NONE	NONE	NONE
(e) Stock Options and/or other financial	NONE	NONE	NONE
(f) Others (Specify)	NONE	NONE	NONE
Total	P2,385,000	<u>P137,000</u>	P 90,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	NONE	NONE	NONE
(b) Credit granted	NONE	NONE	NONE
(c) Pension Plan/s Contributions	With retirement fund	NONE	NONE
(d) Pension Plans, Obligations	NONE	NONE	NONE
(e) Life Insurance Premium	NONE	NONE	NONE
(f) Hospitalization Plan		NONE	NONE
(g) Car Plan	NONE	NONE	NONE
(h) Others (Specify)	NONE	NONE	NONE
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
NONE		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
<u>None</u>	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit	1	1	1	[There is an existing Board-approved Committee Charter.	Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations	Please see previous column	Please see previous column

Nomination	0	2	1	None	to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors	Please see previous column	Please see previous column
Remuneration	1	1	1	None	to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.	Please see previous column	Please see previous column
Others(specify)	none	none	none				

(a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In the Committee
Chairman (ID)	Caly D. Ang	July 23, 2009	<u>6</u>	<u>6</u>	<u>100%</u>	<u>6</u>
Member (ED)	Dionisio E. Carpio, Jr.	July 23, 2009	<u>6</u>	<u>6</u>	<u>100%</u>	<u>6</u>
Member (NED)	Edna D. Reyes	July 23, 2009	<u>6</u>	<u>6</u>	<u>100%</u>	<u>6</u>

Disclose the profile or qualifications of the Audit Committee members. The Audit Committee shall consist of at least three (3) directors, who shall preferably have an accounting and finance

backgrounds, one of whom shall be an independent director and another with audit experience. The chairperson of the Audit Committee should be an independent director

Caly D. Ang, Filipino, age 67, has been a director of the Corporation and of MAIC since 1995. She has been an independent director of the Corporation and of MAIC since 2006. She is the president and general manager of Multi-World Philippines International, Inc. from 1989 up to the present and a director and president of Concord World Properties, Inc. from 1991 to the present. She graduated from Adamson University, Manila obtaining a Bachelor of Science degree in Commerce in 1969 and a MBA from the same institution in 1971.

Dionisio E. Carpio, Jr. Filipino, age 68, has been a director of the Corporation since 1998 and its President from September 2006 up to present. He was the treasurer of the Corporation from 1998 to 2006. He is the senior vice president, treasurer and director of MAIC since September 1, 1997 up to present. He is currently also a director of Manila Exposition Complex, Inc.. Before joining MAIC in 1995, he was connected with Far East Bank and Trust Company. Mr. Carpio holds a Bachelor of Science degree in Mechanical Engineering from the De La Salle University and a Masters degree in Business Management from the Asian Institute of Management. He has more than thirty-six (36) years experience in commercial, investment and trust banking, as well as line management.

Edna D. Reyes, Filipino, age 67, has been a director of the Corporation since 2000 and was its Treasurer between 2006 and 2007. She is also director of MAIC. She has more than thirty (30) years experience in banking, particularly in international and correspondent banking as well as foreign operations. She has a Bachelor of Science degree in Commerce from the University of Santo Tomas.

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

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure the proper coverage and minimize duplication of efforts.
- Review the reports submitted by the external auditors.

(b) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In the Committee
Chairman (ID)	Solomon R. B. Castro	July 23, 2009	<u>6</u>	<u>6</u>	100%	<u>6</u>
Member (NED)	Sai Chong Cheng	July 23, 2009	<u>6</u>	<u>6</u>	100%	<u>6</u>
Member (NED)	Edna D. Reyes	July 23, 2009	<u>6</u>	<u>6</u>	100%	<u>6</u>

(c) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In the Committee
Chairman (ID)	Caly D. Ang	July 23, 2009	6	6	100%	6
Member (ED)	Dionisio E. Carpio, Jr.	July 23, 2009	6	6	100%	6
Member(NED)	Sai Chong Cheng	July 23, 2009	6	6	100%	6

(d) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors: **NONE**.

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

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes: **NONE**.

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

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit	Review of financial statements	None

Nomination	Reviewed nomination of Directors and Officers	None
Remuneration	None	None
Others (specify)	N/A	N/A

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	None	None
Nomination	None	None
Remuneration	None	None
Others (specify)	None	None

F. RISK MANAGEMENT SYSTEM

The Corporation is exposed to certain risks which result from both its operating and investing activities. The Corporation's risk management is coordinated with the Board of Directors (BOD), and focuses on actively securing the Corporation's short to medium-term cash flows by minimizing the exposure to financial markets. The BOD reviews the effectiveness of the system annually.

The Corporation does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed to are described below.

Foreign Currency Risk

Most of the Corporation's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from United States (U.S.) dollar-denominated bank deposits and short-term investments.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Interest Rate Risk

The Corporation monitors interest rate movements and makes adjustments on its financial assets and financial liabilities as may be deemed necessary. The Company is exposed to changes in market interest rates of its bank placements which are subject to variable interest rates.

Liquidity Risk

The Corporation sets limit on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover unexpected liabilities falling due.

Credit risk is the risk that counterparty may fail to discharge an obligation to the Corporation. The Corporation is exposed to this risk for various financial instruments from granting receivables to customers including related parties and placing deposits with banks.

The Corporation continuously monitors defaults of customers and other counterparty, and incorporates this information into its credit risk controls. The Corporation's policy is to deal only with creditworthy counterparties.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Being a holding company, the Corporation's transactions are mainly on recording equity investments in its subsidiary and also transactions involving disbursements of operating expenses. Thus, the Corporation's internal control system are focused on its cash receipts and cash disbursements, valuation of its equity investments, and related party transactions.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

In view of the non-complex nature of the Corporation's business, the small volume and size of the transactions, the low degree of risk in terms of number of employees, as well for the purpose of avoiding unnecessary expenses, the Corporation does not see the need for creating the position of internal auditor.

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

Role	Scope	Indicate whether in-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting Process
N/A				

(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? N/A

(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? N/A

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason

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

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

Progress Against Plans	
Issues⁸	
Findings⁹	
Examination Trends	

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 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
CONTROL PROCEDURES ON CASH RECEIPTS & DISBURSEMENTS	
<ul style="list-style-type: none"> • Payments/Checks should be prepared on the basis of the billings/statements of account/invoices from suppliers. For reimbursements, checks should be prepared once request for reimbursement is approved by the President or the Treasurer of the Company. • .Approved Check requisitions are given to the Accounting Assistant, for preparation of vouchers and checks. • Checks and vouchers are checked by the Chief Accountant and approved by the Treasurer. • Checks should be signed by any two of the following signatories: DN, PCT, SCC and JL. If only one signatory is available , the check is regularized once the other signatories are present. • Checks are released only when the supplier gives an official receipt or provisional receipt. All provisional receipts are replaced by official receipts not later than one week after the payment date. On the original copy of the voucher, the supplier or his assigned representative should sign the "received by" portion. This serves as a proof of payment to the customer. • All paid billings/delivery receipts/statements of account and any document presented for payment are STAMPED PAID, as proof of payment. 	Fully implemented

⁸ "Issues" are compliance matters that arise from adopting different interpretations.

⁹ "Findings" are those with concrete basis under the company's policies and rules.

<ul style="list-style-type: none"> • All original vouchers are filed in sequence and any missing voucher is immediately attended to, in order to maintain accurate records. • Canceled checks are adjusted thru a Journal Voucher, reversing the original entry. • All cash and check collections are deposited in the company's bank account. • The accounting staff shall always see to it that all deposit slips are intact and complete and filed on a daily basis to avoid being misplaced or lost. • Payments collected before bank clearing are deposited within the day and those after clearing are to be deposited early on the following day. 	
CONTROL PROCEDURES ON PETTY CASH FUND	
<ul style="list-style-type: none"> • Expenses amounting to P1,000 and below shall be paid out of the petty cash fund. • A request form for cash advances shall be filled out and approved before any cash can be granted. Cash advance shall be approved by either the Chief Accountant or the Treasurer. • No additional advances to a staff shall be granted if there are still unliquidated advances under his/her name. • Every reimbursement for expenses incurred and liquidation of advances shall be properly documented and supported. Petty cash vouchers shall be completely filled out and signed. Official Receipts shall be attached to the vouchers. In cases there are no ORs, a list of expenses should be attached and signed by the staff asking for reimbursement/or preparing the liquidation. • All payments from the petty cash fund shall be approved by either the Chief Accountant or the Treasurer. No cash shall be released unless the voucher has been properly filled out, checked and approved. • A spot audit shall be conducted. This audit shall check on the validity of expenses incurred and completeness and authenticity of documentation and attachments. At any point in time the sum of expenses incurred (PCVs), cash advances and cash on hand shall equal the amount of petty cash fund. • All paid receipts and bills are stamped "paid" by the petty cash custodian as soon as replenished and liquidated, to avoid double payment. 	Fully implemented
CONTROL PROCEDURES ON EQUITY INVESTMENTS	
<p>This represents the carrying value/cost of investments in shares of stock including any unpaid subscriptions, of domestic corporations as allowed under the existing laws, rules and regulations.</p> <ul style="list-style-type: none"> • Assess if the investment at any point in time still qualifies under the equity method of investment. • Obtain financial statements of subsidiary and affiliate and compute the company's share of the subsidiary/affiliate's net income (loss). • Assess all investments for any permanent decline in value. Indication of permanent decline may include continuous lossess, illiquidity, presence of lawsuit that threaten the ability of the Company to continue as going concern, foreclosure of assets, among others. 	Fully implemented
CONTROL PROCEDURES ON DUE TO/ FROM) AFFILIATES ACCOUNT	
<p>In the ordinary course of business, the Company has transactions with its subsidiary and affiliates consisting of advances.</p> <ul style="list-style-type: none"> • All advances should be supported by documents • A reconciliation should be done every end of the month to ensure that the balances agree with the books of each subsidiary and affiliates. 	Fully implemented

<ul style="list-style-type: none"> Advances should be paid or should be maintained at a minimum balance of One Million Hongkong Dollars (HKD1m) Significant intercompany transactions and outstanding balances of the Group should be eliminated in the consolidation. 	
--	--

(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
NONE	NONE	NONE	NONE

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. ***The Chairman and the CEO/President.***

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	NONE	NONE
Supplier/contractor selection practice	NONE	NONE
Environmentally friendly value-chain	NONE	NONE
Community interaction	NONE	NONE
Anti-corruption programmes and procedures?	NONE	NONE
Safeguarding creditors' rights	NONE	NONE

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? ***NONE.***

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare? ***The Corporation strictly complies with the requirements of the Labor Code.***

(b) Show data relating to health, safety and welfare of its employees. ***Employee safety has never***

been a problem as the company maintains a safe working place. As for its employees' health, any potential problems are immediately addressed inasmuch as the company provides medical insurance to all its employees.

- (c) State the company's training and development programmes for its employees. **None.** Show the data.
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures **There is an existing performance appraisal system.**
- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? **The Corporation complies with the requirements of the Labor Code.** Explain how employees are protected from retaliation. **Such protection is readily provided by the management and the Board.**

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Citivist Asia Limited	322,314,901	46.04%	Citivist Asia Limited

Name of Senior Management	Number of Direct shares	Number of Indirect shares /Through (name of record owner)	% of Capital Stock
Dionisio E. Carpio, Jr.	1,008	None	nil
Pauline C. Tan	1	None	nil
TOTAL	1,009		nil

2) Does the Annual Report disclose the following:

Key risks	yes
Corporate objectives	yes
Financial performance indicators	yes
Non-financial performance indicators	yes
Dividend policy	yes
Details of whistle-blowing policy	None, SEC Form 17-A does not require it.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of	yes
Training and/or continuing education programme attended by each director/commissioner	yes

Number of board of directors/commissioners meetings held during the year	yes
Attendance details of each director/commissioner in respect of meetings held	yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	yes

Should the Annual Report not disclose any of the above, please indicate the reason for the nondisclosure. **Not required by SEC Form 17-A.**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo	P605,000 in year 2014	None

4) Medium of Communication

- a) Through its website: <http://www.medco.com.ph>
- b) Publication in the newspaper
- c) Disclosure to PSE which is posted at the PSE website

5) Date of release of audited financial report: **April 15, 2014**

6) Company Website

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

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

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

7) Disclosure of RPT (as of December 31, 2013- audited figures)

RPT	Relationship	Nature	Value
<u>Citivist Asia Limited</u>	<u>shareholder</u>	<u>Advances for working capital requirement</u>	<u>P57,831,127</u>

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set

forth in its By-laws.

Quorum Required	Holder(s) of a majority of the subscribed capital
------------------------	---

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	voting
Description	Majority of stockholders forming a quorum can approve corporate acts.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code. **None.**

Stockholders' Right under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
N/A	N/A

Dividends

Declaration Date	Record Date	Payment Date
None		

(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
Microphones are provided	Open forum

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

- a. Amendments to the company's constitution

This matter is required to be taken up in stockholder meetings and approved by stockholders

- b. Authorization of additional shares

Increases in authorized capital is required to be taken up in stockholder meetings and approved by stockholders

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

This matter is required to be taken up in stockholder meetings and approved by 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? **No. The SRC only requires 15 business days.**

a. **Date of sending out notices: November 24, 2014**

b. **Date of the Annual/Special Stockholders' Meeting: December 15, 2014**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. Various
5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
<u>1. Approval of the minutes of the previous annual meeting of stockholders</u>	<u>Unanimous</u>		
<u>Approval of the annual report and the audited financial statements as December 31, 2013</u>	<u>Unanimous</u>		
<u>Approval and ratification of acts, contracts, investments and resolutions of the board and management of the Corporation since the last annual meeting</u>	<u>Unanimous</u>		
<u>Election of the members of the board of the directors for 2014</u>	<u>Unanimous</u>		
<u>Re-appointment of Punongbayan & Araullo as external auditors of the Corporation for 2014</u>	<u>Unanimous</u>		
<u>Amendment of the Third Article of the Articles of Incorporation of the Corporation to indicate the place of the principal office of the Corporation</u>	<u>Unanimous</u>		
<u>Amendment of Article I, Section 1 of the By-laws of the Corporation to indicate the principal office of the Corporation</u>	<u>Unanimous</u>		
<u>Amendment of Article VI, Section 1 of the By-laws of the Corporation to indicate the correct number of directors of the Corporation which is Seven (7) as per its Articles of Incorporation</u>	<u>Unanimous</u>		

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

December 15, 2014.

(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	Reasons for Modification
None	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by Poll, show of hands, etc.)	% of SH Attending In Person	% of SH in Proxy attendance	Total % of SH attendance
Annual	Sai Chong Cheng, Dionisio E. Carpio, Jr., Edna D. Reyes, Pauline C. Tan	December 15, 2014	Show of hands	0.00%	71.26%	71.26%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **No.**

(iii) Do the company's common shares carry one vote for one share? **Yes.** 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.

(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	Proxies which are compliant with the Corporation Code and by-laws of the Corporation are accepted by the Corporation
Notary	Not required

Submission of Proxy	Proxies which are compliant with the Corporation Code and by-laws of the Corporation are accepted by the Corporation
Several Proxies	Proxies which are compliant with the Corporation Code and by-laws of the Corporation are accepted by the Corporation
Validity of Proxy	Proxies which are compliant with the Corporation Code and by-laws of the Corporation are accepted by the Corporation
Proxies executed abroad	Proxies which are compliant with the Corporation Code and by-laws of the Corporation are accepted by the Corporation
Invalidated Proxy	These are not recognized by the Corporation
Validation of Proxy	SEC rules are followed
Violation of Proxy	SEC rules are followed

(h) Sending of Notices

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

Policies	Procedures
Notices must be received by stockholders as of record date prior to any meeting	Notices are personally delivered and/ or are mailed to the stockholders as of record date

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive information Statements and Management Report and Other Materials	<u>680</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<u>November 24, 2014.</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<u>November 24, 2014.</u>
State whether CD format or hard Copies were distributed	<u>CD</u>
If yes, indicate whether requesting stockholders were provided hard copies	Yes

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

Each resolution to be taken up deals with only one item.	Yes
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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.	None declared.
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
Minority Shareholders have the same voting rights, power of inspection, right to information, right to dividends, and appraisal right as other shareholders.	Minority shareholders are given notices of meetings.

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

K. INVESTORS RELATIONS PROGRAM

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

It is the company's external communications policy to strictly comply with the pertinent SRC disclosure rules as well as the disclosure regulations of the PSE and to keep informed about any revisions and updates to such rules. Major company announcements are reviewed and approved by the Board.

As for its internal communications policy, the Board regularly disseminates relevant information on its plans, actions, decisions and directives to those concerned within the organization through company management.

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	Full disclosure of material information
(2) Principles	In accordance with SRC and PSE rules and guidelines
(3) Modes of Communication	Uploading to PSE website and posting at company website

(4) Investors Relations Officer	<u>Dionisio E. Carpio, Jr.</u> <u>Corporate Information Officer</u> <u>Tel Nos. 811-0465 to 66</u> <u>Fax No. 840-35-49</u> <u>Email: denniscarpio@medco.com.ph</u>
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- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? **NONE.**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **NONE.**

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

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

Initiative	Beneficiary
NONE	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	Conducted by the Board Chairman	Attainment of corporate objectives
Board Committees	Conducted by the Board Chairman	Performance of committee functions
Individual Directors	Conducted by the Board Chairman	Quality of participation in Board meetings
CEO/President	Conducted by the Board Chairman	Attainment of annual budget & management goals

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
Violations of the Corporate Governance Manual	Report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation