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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
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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
Oscar M. Lopez	NED	First Philippine Holdings Corp. (FPH)	FPH (through FPH President and COO Elpidio L. Ibañez)	December 1998	May 8, 2013	Annual General Meeting	15
Federico R. Lopez	ED	FPH	-same-	December 1998	May 8, 2013	-same-	15
Francis Giles B. Puno	ED	FPH	-same-	August 2005	May 8, 2013	-same-	8
Richard B. Tantoco	ED	FPH	-same-	August 2005	May 8, 2013	-same-	8
Peter D. Garrucho Jr.	NED	FPH	-same-	December 1998	May 8, 2013	-same-	15
Elpidio L. Ibañez	NED	FPH	-same-	December 1998	May 8, 2013	-same-	15
Eugenio L. Lopez III	NED	FPH	-same-	September 2009	May 8, 2013	-same-	4
Tony Tan Caktiong	ID	-	Rodel Y. Reyna (no relation)	April 2005	May 8, 2013 (Served 1 full year as ID)	-same-	8
Jaime I. Ayala	ID	-	Jerry J. Jimenez (no relation)	May 2013	May 8, 2013 (Currently on his 1 st year as ID)	-same-	0

- (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.

CORPORATE GOVERNANCE POLICY - The board of directors, management and employees of the company commit themselves to the principles and best practices contained in the Manual on Corporate Governance, and acknowledge that the same will guide the attainment of the Corporation's mission, vision and corporate goals. The manual intends to institutionalize the principles of good corporate governance. The board of directors, management, employees and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management to improve the economic and commercial prosperity of the Corporation and enhance shareholder value. They will therefore undertake

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

every effort necessary to create awareness within the Corporation.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS - The board shall have the principal responsibility of ensuring the Corporation's compliance with the principles of good corporate governance. Corollary to setting the policies for the accomplishment of corporate objectives, the board shall provide an independent check on management. It shall be the board's duty and responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, and in proper cases, its shareholders and other stakeholders. The board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Further, the board has the following specific duties and functions to implement corporate governance principles: establish a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management; determine the Corporation's purpose, vision and mission, and strategies to carry out its objectives; provide sound strategic policies and guidelines to the Corporation on major capital expenditures; ensure that the Corporation complies with all relevant laws, regulations and best business practices; identify the Corporation's major and other stakeholders and formulate a clear policy of accurate, timely and effective communication with them; establish and maintain an investor relations program that will keep the Corporation's stockholders informed of important developments in the Corporation; adopt a system of internal checks and balances and conduct a regular review of the effectiveness of such a system to ensure the integrity of the decision-making and reporting processes; identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability; properly discharge board functions by meeting regularly; independent views during board meetings shall be given due consideration and all such meetings shall be duly minuted; keep board authority within the powers of the Corporation as prescribed in its Articles of Incorporation and By-laws, and in existing laws, rules and regulations; and as may be deemed proper by the board, establish and maintain an alternative dispute resolution system in the Corporation to allow for the amicable settlement of conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties.

DISCLOSURE DUTIES - The reports or disclosures required under the manual shall be prepared and submitted to the SEC by the responsible committee or corporate officer, as the case may be. The board shall commit at all times to fully disclose material information dealings of the Corporation as required by applicable laws.

DISCLOSURE AND TRANSPARENCY - The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for management and the dominant stockholders to mismanage the Corporation or misappropriate its assets. It is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and remuneration of members of the board and management. All such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC.

RESPECT FOR THE RIGHTS OF MINORITY SHAREHOLDERS AND OTHER STAKEHOLDERS – The board recognizes and shall respect the rights of the stockholders under the law, the Articles of Incorporation and By-laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records; right to information; right to dividends, and appraisal rights. The board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. It is the duty of the board to promote the rights of 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 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. Accurate and timely information should be made available to the stockholders to enable them to arrive at a sound judgment pertaining to matters brought to their attention for consideration or approval. All stockholders should be treated equally and without discrimination, and the board should consider granting minority stockholders the right to propose the holding of meetings as may be proper under the circumstances 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?

The board of directors may review, at any time and as the need arises, the company's current vision and mission.

(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.
Oscar M. Lopez	First Philippine Holdings Corp. Bauang Private Power Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Terracota Holdings Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. Lopez Holdings Corp. Rockwell Land Corp. ABS-CBN Corp.	Executive (First Philippine Holdings Corp.) and non-executive
Federico R. Lopez	First Philippine Holdings Corp. Bauang Private Power Corp. Blue Vulcan Holdings Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp.	Executive

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

	<p> FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Northern Energy Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Prime Terracota Holdings Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. </p>	
Francis Giles B. Puno	<p> First Philippine Holdings Corp. Bauang Private Power Corp. Blue Vulcan Holdings Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Northern Energy Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. </p>	Executive

	<p> FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. </p>	
Richard B. Tantoco	<p> Blue Vulcan Holdings Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. </p>	Executive
Peter D. Garrucho Jr.	<p> First Philippine Holdings Corp. FG Bukidnon Power Corp. </p>	Non-executive

	<p>First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. First Gen Hydro Power Corp.</p>	
Elpidio L. Ibañez	<p>First Philippine Holdings Corp. Bauang Private Power Corp. FG Bukidnon Power Corp. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. Northern Terracotta Power Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Green Core Geothermal Inc. EDC Geothermal Corp. Rockwell Land Corp. Bayan Telecommunications Holdings Corporation Bayan Telecommunications Inc.</p>	Executive (First Philippine Holdings Corp.) and non-executive
Eugenio L. Lopez III	<p>ABS-CBN Corp. First Philippine Holdings Corp. Bauang Private Power Corp. Lopez Holdings Corp. Sky Vision Corporation Rockwell Land Corp. Bayan Telecommunications Holdings Corporation Bayan Telecommunications Inc.</p>	Executive and non-executive
Tony Tan Caktiong	n/a	n/a
Jaime I. Ayala	n/a	n/a

(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.
Tony Tan Caktiong	Philippine Long Distance Telephone Company	Independent
	Jollibee Foods Corporation	Executive, Chairman

(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
Oscar M. Lopez	First Philippine Holdings Corp.	Director, Chairman Emeritus and Chief Strategic Officer
Federico R. Lopez	First Philippine Holdings Corp.	Director, Chairman and Chief Executive Officer
Elpidio L. Ibañez	First Philippine Holdings Corp.	Director, President and Chief Operating Officer
Francis Giles B. Puno	First Philippine Holdings Corp.	Director, Chief Financial Officer, Treasurer and Executive Vice President
Richard B. Tantoco	First Philippine Holdings Corp.	Executive Vice President
Eugenio L. Lopez III	First Philippine Holdings Corp.	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Under Section 3.4.2 of the company's Manual on Corporate Governance, one of the specific duties of a director is to devote time and attention to the company necessary to properly and effectively perform his duties and responsibilities. The board is considering the adoption of appropriate guidelines on the number of directorships that its members of the board can hold in other corporations.

(c) Shareholding in the Company

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

(As of March 31, 2013)

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar M. Lopez	5,461,226		0.1624%
		Through Consuelo R. Lopez – 235,050	0.0070%
		Through Ma. Consuelo R. Lopez – 75,000	0.0022%
Federico R. Lopez	5,568,983		0.1656%
		Federico R. Lopez ITF Juan Roberto Daniel Lopez – 414	0%
		Federico Daniel R. Lopez ITF Juan Roberto Daniel Lopez – 414	0%
		Through Monina D. Lopez – 264,738	0.0079%

Francis Giles B. Puno	6,985,130		0.2077%
	Francis Giles B. Puno and/or Ma. Patricia D. Puno – 1,105,800		0.0329%
Richard B. Tantoco	4,748,820		0.1412%
Peter D. Garrucho Jr.	6,887,004		0.2048%
Elpidio L. Ibañez	2,000,000		0.0595%
Eugenio L. Lopez III	150		0%
Tony Tan Caktiong	165		0%
Cezar P. Consing	60		0%
TOTAL	33,332,954		0.9912%

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

Although one person occupies the positions of Chairman and Chief Executive Officer, this does not in any way deter the exchange of independent views among the members of the board of directors. In the first place, there are only 3 executive directors out of the total 9 directors. Of the remaining 6 non-executive directors, 2 are independent directors. These 2 independent directors are recognized experts in their respective areas and are highly regarded by their peers. The views and opinions they express during board meetings are given serious consideration by the other directors as well as management. Moreover, each director is provided an opportunity to raise an issue which is not in the agenda, and free-flowing discussion is highly encouraged.

Secondly, the Audit Committee, which is tasked to assist the directors in its oversight responsibilities for financial reporting, internal control systems, internal audit activities, and compliance with key regulatory requirements, among others, is headed by an Independent Director. The company believes that this arrangement provides an efficient system of checks and balances among the members of the board.

Thirdly, there is a check on the power of the Chairman to call a meeting and set the agenda. Article II, Section 5 of the By-Laws provides that regular meetings may be held at such times and upon such notice as may be fixed by resolution of the board of directors. Further, special meetings may be called by the President or by written request of any five (5) directors.

For the above reasons, the Corporation firmly believes that it has in place sufficient safeguards to ensure sound corporate governance notwithstanding the fact that the positions of Chairman and CEO are held by one individual.

Identify the Chair and CEO:

Chairman of the Board	Federico R. Lopez
CEO/President	CEO – Federico R. Lopez President – Francis Giles B. Puno

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	The Chairman acts as the company's representative. He is also primarily responsible for providing leadership to the board of directors.	The CEO is in charge of the general management and administration of the Corporation. He is responsible for providing leadership to the business of the company.

Accountabilities	<ol style="list-style-type: none"> 1. He takes the chair at stockholders' and board of directors' meetings. 2. He chairs the Nomination and Governance Committee to help ensure that each board election results in a mix of proficient directors. 3. He provides assistance to ensure compliance with the Corporation's Manual on Corporate Governance. 4. He exercises such other powers as may be conferred upon him by the board of directors. 	<ol style="list-style-type: none"> 1. He formulates the company's plans, policies and strategies and helps ensure their implementation. 2. He provides leadership and guidance to the company's executives, and evaluates their performance. 3. He oversees the operation of the business and evaluates the performance of the company.
Deliverables	<ol style="list-style-type: none"> 1. He ensures the orderly conduct of shareholders' and board of directors' meetings by supervising the preparation of the agenda in coordination with the Corporate Secretary, and taking into consideration any suggestions from the President, management and other directors. He ensures that the directors receive accurate and timely information on matters brought before the board. He encourages the exchange of views and opinions with the end view of arriving at a resolution that is beneficial to the company. 2. He ensures that there exists open lines of communication among the directors, especially between the executive and non-executive directors, and makes certain that the views and opinions expressed by the independent directors are given due importance and consideration. 	<ol style="list-style-type: none"> 1. He ensures that the company's business follows a path that is consistent with agreed plans, policies and strategies. 2. He ensures effective communication among the company's executives to ensure that everyone is working towards achieving the same goals and aspirations. 3. He provides stockholders information on the business of the Corporation during the Annual General Meeting.

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

The board ensures the continuous development of management personnel through training, cross posting, stretch assignments, and special projects. Personnel with potential to be promoted to higher positions are identified through annual competency evaluation.

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

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

Yes. The company's Manual on Corporate Governance requires the members of the company's Nomination and Governance Committee to review and evaluate the qualifications of all persons nominated to the board to ensure that each board election will result in a mix of proficient directors, each of whom will be able to add value and bring prudent judgment to the board.

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

Yes. The members of the Nomination and Governance Committee, in their evaluation of the qualifications of nominees for board members, ensure that the board will always be comprised of a sufficient number of non-executive directors who have had extensive experience in the power industry.

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

	Executive	Non-Executive	Independent Director
Role	Executive directors provide leadership for the business of the company	Non-executive directors ensure that the board will be able to fulfill its responsibilities and meet its objectives	Independent directors provide impartial guidance and advice to the board based on their competence and expertise
Accountabilities	They are accountable to the company, its officers and employees, and the company's stakeholders	They are accountable to the board of directors, the company and its stakeholders	They are accountable to the company and its stakeholders
Deliverables	Executive directors shall provide guidance on the company's operations and activities	Non-executive directors shall guide the board in fulfilling its fiduciary and statutory duties and responsibilities	Independent directors shall exert such impartial influence as shall help assure that the board fulfills its duties

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

Pursuant to Article II Section 2 of the company's By-Laws, an Independent Director is a director independent of the management of the Corporation, who is neither an officer nor employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, and who, apart from his fees and shareholdings, is free from any business or other relationship with the company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.

The company strictly complies with the above definition of independence. The Nomination and Governance Committee, in its review and evaluation of the qualifications of persons nominated for election to the board, ensures that a nomination for independent director is in full compliance with the company's By-Laws, Manual on Corporate Governance, and Rule 38 of the Securities Regulation Code. The committee likewise ensures that no relationship exists between the nominator and nominee.

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

The company is compliant with SEC Memorandum Circular No. 9 (Series of 2011) and has no independent director serving for more than 5 consecutive years (counted from the effectivity of said SEC memorandum on January 2, 2012).

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

(a) Resignation/Death/Removal

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

There were no changes in the board of directors during the period 2012-2013. However, Independent Director Cezar P. Consing was no longer nominated for re-election during the 2013 Annual General Meeting in view of his appointment as President and Chief Executive Officer of Bank of the Philippine Islands.

The company's stockholders elected a new independent director, Mr. Jaime I. Ayala, on May 8, 2013.

Name	Position	Date of Cessation	Reason
Cezar P. Consing	Independent Director	May 8, 2013	not nominated for re-election

(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	The Nomination and Governance Committee passes upon the qualifications of nominees for executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials and business experience of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the election of such nominees to the board.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of nominees for non-executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials and business experience of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the election of such nominees to the board.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of nominees for independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees, and form part of the Information Statement which is distributed to all stockholders entitled to vote. During the meeting for the election of directors, stockholders vote for or against the election of such independent directors.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, and SRC Rule 38.
b. Re-appointment		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as executive directors based on the criteria provided

	<p>the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials, business experience, as well as date of first election to the board, of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the re-election of such nominees to the board.</p>	<p>in the By-laws and Manual on Corporate Governance.</p>
(ii) Non-Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as non-executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials, business experience, as well as date of first election to the board, of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the re-election of such nominees to the board.</p>	<p>The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.</p>
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees, including the date of first appointment as independent director and any relationship between the nominating stockholder and the nominee for independent director, and form part of the Information Statement which is distributed to all stockholders entitled to vote. During the meeting for the election of directors, stockholders vote for or against the re-election of such independent directors.</p>	<p>The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, SRC Rule 38, as well as SEC Memorandum Circular Nos. 9 (Series of 2009 and 2011) regarding qualifications of and term limits for independent directors.</p>
c. Permanent Disqualification		
(i) Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive director</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of a director.</p>

	should be disqualified from continuing in office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that a non-executive director should be disqualified from continuing in office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of a director.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an independent director should be disqualified from continuing in office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of an independent director.
d. Temporary Disqualification		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification of a director.

	<p>provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
(ii) Non-Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification of a director.</p>
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC</p>	<p>Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate</p>

	<p>Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>Governance provide for the criteria for the temporary disqualification of an independent director.</p>
e. Removal		
(i) Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive director should be disqualified and removed from office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification and removal of a director. Article 15 of the manual provides that a violation of any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.</p>
(ii) Non-Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification and removal of a director. Article 15 of the manual provides that a violation of</p>

	<p>disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that a non-executive director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.</p>
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an independent director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	<p>Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification and removal of an independent director. Article 15 of the manual provides that a violation of any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.</p>
f. Re-instatement		
(i) Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	<p>Should an executive director who is temporarily disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.</p>
(ii) Non-Executive	<p>The Nomination and Governance Committee passes upon the qualifications of non-executive</p>	<p>Should a non-executive director who is temporarily</p>

Directors	<p>directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	<p>disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.</p>
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.</p>	<p>Should an independent director who is temporarily disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.</p>
g. Suspension		
(i) Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an executive director, it shall make a recommendation to the board of directors.</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.</p>

	<p>Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	
(ii) Non-Executive Directors	<p>The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to</p>	<p>Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.</p>

	consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
(iii) Independent Directors	<p>The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.</p>	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of an independent director.

Voting Result of the last Annual General Meeting (May 8, 2013)

Name of Director	Votes Received (with percentage to total votes taken)
Oscar M. Lopez	4,063,938,777 (84.1033%)
Federico R. Lopez	4,103,972,566 (84.9318%)
Francis Giles B. Puno	4,064,331,777 (84.1114%)
Richard B. Tantoco	3,968,837,717 (82.1351%)
Peter D. Garrucho Jr.	4,004,912,877 (82.8817%)
Elpidio L. Ibañez	3,992,076,592 (82.6161%)
Eugenio L. Lopez III	4,039,989,286 (83.6076%)
Tony Tan Caktiong	4,123,158,122 (85.3288%)
Jaime I. Ayala	4,137,693,207 (85.6296%)

6) Orientation and Education Program

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

Pursuant to Section 10 of the company's Manual on Corporate Governance, the board may require a newly-elected director to attend a seminar on corporate governance conducted by any duly-recognized private or government institution. The company also conducts a briefing for newly-elected directors so that they can familiarize themselves with the company's operations, senior management, business environment, strategies and current issues. The Manual on Corporate Governance also provides that newly-elected directors be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the board's expectations. Appropriate training opportunities for both existing and potential directors may from time to time be identified and undertaken.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Oscar M. Lopez	June 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Federico R. Lopez	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Elpidio L. Ibañez	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
Francis Giles B. Puno	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
	August 2011	GE Global Learning - Crotonville Leadership	John F. Welch Center (GE Crotonville), New York
Richard B. Tantoco	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May, 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
	August 2010	GE Global Learning - Crotonville Leadership	John F. Welch Center (GE Crotonville), New York
Tony Tan Caktiong	November 2012	Navigating the New World of Business	First Pacific Companies
Jaime I. Ayala	2009	Training for board directors	Institute of Corporate Directors

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

- (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
Oscar M. Lopez	June 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Federico R. Lopez	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Elpidio L. Ibañez	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Francis Giles B. Puno	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Richard B. Tantoco	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Tony Tan Caktiong	November 2012	Navigating the New World of Business	First Pacific Companies

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	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The company Code on Employee Discipline lists down specific acts which constitute violations of the section regarding conflict of interest. The code provides that in such cases, the employee concerned will be made to give up the conflicting outside interest; otherwise the employee will be asked to resign.	The company Code on Employee Discipline lists down specific acts which constitute violations of the section regarding conflict of interest. The code provides that in such cases, the employee concerned will be made to give up the conflicting outside interest; otherwise the employee will be asked to resign.
(b) Conduct of Business and Fair Dealings	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness. Further, the Corporate Code of Conduct was established for the	The Corporate Code of Conduct was established for the purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's stakeholders – its shareholders, customers, partners, government and employees. Further, the Company Code on Employee Discipline prescribes the penalty of dismissal for acts of dishonesty.	The Corporate Code of Conduct was established for the purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's stakeholders – its shareholders, customers, partners, government and employees. Further, the Company Code on Employee Discipline prescribes the penalty of dismissal for acts of

	purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's stakeholders – its shareholders, customers, partners, government and employees.		dishonesty.
(c) Receipt of gifts from third parties	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The Company Code on Employee Discipline provides for the penalty of dismissal for soliciting or receiving money, gifts, or a share, percentage or benefits from any person, personally or through the mediation of another, to perform an act prejudicial to the company or as a condition for the performance of one's duty.	The Company Code on Employee Discipline provides for the penalty of dismissal for soliciting or receiving money, gifts, or a share, percentage or benefits from any person, personally or through the mediation of another, to perform an act prejudicial to the company or as a condition for the performance of one's duty.
(d) Compliance with Laws & Regulations	Under the Manual on Corporate Governance, the board may consider, as a ground for the temporary disqualification of a director, such director's refusal to comply with the disclosure requirements of the SRC and its IRR. Further, the manual provides that the Audit Committee shall assist the board in the performance of its oversight responsibility for, among others, the monitoring of compliance with applicable laws, rules and regulations. In reviewing the company's financial statements, the committee shall focus on, among others, compliance with tax, legal and regulatory requirements. Further, the Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society.	The Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society. The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.	The Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society. The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
(e) Respect for Trade Secrets/Use of Non-public Information	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The Company Code on Employee Discipline provides for the penalty of dismissal for acts constituting violations of the confidentiality of work and information.	The Company Code on Employee Discipline provides for the penalty of dismissal for acts constituting violations of the confidentiality of work and information.
(f) Use of Company Funds, Assets and	The Manual on Corporate Governance provides that the board of directors shall conduct	The Company Code on Employee Discipline provides for penalties from written warning to dismissal,	The Company Code on Employee Discipline provides for penalties from written

Information	itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	depending on gravity of the offense, for several types of unauthorized, improper or abusive use of company property.	warning to dismissal, depending on gravity of the offense, for several types of unauthorized, improper or abusive use of company property.
(g) Employment & Labor Laws & Policies		The Corporate Code of Conduct provides that employees are the company's most important resource. The company is committed to fostering a work environment that encourages innovative and entrepreneurial employees to build its business, where employees are treated with respect and dignity, and where they are given the opportunity to contribute to value creation while developing and using their full potential. The company also has an Anti-Sexual Harassment Policy which is intended to promote a favorable work environment that values the dignity of every person and guarantees full respect of human rights, free from offensive behavior and intimidation detracting from employees' ability to perform their jobs. It identifies procedures to be followed in investigating and resolving complaints alleging specifically prohibited conduct, and emphasizes the education and training of employees.	The Corporate Code of Conduct provides that employees are the company's most important resource. The company is committed to fostering a work environment that encourages innovative and entrepreneurial employees to build its business, where employees are treated with respect and dignity, and where they are given the opportunity to contribute to value creation while developing and using their full potential. The company also has an Anti-Sexual Harassment Policy which is intended to promote a favorable work environment that values the dignity of every person and guarantees full respect of human rights, free from offensive behavior and intimidation detracting from employees' ability to perform their jobs. It identifies procedures to be followed in investigating and resolving complaints alleging specifically prohibited conduct, and emphasizes the education and training of employees.
(h) Disciplinary action	Under the Manual on Corporate Governance, the board of directors commits itself to the principles and best practices contained in the manual. Under the manual, the Compliance Officer shall monitor compliance with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for violations of acts provided in the section pertaining to Conduct and Behavior. Further, under the Manual on Corporate Governance, the Compliance Officer shall monitor compliance by the company with the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing.	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for violations of acts provided in the section pertaining to Conduct and Behavior. Further, under the Manual on Corporate Governance, the Compliance Officer shall monitor compliance by the company with the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance

	<p>include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation. A violation of any provision of the manual by a member of the board of directors shall be a sufficient cause for removal from directorship.</p>	<p>Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.</p>	<p>with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.</p>
(i) Whistle Blower	<p>Among the functions of the Audit Committee is to ensure that the performance of the work of the internal auditor is free from interference from outside parties. As such, the Audit Committee is tasked to establish and identify the reporting line of the internal auditor, and ensure the establishment of a transparent financial management controls systems. The internal auditor reports directly to the Audit Committee.</p> <p>As such, the Audit Committee may request information, data and clarification from the officers of the Corporation in the performance of their duties and responsibilities.</p> <p>With the objective of implementing a whistle-blower policy, under Section 5 of the Manual on Corporate Governance, the Audit Committee is authorized to conduct or authorize an investigation into any matter within the scope of responsibility, as follows:</p> <ul style="list-style-type: none"> • Appoint , compensate, and oversee the work of any registered public accounting and/or auditing firm employed by the company; • Retain external counsel, accountants, or other consultants to advise the committee or assist in the conduct of investigation; • Seek any information it requires from employees of the company – all of whom shall be directed to cooperate with the committee – as well as duly authorized third parties; and • Confer and consult with company officers, external auditors, or outside counsel as it deems necessary. 	-same-	-same-

(j) Conflict Resolution	Under the Manual on Corporate Governance, the board of directors may establish and maintain, as it may deem proper, an alternative dispute resolution system in the company to allow for the amicable settlement of conflicts and differences between the company and its stockholders, and the Corporation and third parties.	Under Section 15 of the Manual on Corporate Governance, the board may impose appropriate sanctions or corrective actions for non-compliance with the Manual, after notice and hearing. Also, the Company's Code on Employee Discipline mandates that before any penalty or disciplinary action is taken, the company first conduct a proper and thorough investigation on an employee who is alleged to have violated the work rules, or the acts provided in the section pertaining to Conduct and Behavior.	Under Section 15 of the Manual on Corporate Governance, the board may impose appropriate sanctions or corrective actions for non-compliance with the Manual, after notice and hearing. Also, the Company's Code on Employee Discipline mandates that before any penalty or disciplinary action is taken, the company first conduct a proper and thorough investigation on an employee who is alleged to have violated the work rules, or the acts provided in the section pertaining to Conduct and Behavior.
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2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

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

The company's Compliance Officer is tasked, under the Manual on Corporate Governance, with ensuring that the board of directors, management and employees of the company shall adhere to corporate principles and best practices. He is thus responsible for monitoring compliance with the Corporate Code of Conduct which sets the principles and guidelines in the conduct of the company's businesses and dealings with stakeholders. The Compliance Officer reports directly to the Chairman of the board of directors.

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.

Under the Audit Committee Charter, specifically Section G on Financial Reporting and Disclosures, the audit committee is required to review any unusual or complex transactions and the accuracy of disclosures of material information, including subsequent events and related party transactions. The committee, which is composed of 3 board members including 2 independent directors, 1 of whom shall be the chairman of the committee, has the authority to conduct or authorize an investigation into any matter within its scope of responsibility. In this regard it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of the investigation.

The Manual on Corporate Governance, in particular Item 13 on Disclosure and Transparency, provides that it is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, related party transactions. Such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC. Related party transactions are duly reported and disclosed in Item 5 of the Information Statement as well as Note 19 of the Audited Consolidated Financial Statements. The financial statements are attached to the Information Statement and Annual Report on SEC Form 17-A.

(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.

There is no actual or probable conflict of interest which the company's directors/officers/5% or more shareholders may be involved in.

	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.

Under the Audit Committee Charter, specifically Section G on Financial Reporting and Disclosures, the audit committee is required to review any unusual or complex transactions and the accuracy of disclosures of material information, including subsequent events and related party transactions. The committee, which is composed of 3 board members including 2 independent directors, 1 of whom shall be the chairman of the committee, has the authority to conduct or authorize an investigation into any matter within its scope of responsibility. In this regard it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of the investigation.

The Manual on Corporate Governance, in particular Item 13 on Disclosure and Transparency, provides that it is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, related party transactions. Such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC. Related party transactions are duly reported and disclosed in Item 5 of the Information Statement as well as Note 19 of the Audited Consolidated Financial Statements. The financial statements are attached to the Information Statement and Annual Report on SEC Form 17-A.

With respect to conflict of interest between a director and the company, under the company's By-laws, a stockholder is disqualified from being a director if he is engaged in any business or activity which competes with or is antagonistic to that of the company or any of its subsidiaries and affiliates. Such person is deemed to be engaged in such business or activity: (a) if he 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 company owns at least 30% of the capital stock) engaged in a business or activity which the board, by at least 2/3 vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the company or its subsidiaries and affiliates; or (b) if he 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 or entity engaged in any line of business of the company or that of its subsidiaries or affiliates, and if, in the judgment of the board, by at least 2/3 vote of the directors present constituting a quorum, the laws against combinations in restraint of trade shall be violated by such person's membership in the board of directors; or (c) if the board, in the exercise of its judgment in good faith, determines by at least 2/3 vote of the directors present constituting a quorum that he is the nominee of any person set forth in (a) or (b).

5) Family, Commercial and Contractual Relations

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

There is no individual holding a more than 5% equity stake in the company.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	-	-

- (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:

There is no individual holding a more than 5% equity stake in the company. The company's parent, First Philippine Holdings Corp. (FPH), holds a majority stake in 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:

There are no shareholder agreements that may impact 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.

Pursuant to Section 3.2.2(k) of the company's Manual on Corporate Governance, the board of directors may, as it deems proper, establish and maintain an alternative dispute resolution system in the company to allow for the amicable settlement of conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties. For conflicts or differences between the Corporation and third parties, their respective contractual arrangements provide for the specific dispute resolution process, which may include mutual discussions, consultations, conciliation, mediation and arbitration both domestic and international, in accordance with applicable law.

C. BOARD MEETINGS & ATTENDANCE

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

Regular meetings of the board of directors are scheduled at the beginning of the year. As may be necessary, special meetings of the board are called by the President or by written request of majority of the directors.

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

2) Attendance of Directors

(For the period January to December 2012)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Federico R. Lopez	May 16, 2012	10	9	90%
Member	Oscar M. Lopez	May 16, 2012	10	10	100%
Member	Francis Giles B. Puno	May 16, 2012	10	10	100%
Member	Richard B. Tantoco	May 16, 2012	10	10	100%
Member	Peter D. Garrucho Jr.	May 16, 2012	10	10	100%
Member	Elpidio L. Ibañez	May 16, 2012	10	10	100%
Member	Eugenio L. Lopez	May 16, 2012	10	10	100%
Independent	Tony Tan Caktiong	May 16, 2012	10	6	60%
Independent	Cezar P. Consing	May 16, 2012	10	9	90%

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

No. Majority of the directors (6 out of 9) are non-executive directors, and each of them is free to express his opinion on any matter brought before the board during regular and special meetings. Active discussion during board meetings is highly encouraged, and the opinions of non-executive and independent directors are widely solicited. There is thus no need to call such a separate meeting.

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

No, there is no 2/3 quorum requirement. A majority of the board (5 out of 9) shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum shall be valid as a corporate act.

5) Access to Information

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

The agenda of the meeting is provided to the members of the board at least 10 business days before the day of the meeting. The details of the matters to be taken up during the meeting are provided on the day of the meeting.

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

Yes, each director has independent access to any member of management and the Corporate Secretary. Directors may contact the Corporate Secretary via e-mail or telephone.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary, who should be a Filipino citizen and resident of the Philippines, shall assist in the preparation of the agenda of meetings and gathering of materials to be presented to the board of directors and shareholders. Further, the Corporate Secretary should be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the board; be loyal to the mission, vision and objectives of the Corporation; work fairly and objectively with the board, management and stockholders; have appropriate administrative and interpersonal skills; if she is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of her duties and

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

responsibilities; have a working knowledge of the operations of the Corporation; inform the members of the board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval; issue a certification on or before January 30 of each year on the directors' record of attendance in board meetings for the immediately preceding year, which certification shall be countersigned by the Chairman; attend all board meetings, except when justifiable causes such as illness, death in the immediate family, and serious accidents, prevent her from doing so; and ensure that all board procedures, rules and regulations are strictly followed by the directors.

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

The Corporate Secretary is a member of the Philippine bar who has attended trainings and seminars in legal updates, disclosure guidelines, corporate governance, and other relevant skills and topics.

- (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	Each member of the Executive Committee has direct access to management as well as any officer or employee of the company. The committee can directly consult and confer with management and company employees to request or direct the preparation of documents and information necessary or in connection with any matter that is of concern to the committee.
Audit	Members of the Audit Committee are directly provided materials and reports by the company's external auditors and Internal Audit Group. In turn, the members of the Audit Committee can directly consult and confer with the company's external auditors and Internal Audit Group to ask questions and request documents pertaining to any matter that is of interest to the Audit Committee. They may also request information, data and clarification from any officer of the Corporation in the performance of their duties and responsibilities.
Nomination and Governance	The Corporate Secretary provides the members of the Nomination and Governance Committee the resumes of each person nominated for appointment to a position requiring board approval. Each committee member may directly request additional information or documents from the Corporate Secretary or any officer or employee of the Corporation relating to any matter that is of interest to the committee.
Compensation and Remuneration	Members of the Compensation and Remuneration Committee can directly consult and confer with any member of management or employee of the Corporation to ask questions and request reports and other documents relating to any issue that is of interest to the committee.
Risk Management Committee	Members of the Risk Management Committee can directly confer and consult with any member of the company's Risk Management Group or any member of management of the company to ask questions or request documents and other reports relating to the strategic risks which have been identified by the committee.

- 6) External Advice

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

Procedures	Details
The members of the Audit Committee can directly obtain external advice.	Under The Audit Committee Charter, the committee has the authority to conduct or authorize an investigation into any matter within the scope of its responsibility. In this regard, it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of an investigation. Further, each member of the

	committee may directly confer and consult with external auditors as he deems necessary. During meetings of the Audit Committee which are attended by external auditors, each committee member has the opportunity to directly consult external auditors for any matter. If they so choose, the members of the Audit Committee may also course such requests for advice through management or the Internal Audit Group.
The members of the board can directly confer and consult with external advisors.	The board of directors approves appointments of external advisors (financial, legal, etc.) for a specific project or undertaking. As they are aware of such appointments, including the specific persons performing duties under such appointments, the directors have the ability to directly confer and consult with such advisors, or they may course such requests through management.

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:

During its most recent term, the board of directors did not introduce any changes to existing policies which would have an effect on the business of the company.

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	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Fixed remuneration is benchmarked with that of other CEOs based on published compensation reports and is reviewed annually.	Fixed remuneration is benchmarked with that of other officers in a similar role based on published compensation reports and is reviewed annually.
(2) Variable remuneration	n/a	n/a
(3) Per diem allowance	n/a	n/a
(4) Bonus	Bonuses to all officers and employees, including the CEO, are based on their monthly salaries and are granted based on the company's performance for a given year as well as their individual performance.	Bonuses to all officers and employees, including the CEO, are based on their monthly salaries and are granted based on the company's performance for a given year as well as their individual performance.
(5) Stock Options	The company has an existing Executive Stock Option Plan, the plan rules of which specify the number of options to be granted.	The company has an existing Executive Stock Option Plan, the plan rules of which specify the number of options to be granted.
(6) Others (specify)	n/a	n/a

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	<p>Under the company's By-laws, directors do not receive any stated salary for their services, but per diems in the amount determined by the board of directors may be allowed for attendance at each meeting.</p> <p>In May 2010, the stockholders passed a resolution fixing the annual compensation of the board of directors at an amount not to exceed ¾ of 1% of the company's net income before income tax for the preceding year.</p>	The directors receive: (i) a standard per diem for attendance at each board meeting; and (ii) bonuses.	As benchmarked, the directors currently receive a standard per diem of Fifty Thousand Pesos (PHP 50,000.00), while bonuses for the board of directors are set at a maximum of ¾ of 1% of the company's net income before income tax for the preceding year.
Non-Executive Directors	- same -	- same -	-same-

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
In May 2010 the stockholders passed a resolution fixing the annual compensation of the board of directors at an amount not to exceed ¾ of 1% of the company's net income before income tax for the preceding year	May 12, 2010

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	n/a	n/a	n/a
(b) Variable Remuneration	n/a	n/a	n/a
(c) Per diem Allowance	₱ 1,235,294.13	₱ 1,647,058.84	₱ 823,529.42
(d) Bonuses	₱ 12,352,941.18	₱ 16,470,588.24	₱ 8,235,294.12
(e) Stock Options and/or other financial instruments	n/a	n/a	n/a
(f) Others (Specify)	n/a	n/a	n/a
Total	₱ 13,588,235.31	₱ 18,117,647.08	₱ 9,058,823.54

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	n/a	n/a	n/a
(f) Hospitalization Plan	n/a	n/a	n/a
(g) Car Plan	n/a	n/a	n/a
(h) Others (Specify)	n/a	n/a	n/a
Total	n/a	n/a	n/a

(d) Stock Rights, Options and Warrants

(a) Board of Directors

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

As of December 31, 2012, there are no outstanding options owned by the company's directors.

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

(b) Amendments of Incentive Programs

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

Apart from the company's Executive Stock Option Plan or ESOP, the company has no other incentive program. No revisions or amendments to the ESOP were made during the past year.

Incentive Program	Amendments	Date of Stockholders' Approval
None		

(e) 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
Executive Vice President	P104,547,761.32
Senior Vice President	
Senior Vice President	
Senior Vice President	
Senior Vice President	

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)	Indp. Director (ID)				
Executive	3	0	0	Article II Section 8 of the company's By-Laws provides for the creation, membership, formalities and procedures for holding the meeting of an Executive Committee.	Pursuant to Article II Section 8 of the company's By-Laws, between the regular or special meetings of the board, the Executive Committee shall possess and may exercise all the powers of the board in the management and direction of the affairs of the company in all cases in which specific direction shall not have been given by the board of directors.	The Executive Committee is responsible for ensuring the continuity of the business and operations of the company by providing the necessary leadership and guidance during instances when the board is unable to provide the same.	Pursuant to Article II Section 8 of the company's By-Laws, the Executive Committee may exercise the powers of the board in the management and direction of the affairs of the Corporation in all cases in which specific direction shall not have been given by the board. The ExCom is likewise authorized to adopt its own rules of procedure.
Audit	0	1	2	The Audit Committee Charter	The Audit Committee shall assist the board of directors in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and	The members of the committee shall provide input and perspective on the company's management of credit, market, liquidity, operational, legal and other risks; monitor and evaluate the	The board of directors has granted the committee broad powers as provided in The Audit Committee Charter .

					<p>enforcement of the Corporate Code of Conduct.</p>	<p>adequacy and effectiveness of the company's internal control system, including financial reporting control and information technology security; perform interface functions with the internal and external auditors; receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions to address regulatory issues; review and approve the internal audit plan including audit scope and frequency, and all major changes thereto; and review and confirm the independence of the internal audit by obtaining statements of independence and objectivity from the internal auditors.</p> <p>The Audit Committee shall check all financial reports of the company against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.</p> <p>The committee shall review financial</p>	
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						<p>statements and disclosures, as well as any unusual or complex transactions. It shall also recommend, for approval during the annual general meeting, the appointment or reappointment of external auditors for the company. It shall regularly review and assess external auditor's fees and ensure that the fees charged shall be commensurate with its reputation, level of expertise and required scope of work, and shall be in accordance with current industry standards. The Audit Committee shall discuss with the external auditor the nature and scope, including possible coordination of audit work with internal audit or other audit firms, to secure proper coverage and minimize duplication of efforts. It shall review whether the external auditor conducts its activities and engagements for and in the company in accordance with generally accepted auditing standards in the Philippines. The committee shall evaluate and determine the non-audit work, if any, of the external auditor,</p>	
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						<p>and review periodically the non-audit fees paid to the external auditor. The committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the company's annual report. The committee shall review and endorse for board approval the rotation of the external auditor's handling partner or the replacement of the external auditor itself as warranted, every five (5) years or earlier. The committee shall assist the board in resolving disagreements between the external auditor and management. The committee shall ensure the existence of a working internal audit group, headed by a competent business manager, which shall identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by management are effective,</p>	
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						<p>appropriate, and enforced.</p> <p>The committee shall establish a direct reporting line of the internal audit group to the committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit group shall functionally report directly to the committee. The Audit Committee shall also concur in the appointment, dismissal, replacement or re-assignment of the internal audit head. The committee shall periodically review the internal audit charter and propose revisions thereto as may be applicable. The committee shall periodically review, with management and the internal audit group, the activities, staffing and organizational structure of the internal audit function. The committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to The Audit Committee Charter. The committee shall periodically revisit and/or</p>	
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						review its charter for the purpose of adapting changes hereto in accordance with the company's Manual on Corporate Governance and in keeping with new standards and emerging trends.	
Nomination and Governance	2	0	1	Nomination and Governance Committee Charter	The committee's principal function is to select directors and pass upon their qualifications as shall be consistent with the By-Laws and Manual on Corporate Governance. The committee makes sure that a board election will result in a mix of proficient directors, each of whom will be able to add value and bring prudent judgment to the board. It is also tasked to review the structure, size and composition of the board and make appropriate recommendations thereto. It shall likewise review with the board, on an annual basis or as may be needed, the appropriate skills, characteristics and training required by the directors.	The Nomination and Governance Committee is responsible for carrying out the following: review and evaluate the qualifications of persons nominated for positions that require board approval; assess the effectiveness of the board's processes and procedures in the election and replacement of directors; review the recommendations of the Compliance Officer in relation to the Manual on Corporate Governance, as well as other corporate governance rules and regulations; review, as may be necessary, the charters of all board committees and recommend any change to the board for its approval; and perform such other tasks or duties as may be requested or delegated by the board of directors.	The board of directors has granted the committee the authority and power as provided in The Nomination and Governance Committee Charter.
Compensation and Remuneration	1	1	1	The Compensation and Remuneration	The committee has the principal function of studying and recommending	The committee has the following duties and responsibilities:	The board of directors has granted the committee such

				Committee Charter	an appropriate compensation and/or rewards system. It is tasked to review and determine the compensation and remuneration of corporate officers other than the Chairman.	designate the amount of remuneration which shall be in a level sufficient to attract and retain directors and officers who are needed to run the Corporation successfully; review the Corporation's human resources development or personnel handbook to strengthen provisions on conflict of interest, policies on salaries and benefits, and directives on promotion and career advancement; and such other tasks as may be delegated by the board of directors.	powers as provided in the Compensation and Remuneration Committee Charter.
Risk Management	1	2	0	The Risk Management Committee Charter	The Risk Management Committee shall assist the board of directors in its oversight responsibility over management's activities in managing risks involving physical, financial, operational, labor, legal, security, environmental, and other risks of the Corporation.	The committee serves as an important liaison to the board. Its specific duties and responsibilities are as follows: provide guidance to management through the establishment of the company's risk management philosophy and risk appetite; approve the company's risk management policy and processes and any revisions thereto; regularly assess the company's risk management activities; understand and set clear directions for the management of the Corporation's strategic and critical risks;	The committee is empowered under its charter to recommend the review and/or change/s in the company's risk management policy as may be deemed appropriate; require periodic reports from management to confirm that the risk management system of the Corporation is operating correctly and consistently with its objectives, and execute such other authority which the board may delegate to the committee.

						provide the necessary support and resources to management in managing the risks to the company; and communicate to key stakeholders the status of strategic and critical risks.	
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2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (Year 2012)	No. of Meetings Attended (Year 2012)	%	Length of Service in the Committee
Chairman	Federico R. Lopez	2008	33	33	100%	4 years
Member (ED)	Francis Giles B. Puno	2008		31	94%	4 years
	Richard B. Tantoco	2008		26	78%	4 years
Member (NED)	-					
Member (ID)	-					
Member	Ernesto B. Pantangco	2010	33	33	100%	2 years
	Jonathan C. Russell	2010	33	33	100%	2 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2012-2013)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Cezar P. Consing	2005	3	3	100%	8 years
Member (ED)	-	-	-	-	-	-
Member (NED)	Elpidio L. Ibañez	2005	3	3	100%	8 years
Member (ID)	Tony Tan Caktiong	2005	3	3	100%	8 years
Member	-	-	-	-	-	-

Disclose the profile or qualifications of the Audit Committee members.

Cezar P. Consing was an Independent Director and Audit Committee Chairman from 2005 to 2013. He is a Partner of The Rohatyn Group, a global investment management company that focuses on emerging markets. He has over 25 years' experience in international finance. Mr. Consing was an independent director of Bank of the Philippine Islands, Jollibee Foods Corporation, CIMB Group Holdings Berhad, and CIMB Group Sdn. Berhad, and board director of Arch Capital Management and CapAsia Management, and a non-executive chairman and board director of FILGIFTS.com. Mr. Consing was an investment banker with JP Morgan & Co. from 1985 to 2004 where he was based in Hong Kong and Singapore. From 1999 to 2004 he was President of JP Morgan Securities (Asia Pacific) and, as a senior Managing Director, co-headed or headed the firm's investment banking group in the Asia Pacific

region. Mr. Consing has a Bachelor of Arts degree in Economics (*magna cum laude*) from De La Salle University (1979) and a Master's Degree in Applied Economics from the University of Michigan (1980). The Rohatyn Group has never rendered professional advisory services to the Company or any of its subsidiaries. In view of his appointment in April 2013 as President and Chief Executive Officer of Bank of the Philippine Islands, Mr. Consing was not nominated for re-election as Independent Director of the company during the Annual General Meeting on May 8, 2013.

Elpidio L. Ibañez is President and Chief Operating Officer of First Philippine Holdings Corp. and sits in the boards of various subsidiaries and affiliates of the company. Mr. Ibañez obtained a Master's degree in Business Administration from the University of the Philippines (1975) and a Bachelor of Arts degree major in Economics from Ateneo de Manila University (1972).

Tony Tan Caktiong was first elected Independent Director of the company in April 2005. He is the Chairman and Chief Executive Officer of retail giant and publicly-listed firm Jollibee Foods Corporation. He is a director of publicly-listed Philippine Long Distance Telephone Company, and is at the helm of Chowking, Greenwich, Red Ribbon Bakeshop, Mang Inasal in the Philippines, and Yonghe King and Hong Zhuang Yuan in China. He is a member of the board of trustees of the Asian Institute of Management, St. Luke's Medical Hospital, Philippine Business for Education, and the Temasek Foundation of Singapore. He is an Agora Awardee for Outstanding Marketing Achievement, Triple A Alumni Awardee of the Asian Institute of Management, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Caktiong has a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas (1975) and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

Jaime I. Ayala was elected Independent Director of the Corporation on May 8, 2013 and appointed Chairman of the Audit Committee for the period 2013-2014. He was awarded the 2013 Schwab Foundation Social Entrepreneur of the Year and 2012 Ernst & Young Entrepreneur of the Year Philippines. He was President and CEO of publicly-listed Ayala Land, Inc. (ALI) and Senior Managing Director of Ayala Corporation. During his presidency, ALI made significant contributions to Philippine national development and employment by launching 2 new cities (Bonifacio Global City and Nuvali), expanding its residential portfolio, pioneering business process outsourcing campuses, and opening new lifestyle shopping complexes. Prior to joining Ayala Corporation, he was a director (global senior partner) at McKinsey & Company, the world's leading top-management consulting firm, where he worked for 19 years across 29 countries. At McKinsey, he played a number of global and regional leadership roles, including President of McKinsey's Manila office. Mr. Ayala sits as a trustee in the Princeton University Board of Trustees, World Wildlife Fund of the Philippines, and the Philippine Tropical Forest Conservation Foundation. He is the Chairman for Southeast Asia of the Economic Development Network of the Young Presidents Organization (YPO), and serves as Advisory Board Member of the Bamboo Global Energy (Solar for All) Fund and Clean Engines International. Mr. Ayala earned his Master's degree in Business Administration from Harvard Business School (1988) where he graduated with honors, and completed his undergraduate work at Princeton University (1984) where he graduated *magna cum laude* in Economics, with a minor in Engineering.

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

1. The Audit Committee shall recommend, for approval during the annual general meeting, the appointment or reappointment of external auditors for the company.
2. It shall regularly review and assess external auditor's fees and ensure that the fees charged shall be commensurate with its reputation, level of expertise and required scope of work, and shall be in accordance with current industry standards.
3. The committee shall discuss with the external auditor the nature and scope, including possible coordination of audit work with internal audit or other audit firms, to secure proper coverage and minimize duplication of efforts.
4. The committee shall review whether the external auditor conducts its activities and engagements for and in the company in accordance with generally accepted auditing standards in the Philippines.
5. The Audit Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor. The committee

shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the company's annual report.

6. The committee shall review and endorse for board approval the rotation of the external auditor's handling partner or the replacement of the external auditor itself as warranted, every 5 years or earlier.
7. It shall assist the board in understanding and resolving disagreements between the external auditor and management. Should the external auditor resign, be dismissed or cease to perform its services, such act shall be reported in the Corporation's annual and current reports stating the reason/s for and the date of effectivity of such action. The report shall include a discussion on any disagreement between the external auditor and management on accounting principles or practices, financial disclosures or audit procedures which were not resolved satisfactorily.

(c) Nomination and Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held (2012-2013)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Federico R. Lopez	2005	2	2	100%	8 years
Member (ED)	Richard B. Tantoco	2005	2	1	50%	8 years
Member (NED)						
Member (ID)	Tony Tan Caktiong	2005	2	2	100%	8 years
Member						

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held (2012-2013)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Federico R. Lopez	2010	0	-	-	3 years
Member (ED)						
Member (NED)	Peter D. Garrucho Jr.	2010	0	-	-	3 years
Member (ID)	Cezar P. Consing	2005	0	-	-	8 years
Member						

(e) Others (Specify)

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

Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held (2012-2013)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Peter D. Garrucho Jr.	2010	2	2	100%	3 years
Member (ED)	Francis Giles B. Puno	2010	2	2	100%	3 years
Member (NED)	Elpidio L. Ibañez	2010	2	1	50%	3 years
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:

There were no changes in committee membership that occurred during the year 2012-2013. However, during the Organizational Board Meeting held on May 8, 2013, the following changes in committee membership were implemented:

Name of Committee	Name	Reason
Executive	None	-
Audit	Independent Director Jaime I. Ayala (Chairman)	Took the place of former Independent Director and committee chairman Cezar P. Consing
	Director Peter D. Garrucho Jr.	Was made an additional member of the committee
Nomination and Governance	None	-
Compensation and Remuneration	Independent Director Tony Tan Caktiong (Chairman)	Took the place of Chairman/CEO Federico R. Lopez as committee chairman
Risk Management	Independent Director Jaime I. Ayala	Was made an additional member of the committee

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	The committee reviewed and studied various proposals of management prior to their submission to the board of directors for approval	The committee resolved and finalized various transactional issues prior to their presentation to the board of directors
Audit	<ul style="list-style-type: none"> The Audit Committee assisted the board in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the company's Code of Conduct. It relied primarily on (1) the Finance and Accounting Group for financial reporting and key financial decisions/ transactions; (2) Internal Audit Group for internal control systems and internal audit tasks; and (3) Legal & Regulatory Group for compliance with statutory and other government requirements. It recommended for approval the appointment or reappointment of external auditors for the company. It oversaw the work of the registered public auditing firm employed by the organization. It discussed with the external auditor the nature and scope of audit work to secure proper coverage. It reviewed the quarterly, half-year and annual financial statements and reports and its compliance with both the internal financial management handbook and pertinent accounting 	The committee determined the level of compliance (qualitative and quantitative) of the Audit Committee Charter with the SEC Revised Code of Corporate Governance, as well as the extent of implementation of the provisions of the charter. The committee likewise identified areas for improvement and mapped out the next steps to be taken

	<p>standards, including regulatory requirements before submission to the board</p> <ul style="list-style-type: none"> • It reviewed and approved the internal audit plan that includes audit scope and frequency, and all major changes thereto • It successfully completed and submitted to the Securities and Exchange Commission (SEC) the self-assessment of its performance for the year 2012 	
Nomination and Governance	The committee reviewed the qualifications and determination of eligibility of persons nominated to positions requiring board approval	The committee ensured that each person appointed to a position requiring board approval possessed the qualifications and none of the disqualifications as provided in the By-laws and Manual on Corporate Governance
Compensation and Remuneration		
Risk Management	It identified/updated strategic risk exposures and identification of risk owners; review of risk management system and governance structure	Identification and management of current risks involving physical, financial, operational, labor, legal, security, environmental and other risks of the company

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	Continue to assist management in drafting and finalizing particular transactions and projects by reviewing, prior to submission to the board of directors, proposals from management	Resolution and finalization of various transactional issues prior to presentation to the board of directors
Audit	<p>Continuous monitoring and oversight of financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Company's Code of Conduct</p> <ul style="list-style-type: none"> • Conduct of annual self-assessment of Audit Committee performance • Monitor the actions taken by the Internal Audit Group to address the results of the Quality Assurance Review for the internal audit function. 	Continuous monitoring of the level of compliance by the Audit Committee Charter with the SEC Revised Code of Corporate Governance to ensure full alignment with the Code
Nomination and Governance	Continue to ensure proper review of the qualifications of persons proposed to be appointed as officers of the Corporation where such appointment is subject to the approval of the board of directors..	Maintain the quality and level of competence of corporate officers to assure attainment of corporate objectives..
Compensation and Remuneration	Review and pass upon proposals or initiatives pertaining to compensation and rewards..	Ensure that compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates.
Risk Management	<ul style="list-style-type: none"> a. Strategic risk reviews b. Project risk reviews c. Capital adequacy review d. Business continuity management 	<ul style="list-style-type: none"> a. Review and update list of strategic risks b. Project execution risks c. Funding and debt servicing risk d. Disaster preparedness and business

	project e. Customer credit portfolio review f. Vendor accreditation system	recovery risk e. Customer payment default risk f. Vendor performance risk
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F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company believes that identification and management of the various risks to which the company is exposed to are vital to the success of its projects and programs. The company firmly believes that effective risk management will result in a good balance between risk and reward, which will augur well for the company and its stakeholders. As such, risk management is embedded in the company's strategic planning and project monitoring process.

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

Through the Risk Management Committee, the board of directors reviews the risk management's effectiveness and adequacy. The committee is tasked to: oversee the formulation, establishment and implementation of an Enterprise Risk Management (ERM) system; review and assess the company's ERM policy, processes, strategies, methods and activities, and recommend revisions thereto for the approval of the board of directors; understand and set clear directions for the management of the company's strategic and critical risks; and provide management the support and resources necessary to manage the risks to the Corporation.

(c) Period covered by the review;

On an annual basis, the RMC identifies the company's strategic risk exposures. Risk owners are identified to develop, implement and monitor the treatment options for each strategic risk. For the succeeding year, these strategic risks and the success of the treatment options are reviewed by the RMC, and the list is accordingly updated for the next period.

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

The risk management system and governance structure are reviewed on an annual basis. The RMC uses the following criteria in its assessment of the effectivity of the risk management system: market position of the company, compliance with applicable rules and regulations, quality of services provided to customers, levels of exposure to interest rates as well as credit exposures to its customers.

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

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
Competition Risk	The company continues to expand its project portfolio, improve operations and upgrade its systems to be able to offer competitively priced products and services to the market	To strengthen or improve its market position, both in the local and international energy industry
Regulatory Risk	The company regularly monitors its exposures and compliance with laws and regulations to	To comply with all applicable laws and regulations

	ensure the continuity of its operations	
Business Interruption Risk	The company continuously enhances its operations and support systems to reduce the likelihood of unscheduled interruptions and, in the case of actual interruptions, to reduce the impact to the company's financial performance	To ensure continuity of services to its customers
Interest Rate Risk	The company believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate	To manage the exposure to floating interest rates in a cost-efficient manner.
Foreign Currency Risk	The company monitors its exposures to foreign currency fluctuations and may consider entering into derivative transactions, as necessary	To manage the exposure to foreign currency exposures reducing
Credit Risk	The company trades only with recognized, reputable and creditworthy 3 rd parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness	To manage the credit exposures with its customers and/or other 3 rd parties

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
	Same as above	

(c) Minority Shareholders

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

Risk to Minority Shareholders
While there are no existing provisions in the Corporation's Articles of Incorporation or By-laws which will delay, defer, or in any manner prevent a change in control of the company, First Philippine Holdings Corp. (FPH) is the sole holder of the company's Series "B" and "E" preferred shares. These preferred shares are entitled to full voting rights under the company's Articles of Incorporation. The Series "B" and "E" preferred shares can only be transferred to Philippine citizens or corporations are least 60% of the outstanding equity capital is beneficially owned by Philippine citizens and which, in either case, is not in competition with FPH or any of its affiliates.

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 Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Competition Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> Competitively-priced power Value-added services Reliability of power plants
Regulatory Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> Regular monitoring of changes or updates to relevant laws and regulations Close monitoring of the company's compliance with applicable laws and regulations Close coordination with regulatory agencies
Business Interruption Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> Regular monitoring of operations Regular repair and maintenance of key equipment, systems and processes

		<ul style="list-style-type: none"> • Regular review, revision and practice of Business Continuity Management plans
Interest Rate Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> • Regular monitoring of the interest rates • Identify, assess and enter into interest hedging, whenever necessary
Foreign Currency Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> • Regular monitoring of foreign currency rates • Identify, assess and enter into derivative transactions, when necessary
Credit Risk	Annual risk identification, evaluation, and monitoring	<ul style="list-style-type: none"> • Regular review and analysis of customer financial and credit performances • Close coordination with customers to discuss emerging risks

(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 Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
same as above		

(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
Risk Management Committee	Providing oversight, guidance, support and resources to management in its monitoring of risk management activities	The committee plays a vital oversight role and serves as an important liaison to the board of directors. Its specific duties and responsibilities are as follows: provides guidance to management through the establishment of the company's risk management philosophy and risk appetite; approves the company's risk management policy and processes and any revisions thereto; regularly assesses the company's risk management activities; understands and sets clear directions for the management of the company's strategic and critical risks; provides the necessary support and resources to management in managing the risks to the company; and communicates to key stakeholders the status of strategic and critical risks. Further, the committee is empowered to recommend the review and/or change in the company's risk management policy; require periodic reports

		from management to confirm that the risk management system of the company is operating correctly and consistently with its objectives; and execute such other authority which the board may delegate to the committee.
Key company executives	Implementing and monitoring risk management activities	Key executives of the company are identified risk owners of strategic risks. As such, they are given the responsibility and authority to develop, implement and monitor risk treatment options for the assigned strategic risks. These risk owners are likewise tasked to regularly update the Risk Management Committee.

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

The Corporation's Manual on Corporate Governance provides that the minimum internal control mechanisms for management's operational responsibility centers on the Chief Executive Officer, he being ultimately accountable for the Corporation's organizational and procedural controls. Management formulates, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- a. The extent of its responsibility in the preparation of the financial statements of the company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the company should be maintained;
- c. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and
- d. The company should consistently comply with the financial reporting requirements of the SEC.

The board of directors, through the Audit Committee, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.

Internal Audit is accountable to senior management and the Audit Committee to provide annually an assessment of the adequacy and effectiveness of the organization's internal control and risk management, as appropriate, in the functional areas and operational processes identified in the audit plan. In evaluating internal control, the Internal Audit group is guided by the definition of internal control as defined by the COSO Internal Control-

Integrated Framework to be the process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in: a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations.

A statement as to the adequacy and effectiveness of internal control, as appropriate, is provided to the Audit Committee through the audit reports on the functional areas and operational processes being reviewed by the Internal Audit for the year. Quarterly reports were also submitted to the Audit Committee in 2012, which reports contained the status of audit engagements and significant audit findings. An Internal Control Baseline Assessment was conducted as of April 2013 to assess the general design and operation of the five components of internal control in the organization. The results of the assessment showed that the internal controls are generally very strong with the existence of effective and efficient internal control mechanisms in the organization’s control environment, risk assessment, information and communication, control activities, and monitoring activities, as evidenced by document review, previous assessment/review, and test of controls. Opportunities for further improvement were also identified in a number of areas for management’s consideration.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>The mission of the Internal Audit group is to provide independent, objective assurance and consulting services designed to add value to and improve the organization’s operations. It assists the organization achieve its objectives by bringing a systematic, disciplined approach to evaluate the effectiveness of governance, risk management and control processes.</p>	<p>The primary work is to determine whether the organization’s network of governance, risk management, and control process, as designed and implemented by management, is adequate and functioning in a manner that ensures that: risks are appropriately identified and managed; significant financial, managerial and operating information are accurate, reliable and timely; employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations; resources are acquired economically, used efficiently, and protected adequately; significant legislative or regulatory issues impacting the</p>	<p>In-house</p>	<p>A fully staffed and functional working internal audit group is being handled by Mr. Renato A. Castillo, SVP for Risk Management, awaiting final appointment of a Chief Internal Auditor.</p>	<p>Members of the Internal Audit group report to the Internal Audit officer who reports functionally to the Audit Committee and administratively to senior management.</p> <p>The Internal Audit group issues periodic reports to the Audit Committee and management, updating and summarizing results of audit activities.</p>

	organization are recognized and addressed appropriately; and interaction with various governance groups is pursued as necessary.			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The Audit Committee ensures the existence of a working internal audit group, which is headed by a competent business manager, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective, appropriate and enforced. The Committee concurs in the appointment, dismissal, replacement or re-assignment of the internal audit head.

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

The Audit Committee establishes a direct reporting line of the Internal Audit group to the committee to prevent impediments in the conduct of internal audit activities and the conveyance/ presentation of audit findings. The Internal Audit group functionally reports directly to the Audit Committee.

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Efren Allen M. Valencia	To pursue other interests

- (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	<p>Of the 8 planned engagements for 2012, 5 were performed, 1 was replaced by a special audit engagement, and 2 were rescheduled to 2013. A total of 6 engagements were performed and started in 2012, 4 of which were completed with audit reports that were submitted to the Audit Committee and the remaining 2 were extended up to 2013 with reports being finalized due to complexity in scope and in gathering required audit information.</p> <p>Action plans to address the concerns in the Quality Assurance Review Readiness Assessment by PWC/Isla Lipana and Co. were carried out in 2012 which includes the update of Internal Audit Charter, Internal Audit Policies and Procedures, Audit Committee Charter, and Internal Audit Strategic Plans, as well as the hiring of new internal audit staff and acquisition of audit analytical software.</p>
Issues⁶	Significant issues are reported by the Internal Audit to the Audit Committee by providing them both sides of

⁶ “Issues” are compliance matters that arise from adopting different interpretations.

	<p>issues in cases where varying interpretations have been adopted by the internal auditor and the auditee.</p> <p>As part of the internal auditor’s discussion with the auditee, the internal auditor comes to an agreement on the results of the engagement and on any necessary plan of action to improve operations. If the internal auditor and the auditee disagree on the results, the audit report shall state the differing positions and the reasons for such disagreement. The auditees’ written comments may be made part of and attached to the audit report.</p>
Findings⁷	<p>The results of an audit engagement are communicated to the Audit Committee through a summary of the significant audit findings from an engagement, which include a detailed report on the internal auditor’s opinions and/or conclusions, audit findings noted during the review, and the corresponding recommendations and auditees’ action plans. The Audit Committee members respond with their comments accordingly.</p>
Examination Trends	<p>Internal Audit established a monitoring procedure that ensures that the summary of significant audit findings, issues and examinations trends noted from the engagement during the year, and the management’s resolutions to address such findings are reported to the Audit Committee. Internal Audit likewise conducts follow-up activities to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action.</p>

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
Internal Audit Charter	The Internal Audit Charter contains the purpose, authority and responsibility of the internal audit activity. There are no restrictions to the scope, resources and access of the internal audit activity and the structure is in alignment with the corporate structure.
Internal Audit Policies and Procedures	A policy and procedure has been established for the Internal Audit process which consists of 2 major processes and several sub-

⁷ “Findings” are those with concrete basis under the company’s policies and rules.

	processes under each major process category.
Planning and Managing Internal Audit	Planning and managing internal audit is the first major process which covers managing and planning internal audit activities, communication and approval, resource management, coordination and reporting to senior management and the board. The 2012 annual audit plan was established and the progress of actual activity against the plan was reported quarterly to senior management and the board, including significant amendments and available resources. Audit reports were submitted to the Audit Committee and these contained the significant audit findings per engagement.
Internal Audit Engagement	The procedures for conducting internal audit engagements were established. These included planning the engagement, performing the engagement, communicating the results, and monitoring the progress of audit findings. These are documented in a working paper file for each engagement.

(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
<p>A Statement of Independence and Objectivity is submitted annually by each internal audit personnel for transparency and to address any potential and existing conflict of interest and/or any impairment in fact or in appearance in his/her performance of duties and responsibilities.</p> <p>For the external auditors, the Audit Committee evaluates and determines the non-audit work, if any, of the external auditor. The committee undertakes a periodic review of the non-audit fees paid to the external auditor, and shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. Any non-audit work is duly disclosed in the company's annual report.</p>	<p>The company has established a Corporate Code of Conduct which sets the principles and guidelines in the conduct of its businesses and dealings with its stakeholders. The code covers directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company. In the conduct of its business, the company shall be guided by the following values and principles: a pioneering entrepreneurial spirit, business excellence, unity, nationalism, social justice, integrity, and employee welfare and wellness. The code thus helps ensure that the company and all those who represent it act in a manner that will not jeopardize the independence and integrity of financial analysts.</p> <p>Further, the company's board of directors, management and employees are all committed to the</p>	<p>For specific transactions, the company, through its board of directors as recommended by management, engages only those investment banks which are of proven competence, integrity and independence. Further, in conducting its business with the said investment banks, the company is duty-bound to comply with the provisions of the Corporate Code of Conduct and Manual on Corporate Governance. As such, the company's board of directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company, are committed to grow the business and enhance shareholder value by, among others, valuing relationships with partners and demonstrating this through good governance, transparency and professionalism.</p> <p>With these safeguards in</p>	<p>For specific transactions, the company, through its board of directors as recommended by management, engages only those rating agencies which are of proven competence, integrity and independence. Further, in conducting its business with the said rating agencies, the company is duty-bound to comply with the provisions of the Corporate Code of Conduct and Manual on Corporate Governance. As such, the company's board of directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company, are committed to grow the business and enhance shareholder value by, among others, valuing relationships with partners and demonstrating this through good governance, transparency and professionalism.</p> <p>With these safeguards in</p>

	<p>principles and best practices as contained in the company's Manual on Corporate Governance. The Compliance Officer monitors compliance by the company with the provisions of the manual, as well as rules and regulations of regulatory agencies. Further, the board of directors ensures that the company complies with all relevant laws, regulations, and best business practices.</p> <p>With these safeguards in place, the company helps ensure the independence and integrity of financial analysts.</p>	<p>place, the company is assured of the independence and integrity of its partner-investment banks.</p>	<p>place, the company is assured of the independence and integrity of its partner-rating agencies.</p>
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Under the Manual on Corporate Governance, the Compliance Officer shall issue a certification once a year (which shall be discontinued pursuant to SEC Memorandum Circular No. 5, Series of 2013) on the extent of the company's compliance with the Manual on Corporate Governance for the immediately preceding year and, if any deviations are found, explain the reasons for such deviations.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Under the Corporate Code of Conduct, the company is committed to be the preferred provider of energy services. In performing its role as the preferred provider, the company continues to acquire, develop, finance, operate, and maintain its investments with the single-minded focus on delivering superior services to its customers.	The company, through its affiliates, provide non-power, value-adding services to its customers which are designed to (i) improve the reliability of supply of electricity to its customers and improve their operations, informing them of the latest technology and equipment; and (ii) assist them in capability building programs through training seminars and workshops, and the sharing of expertise and knowledge relative to the power industry.
Supplier/contractor selection practice	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities. The company considers its suppliers as its partners, and values its relationships with them and demonstrates this through good governance, transparency and professionalism.	The company adopts a policy on Quality, Environment, Safety and Health and requires third party contractors or suppliers that are engaged by the company to follow guidelines to protect the safety and health of the company's employees, to minimize risk to the public from its operations, and to protect the natural environment. This includes company regulations on smoking, work permits, fire protection,

		medical aid, personal protective equipment, prohibited substances, hazardous materials, among others.
Environmentally friendly value-chain	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities.	In August 2012, the company established the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundations, Inc. or OML Center. Also in 2012, the company continued its role as direct implementer of the Project Center of Center, which is an integrated program created in coordination with Conservation International Philippines and the provincial government of Batangas, for the purpose of saving the fragile marine ecosystem of the Verde Island Passage. In a further effort to encourage wider support in preserving Verde's ecosystem, the company extended logistical support to a new award-giving program of the Batangas province for outstanding marine protected areas within the province. This is called the BRAVO (Batangas Recognition Awards for Verde's Outstanding Marine Protected Areas) Awards. A coffee table book entitled "Generations" was also released to create added public awareness about the need to protect and enhance the environment. Finally, in collaboration with the University of the Philippines, the company helped complete a biodiversity study within the Pantabangan watershed.
Community interaction	Under the Corporate Code of Conduct, as part of efforts to help develop and improve the quality of life of residents in the host communities and promote their level of self-reliance, the company continues to pursue and implement corporate social responsibility and community relations projects in partnership with local government units and other local stakeholders, with particular focus on education, community, health and safety, poverty alleviation, and environment. The company remains partners with non-governmental organizations whose objectives and activities are aligned with its goals and aspirations.	<p>Education – free review classes, training for teachers, other education related activities, and receipt of recognitions from the Department of Education</p> <p>Health – medical, dental missions, free drinking water system, ambulances for Batangas communities</p> <p>Environment – Oscar M. Lopez Center, Project Center of the Center, BRAVO (Batangas Recognition Awards for Verde's Outstanding Marine Protected Areas) Awards, release of a coffee table book entitled "Generations", tie-up with the University of the Philippines</p> <p>Poverty Alleviation – skills training projects, livelihood support for cooperative, support for community electrification projects</p> <p>Employee Volunteerism – various activities under the Employee Power</p>

		(EmPower) Program
Anti-corruption programmes and procedures?	Under the Corporate Code of Conduct, the company recognizes the authority of the government. The company abides by their rules, orders and decisions and strives to support activities which are aligned with the company's aspirations to fulfill its <u>responsibilities</u> as corporate citizens and members of society. Further, the company aims to be the preferred partner in nation-building and community development.	The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
Safeguarding creditors' rights	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities. The company considers its creditors as its partners, and values its relationships with them and demonstrates this through good governance, transparency and professionalism.	The company regularly holds lenders' updates and conducts roadshows, both local and international, to inform and update the lenders and investors about the company. Meetings with creditors are also regularly held, and a constant open line of communication is maintained. The company also periodically submits to its creditors reports on its financial and operating highlights, and responds to all their queries and concerns.

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

Yes. In the company's 2012 annual report entitled "Unleashed", there is a section on Corporate Social Responsibility (pages 28 to 35).

3) Performance-enhancing mechanisms for employee participation.

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

It is the policy of the company to extend leave benefits with pay to its employees to enable them to take respite from pressures of work, to provide them with the opportunity to attend to personal matters and support their health and well-being.

The company recognizes the importance of keeping its employees in good health for them to perform efficiently and effectively in their respective work assignments. The company provides its employees with outpatient medical services benefits, medicine reimbursements, dental care services and optical benefits for the prevention, detection and treatment of sickness, diseases and injuries.

The company recognizes its responsibility to assist its employees in addressing their medical hospitalization needs. The company provides appropriate medical hospitalization benefits to its employees and, to a certain extent, their eligible dependents.

In line with the company's philosophy of providing for the well-being of its employees and their families, the company also makes available to its employees term life insurance coverage and accident insurance coverage under a group policy.

Below are the policies adopted by the company relating to the safety, health and welfare of its employees:

- a. Vacation Leave
- b. Sick Leave
- c. Maternity Leave
- d. Paternity leave
- e. Solo Parent Leave
- f. Group Medical Hospitalization and Post Confinement

- g. Outpatient Medical Services
- h. Dental Services
- i. Optical Reimbursement
- j. Drug Free Workplace Policy
- k. Workplace Policy on HIV/AIDS
- l. Other Special Leave Benefits – R.A.9710 Magna Carta for Women

The company makes a regular assessment of the impact of its projects and activities on environment, safety and health. It adopts effective mitigating measures using available and appropriate technologies. The company likewise seeks to improve the management of its environment, safety and health programs with the end view of reducing work-related illnesses / accidents, environmental emissions, effluents and wastes, and promoting the efficient use of energy, water and other resources. Further, as part of its new employee engagement program, the company regularly conducts orientations on its QESH policies.

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

Sick Leaves for Year 2012

No. of employees	Availed sick leaves	Average sick leave per employee
80	173	2.22

Environment Safety and Health Programs:

Safety/Environmental/Health and Wellness	
Defensive Driving Training	10 sessions held (44 participants)
Emergency Preparedness Drill/Training	2 sessions
Employee Emergency Kits Issued	96 kits
First Aid Training	1 session (19 participants)
Health and Wellness Awareness	7 lectures
Wellness Physical Fitness Activities	4 events
Flu vaccines	82 administered
Annual Physical Examination	97

Safety:

- Walk-around inspection – teams composed of representatives of different departments were formed to identify and mitigate hazards in the workplace
- Unified ESH incident reporting and investigation standard/policy – implemented at HO and plant sites
- Provision of Personal Protective Equipment (PPE) to employees
- Motor Vehicle Safety Program conducted for key employees and contractors
- Emergency Management – Team and Plan in place (kits provided to employees/ first aid station provided in pre-defined office areas as well as in pool of vehicles)
- Provision and maintenance of safety equipment: fire extinguishers (through monthly inspections), emergency light, sprinklers, smoke detectors and fire exits

Health and Wellness:

- Office ergonomics program deployed last quarter of 2012
- Wellness programs held: badminton games, dance/aerobics; participation in fun run and walk the talk activities; participation in bowling and other Lopez Group-sponsored wellness programs
- Annual Physical Examination (APE) and medical consultations done; over the counter medicines provided
- Provision of clinic and Occupational Physician
- Annual vaccination program held (part of Pandemic Influenza preparedness)
- Information, Education and Communication programs/fora held
- Random Drug Testing done last quarter of 2012 (all negative)

Environmental:

- Management of hazardous wastes through Benpres Building using DENR-accredited providers
- Workplace survey held covering 5S (sorting/setting in order/sweeping-shine/standardizing/sustaining practice)

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

The following company-initiated training and development programs were conducted in 2012:

Program	Number of Participants	Date
Finding the Core Value Formation Seminar Training	37	February 2012
Kepner Tregoe - Problem Solving and Decision Making Skills	25	April 2012
Customized Microsoft Excel 2010 for Heavy Users Training	44	November 2012
Customized Microsoft Office PowerPoint and Word 2010 Training	30	November 2012
Customized Microsoft Excel 2010 for Technical Users Training	46	October 2012
Dale Carnegie: Effective Communications and Human Relation Program Training	15	August and September 2012
Strategic Negotiation: Winning the Future Training	6	October 2012
Kepner Tregoe Project Management Workshop Training (IT)	3	August 2012
Kepner Tregoe Project Management Workshop Training	27	July 2012
Advanced Finance Modeling Training	18	October and November 2012
Best Practices in Finance Modeling Training	18	October and November 2012
EDC Management Assembly (First Gen Hydro Power Corporation)	6	June 2012
Management Development Program - Coach and Develop for Results Training	19	February 2012
Presentation and Facilitation Skills	10	July 2012
Tactics and Skills for Negotiating Training (eCornell On-Line Course)	6	July 2012
Managers' Learning Sessions With Prof. Ranjay Gulati Training	22	December 2012
Executive Learning Sessions With Prof Ranjay Gulati Training	43	June 2012

The following functional training and development programs were conducted in 2012

Program	Number of Participants	Date
Physical Inventory and Cycle Counting Training	1	July 2012
Transforming the Business of Giving Back LCF CSR Forum Conference	1	July 2012
Asian Social Innovation Forum Conference	1	June 2012
Updates on the PFRS 10, 11 & 12 Training	3	July 2012

Kepner-Tregoe Problem Solving and Decision Making	1	November 2012
49th People Managers Association of the Philippines National Conference	4	September 2012
Basic Tools and Techniques for Internal Audit Staff	3	February 2012
International Internal Auditors-Philippine Chapter Annual Convention 2012	2	October 2012
Enterprise Wide Risk Management Program Training	4	February 2012
Basic WESM Overview Training	2	July 2012
Workers Organization And Development. Program - Basic Occupational Safety And Health Training	1	September 2012
ISO 14001 Auditor/Lead Auditor Training	1	February 2012
PICE 37th Annual Convention	1	November 2012
Transforming the Business of Giving Back Forum Conference	2	July 2012
PSME 60th Semi-Annual Conference	6	October 2012
PICE 38th Annual Conference	1	November 2012
PSME 60th Annual Conference	4	November 2012
PCAPI 32nd Annual Conference	1	April 2012
ISO 1002:2004: Guidelines for Handling Complaint Training	1	July 2012
DOLE Region X Basic Occupational Safety and Health Training	1	September 2012
Engineering, Procurement & Construction Contract And Negotiation Standards - FIDIC Training	21	September 2012
Expenditures Taxation Training	1	September 2012
PFRS 19, Employee Benefit Training	2	October 2012
Concepts and Principles including issues or difficulties in implementation of PFRS 10, 11 & 12 Training	2	July 2012
Local Business Tax and Real Property Tax Training	2	December 2012
Workshop on Preparation of Corporate ITRs Training	1	November 2012
Loss Control Management Course by SOPI Training	1	April 2012
International Health, Safety and Environment Conference 2012	1	October 2012
Red Cross First Aid Training and Basic Life Support	4	July 2012
Kepner-Tregoe Project Management Workshop (External)	1	September 2012
Certified Pen Testing Engineer Training	1	January 2012
Information Technology Infrastructure Library Foundation Course Training	1	August 2012
Web Development with PHP	1	February 2012
Certificate in Talent and Human Resource Development Training	4	August 2012
Tower-Watson Rewards System Fundamentals Workshop Training	1	October 2012
Going Beyond Managing Talent: Leveling Up for Growth Training	1	November 2012
Revised Rules on Letters of Credit Transactions Training	2	August 2012
Electrical Power Equipment Failure Analysis and Prevention Training	1	April 2012
Finance for Non-Finance for Power Utilities Training	1	February 2012
Disaster Risk Reduction and Climate Change Adaption in EIA Training	1	September 2012

Managing Large & Complex Projects Effectively and Efficiently Training	1	September 2012
Power Plant Asia 2012 Conference	3	April 2012
Auditing the Procure to Pay (P2P) Process Training	1	August to September 2012
Evaluating Internal Controls: A COCSO-based approach	1	June 2012
Conducting Competent Preliminary Surveys & Customizing and Writing Effective Audit Programs	1	July 2012
The Risk Based Audit Methodology: A Practical Approach Training	1	Aug 2012
Procurement Fraud: How to Spot and Stop It Training	1	September 2012
Business Continuity and Disaster Resilience Forum Training	2	May 2012
ASEAN Risk Management Forum	2	March 2012
Water Resources and Renewable Energy Development Conference	5	March 2012
LNG Registration Terminals Training	2	December 2012
Advanced WESM Training: Trading Operations, Pricing and Scheduling, and Billing and Settlements	9	February 2012
Advance WESM Training	1	February 2012
VBA for MS Excel 2010 Training	9	August 2012
8th Annual Asia Pacific V943A/V843A User's Conference	3	June 2012
Advanced Warehouse and Inventory Management	1	October 2012
Super Alloys for Heavy Duty and Aircraft Type Industrial Gas Turbines Training	2	May 2012
Gas Chromatography Training	1	October 2012
5S Principles and Implementation Training	2	February 2012
Basic Occupational Safety and Health Training	2	April 2012
Incident Investigation & Preventions Training	1	October 2012
Creating a Positive Safety Culture Training	1	September 2012
Innovative Approaches to Create Value for Business and Society Conference	3	October 2012
Effective Implementation and Data Control Training	2	October 2012
EDC Supervisors Forum	4	June 2012
Guidelines for Complaint Handling	1	October 2012
CSR Expo 2012 Conference	2	July 2012
Reliability and Maintenance Course Training	4	March 2012
Calibration Process for Instrumentation Training	1	April 2012
IIEE 37th Annual Conference	5	November 2012
Lopez Group Disaster Assistance and Rescue Training	7	February and March 2012
National Conference - Occupational Health Nurses Association of the Philippines	1	September 2012
Basic of Supply Management	2	August 2012
Basic WESM Training	1	February to March 2012
SOPI and IIEE Semi-Annual Conference	1	May 2012
Media Training	1	July 2012
Defensive Driving Seminar	21	August, September and October 2012,
Windows 7 Client Program Installation, Deployment and Troubleshooting	1	May 2012
Forum on Business Continuity and Disaster Resilience Training	3	May 2012

OSIsoft Philippine Regional Seminar Training	2	May 2012
American Management Association "Talent Analytics"	1	July 2012
Training on Biodiversity Conservation and Management: Biodiversity Assessment, Monitoring Techniques and Data Interpretation	1	July 2012
JLT Construction Insurance Training Seminar	3	December 2012

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

The company's reward and compensation policy are designed to accomplish the following:

- Provide competitive level of guaranteed pay, more aggressive on total cash through variable pay (incentive plan)
- Allow the company to compete, retain and motivate employees
- Recognize and reward individuals initiatives and contributions

Economic increases are given at the sole discretion of the company and are based on the changing economic or living conditions of the country or the inflation rate.

Merit increases are given at the sole discretion of the company and are based on the employee's demonstrated performance and contribution to the organization.

All increases and incentive pay are based on financial measures as well as Key Results Areas that include market performance, customer satisfaction, operational and process excellence and organizational learning.

(e) 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.

Employees may raise complaints concerning illegal or unethical behavior to their group head, or the Human Resources department. HR determines whether such act is under the scope of the Employee Code of Conduct, and if so, initiates due process, including a notice to explain, investigation and hearings, and imposes sanctions as warranted. Witnesses, reports, and communications are kept strictly confidential, to protect the identities of parties involved.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of March 31, 2013)

Shareholder	Number of Shares	Percent	Beneficial Owner
See table below			

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	First Philippine Holdings Corp. (FPH) 4 th Floor Benpres Building Exchange Road cor. Meralco Avenue, Pasig City FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated.	Filipino	2,228,239,159 (3,250,000 shares lodged with PCD Nominee Corp.)	66.25%

Common	PCD Nominee Corp. (Filipino)	Various		574,705,101	17.09%
	PCD Nominee Corp. (Foreign)			531,448,102	15.80%

	Owner of more than 5% under PCD Nominee Corp.				
Common	The Hongkong and Shanghai Banking Corp. HSBC Securities Services, 12/F The Enterprise Center, Tower I, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various	Foreign	301,388,627	8.96%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series F)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	52,450,000	22.44%
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	45,329,500	19.39%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450 (13,750,000 shares lodged with PCD Nominee Corp.)	21.52%
Non-Voting Preferred Shares (Series G)	PCD Nominee Corp. (Filipino)	Various		95,370,560	40.80%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	40,206,890	17.20%
	PCIB Securities, Inc. 8th Floor PCIB Tower 2, Dela Costa St., Makati City	Various	Filipino	13,960,200	5.97%

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
See table below			

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 5,461,226	Filipino	0.1624%
Common	Federico R. Lopez	Direct - 5,569,397	Filipino	0.1656%
Common	Francis Giles B. Puno	Direct - 8,090,930	Filipino	0.2405%
Common	Richard B. Tantoco	Direct - 4,748,820	Filipino	0.1412%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004	Filipino	0.2048%
Common	Elpidio L. Ibañez	Direct - 2,000,000	Filipino	0.0595%
Common	Eugenio L. Lopez III	Direct - 150	Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165	Filipino	0.0000%
Common	Cezar P. Consing	60	Filipino	0.0000%
Common	Ernesto B. Pantangco	Direct - 2,681,866	Filipino	0.0797%
Common	Jonathan C. Russell	Direct - 1,929,538	British	0.0574%
Common	Renato A. Castillo	0	Filipino	0.0000%
Common	Victor B. Santos Jr.	0	Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 757,534	Filipino	0.0225%
Common	Nestor H. Vasay	Direct - 525,000	Filipino	0.0156%
Common	Ferdinand Edwin S. Co Seteng	0	Filipino	0.0000%
Common	Colin Fleming	Direct - 33,300	British	0.0010%
Common	Erwin O. Avante	Direct - 273,875	Filipino	0.0081%
Common	Jerome H. Cainglet	Direct - 294,416	Filipino	0.0088%
Common	Valerie Y. Dy Sun	0	Filipino	0.0000%
Common	Ana Karina P. Gerochi	0	Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 350,000	Filipino	0.0104%
Common	Shirley C. Hombrebueno	Direct - 410,749	Filipino	0.0122%
Common	Ariel Arman V. Lapus	0	Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729	Filipino	0.0050%
Common	Aloysius L. Santos	0	Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct - 10,268	Filipino	0.0003%
Common	Charlie R. Valerio	0	Filipino	0.0000%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000	Filipino	0.0386%
Common	Vincent C. Villegas	Direct - 245,269	Filipino	0.0073%
Common	Michael Christopher Young	0	New Zealander	0.0000%
Common	Rachel R. Hernandez	Direct - 8,299	Filipino	0.0002%
Common	Anna Marie M. Sencio	0	Filipino	0.0000%

2) Does the Annual Report disclose the following:

The Annual Report (on SEC Form 17-A) for 2012 has the following Exhibits:

- Exhibit A – Management Report
- Exhibit B – Audited Consolidated Financial Statements
- Exhibit C – SRC Rule 68, as amended (2011) (Schedules)
- Exhibit D – Audit Committee Report for the Year 2012

The company also furnished its stockholders with an annual report for 2012 entitled “Unleashed”.

Key risks	Major financial risks (interest rate risk, foreign currency risk, credit risk, liquidity risk) are discussed on pages 21 to 23 of the Annual Report. Extensive discussion and quantifications of the impact of the major financial risks are disclosed in Note 25 of the Audited Consolidated Financial Statements (Exhibit B of the Annual Report).
Corporate objectives	The company’s power generation business, through its various operating companies, is discussed extensively in the section entitled “Business of Issuer” on pages 4 to 15 of the Annual Report.
Financial performance indicators	The key financial performance indicators of the First Gen group are disclosed on page 30 of the Management Report (Exhibit A of the Annual Report). The same financial performance indicators are likewise included in the Information Statement (shown as Financial Soundness Indicators).
Non-financial performance indicators	The average net capacity factor and plant availability and reliability of the various power plants under the company’s portfolio are discussed in the company’s 2012 annual report entitled “Unleashed”, in the section “President’s Report” (pages 10 to 15). For instance, the company’s Santa Rita gas-fired power plant reported a 79.8% <i>average</i> net plant capacity, plant availability of 92.4% even with scheduled maintenance outages, and reliability at 99.6% for year 2012. For the San Lorenzo gas-fired power plant, it reported an average net plant capacity of 82.7%, while plant availability and reliability remained high at 96.7% and 99.6%, respectively. The Santa Rita and San Lorenzo plants also completed maintenance works ahead of the scheduled 45 days each. For the FG Hydro plant, the availability and reliability rates for 2012 were high at 97.73% and 99.73%, respectively.
Dividend policy	Dividends are discussed on pages 33-35 of the Annual Report and pages 32-34 of the Management Report (Exhibit A of the Annual Report). The dividend policy and previous dividends declared by the company are disclosed on pages 33-35 of the Management Report (Exhibit A of the Information Statement).
Details of whistle-blowing policy	The oversight responsibilities of the Audit Committee on financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Corporate Code of Conduct are discussed on pages 43 - 44 of the company’s 2012 annual report entitled “Unleashed”.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Biographical details of the directors are indicated on pages 36-38 of the Annual Report. Biographical details are also disclosed on pages 6-8 of the Information Statement.
Training and/or continuing education programme attended by each director/commissioner	The educational background and relevant training of the directors are included in their respective biographical details on pages 36-38 of the Annual Report.
Number of board of directors/commissioners meetings held during the year	The number of board meetings held in 2012 is included in the company’s January 8, 2013 filing with the SEC and can be found in the company’s website under http://www.firstgen.com.ph/InvestorRelations.php?id=96
Attendance details of each director/commissioner in respect of meetings held	The attendance details of each director for board meetings held in 2012 are included in the company’s January 8, 2013 filing with the SEC and can be found in the company’s website under http://www.firstgen.com.ph/InvestorRelations.php?id=96
Details of remuneration of the CEO and each member of the board of directors/commissioners	The compensation of the CEO and the top 5 members of senior management are disclosed on page 42 of the Annual Report. Such compensation is also disclosed on page 13 of the Information Statement.

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

3) External Auditor's fee (for 2012)

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	PHP5,175,276.00	<ul style="list-style-type: none"> Tax Fees – PHP709,531.00 All Other Fees – PHP4,949,572.00 (for services relating to due diligence for various financing activities, issuance of agreed-upon procedures (AUP) reports for the increase in capital stock of various subsidiaries and conversion of deposits for future stock subscriptions into equity, due diligence for the stock rights offering, Series F and G perpetual preferred share offerings, and conduct of seminars)

4) Medium of Communication

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

The company disseminates corporate information through structured and unstructured disclosures filed with the PSE and SEC, press releases, and company website.

5) Date of release of audited financial report:

The company's audited consolidated financial statements for the years ended December 31, 2011 and 2010 was released on March 20, 2012 as an exhibit to the company's Annual Report on SEC Form 17-A.

6) *Company Website*

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

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

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

7) **Disclosure of RPT**

As disclosed in the Information Statement and Audited Financial Statements, in addition to certain advances to non-controlling shareholder as discussed in the notes to the Corporation's audited consolidated financial statements, the following are the significant transactions with related parties:

- Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of First Gen group;
- The First Gen group leases its office premises, where its corporate offices are located, from First Philippine Realty Corporation (FPRC), a subsidiary of First Philippine Holdings Corporation;
- The company is engaged as Energy Development Corporation's (EDC) consultant to render services pertaining to financial, business development and other matters under a consultancy agreement beginning September 1, 2008. Such agreement is for a period of three (3) years up to August 31, 2011. On October 10, 2011, the company and EDC agreed to extend the Consultancy Agreement for a period of 16 months from September 1, 2011 to December 31, 2012 with the same monthly fee. On January 30, 2013, the company and EDC agreed to extend the consultancy agreement for a period of two (2) years from January 1, 2013 to December 31, 2014.

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

Under the Manual on Corporate Governance, management formulates, under the supervision of the Audit Committee, rules and procedures on financial reporting and internal control, that promote an effective system of internal control, ensure the integrity of financial reports, and protect the assets of the company, and complies with the financial reporting requirements by the SEC.

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	Pursuant to Article I, Section 5 of the company's By-laws, at all meetings of stockholders, whether annual or special, other than meetings the quorum of which is fixed by law, in order to constitute a quorum, there shall be present either in person or by proxy the stockholders of record constituting at least the majority of the outstanding capital stock entitled to vote.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Corporate acts are approved by the board of directors.
Description	Under the By-laws, the directors shall only act as a board. A majority of the board shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum shall be valid as a corporate act; but one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Section 50. <i>Regular and special meetings of stockholders or members.</i> Regular meetings of stockholders or members shall be held annually on a date fixed in the by-laws, or if not so	Article I of the company's By-laws provides: <i>Section 1. Annual Meeting.</i> The Annual Meeting of Stockholders of the

<p>fixed, on any date in April of every year as determined by the board of directors or trustees: Provided, That written notice of regular meetings shall be sent to all stockholders or members of record at least two (2) weeks prior to the meeting, unless a different period is required by the by-laws.</p> <p>Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, That at least one (1) week written notice shall be sent to all stockholders or members, unless otherwise provided in the by-laws.</p> <p>Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member.</p> <p>Whenever, for any cause, there is no person authorized to call a meeting, the Secretaries and Exchange Commission, upon petition of a stockholder or member on a showing of good cause therefor, may issue an order to the petitioning stockholder or member directing him to call a meeting of the corporation by giving proper notice required by this Code or by the by-laws. The petitioning stockholder or member shall preside thereat until at least a majority of the stockholders or members present have been chosen one of their number as presiding officer.</p> <p><i>Section 51. Place and time of meetings of stockholders or members.</i> Stockholders' or members' meetings, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation: Provided, That Metro Manila shall, for purposes of this section, be considered a city or municipality.</p> <p>Notice of meetings shall be in writing, and the time and place thereof stated therein.</p> <p>All proceedings had and any business transacted at any meeting of the stockholders or members, if within the powers or authority of the corporation, shall be valid even if the meeting be improperly held or called, provided all the stockholders or members of the corporation are present or duly represented at the meeting</p> <p><i>Section 52. Quorum in meetings.</i> Unless otherwise provided for in this Code or in the by-laws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations. (n)</p> <p><i>Section 53. Regular and special meetings of directors or trustees.</i> Regular meetings of the board of directors or trustees of every corporation shall be held monthly, unless the by-laws provide otherwise.</p> <p>Special meetings of the board of directors or trustees may be held at any time upon the call of the president or as provided in the by-laws.</p>	<p>Corporation shall be held at the principal office of the Corporation, or such place in Metro Manila, Philippines, as may be fixed by the Board of Directors, or the President, and specified in the notice, on the second Wednesday of may of each and every year if said day is not a legal holiday; if a legal holiday, then on the day following.</p> <p><i>Section 2. Notice of Annual Meeting.</i> Notice of the time and place of holding such Annual Meeting shall be served either personally or by mail or by telex, telecopy or cable upon such stockholder of record of the Corporation entitled to vote at such meeting not less than ten (10) days before the date fixed in such notice for the meeting; if mailed, it shall be directed, except as otherwise provided by law, to each stockholder to his post office address as it appears on the stock books of the Corporation.</p> <p><i>Section 3. Special Meetings.</i> Special Meetings of the Stockholders, unless otherwise provided for by law, may be called at any time by the President and Secretary of the Corporation upon orders of the Board of Directors. The Secretary shall call a special meeting of stockholders whenever he is requested in writing to do so by stockholders of record of a majority of the capital stock of the Corporation entitled to vote at such meetings.</p> <p><i>Section 4. Notice of Special Meetings.</i> Notice of each special meeting, unless otherwise provided by law, may be given as herein provided for giving notice of an annual meeting.</p> <p><i>Section 5. Quorum.</i> At all meetings of stockholders, annual or special, other than meetings the quorum of which is fixed by law, in order to constitute a quorum there shall be present either in person or by proxy the stockholders of record constituting at least the majority of the outstanding capital stock and entitled to vote. If said quorum is not present, the meeting shall be automatically reconvened on a date at least fifteen (15) days from the date of such meeting, which date shall be indicated in the original notice. In the reconvened meeting, the presence of stockholders holding at least the majority of the outstanding capital stock shall be sufficient to constitute a quorum, except in those cases where greater vote for an act of business is required by law or the By-laws.</p>
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Meetings of directors or trustees of corporations may be held anywhere in or outside of the Philippines, unless the by-laws provide otherwise. Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least one (1) day prior to the scheduled meeting, unless otherwise provided by the by-laws. A director or trustee may waive this requirement, either expressly or impliedly.	
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Dividends

Declaration Date	Record Date	Payment Date
November 21, 2012	January 2, 2013	January 25, 2013
June 15, 2012	June 29, 2012	July 25, 2012
December 15, 2011	January 6, 2012	January 25, 2012
July 5, 2011	July 19, 2011	July 25, 2011
January 26, 2011	February 9, 2011	March 7, 2011
March 8 and May 12, 2010 (stock dividend)	-	June 2, 2010 (notice of declaration of stock dividend submitted to the SEC)
October 5 and November 20, 2009 (stock dividend)	-	November 26, 2009 (approved by the SEC)
October 5 and November 20, 2009 (property dividend)	November 20, 2009	November 26, 2009 (approved by the SEC)
March 30 and May 13, 2009 (stock dividend)	September 11, 2009	October 7, 2009
March 30 and May 13, 2009 (property dividend)	May 13, 2009	September 23, 2009 (approved by the SEC)
August 15, 2007	September 7, 2007	September 15, 2007

(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
Although the company is not soliciting proxies, it provides, in the Information Statement, a draft general proxy form for stockholders who may wish to appoint a proxy for the meeting. This facilitates stockholder participation in stockholders' meetings.	Each stockholder is furnished a hard copy of the Information Statement at least 25 business days before the stockholders' meeting. A notice of meeting is attached to the Information Statement. The notice clearly indicates that "The Corporation is not soliciting proxies; however, a draft general proxy form is hereto attached solely for the convenience of stockholders who may wish to appoint a proxy for the meeting." In addition, the draft general proxy form is attached to the Information Statement to further facilitate stockholder participation by proxy.
During the question and answer portion of stockholders' meetings, the Chairman of the meeting directly asks the stockholders whether they have any question or point of clarification on any matter pertaining to the company. The Chairman encourages such inquiries from the stockholders and allows an	A stockholder who wishes to ask a question of any director or even any member of management may directly pose the question during the question and answer portion of a stockholders' meeting. The company ensures that there are microphones located near the stockholders. Further, the Chairman of the

adequate period of time to pass before going to the next item in the agenda in order to enable stockholders to formulate their questions.	meeting encourages the stockholders to ask questions, and such questions are thoroughly answered by the relevant director or member of management for the benefit of all stockholders, as well as other stakeholders, present at the meeting.
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2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Under the company's Manual on Corporate Governance, the board recognizes and respects the rights of stockholders under the law, the Articles of Incorporation and By-laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends, and appraisal rights.

Any amendment to the company's Articles of Incorporation, including the authorization for the increase in the company's authorized capital stock, and sale of all or substantially all of the company's assets, are submitted to the board for approval, and to the stockholders for ratification, under Sections 16, 38, and 40 of the Corporation Code.

A stockholder's appraisal rights are also embodied in Section 81 of the Corporation Code which gives a stockholder the right to dissent and demand payment of the fair value of his shares in the following instances: (i) in case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares; or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

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

Yes. The notice of meeting (and preliminary information statement) is filed with the PSE and SEC, and uploaded in the company and PSE's websites, at least 25 business days prior to the date of the stockholders' meeting.

- a. Date of sending out notices:
- b. Date of the Annual/Special Stockholders' Meeting:

Following are the dates of filing of the notices of meeting (with preliminary information statement) for stockholders' meetings held for the period 2009-2013:

- March 27, 2013 for May 8, 2013 Annual General Meeting
- April 2, 2012 for May 16, 2012 Annual General Meeting
- December 13, 2011 for January 25, 2012 Special Stockholders' Meeting
- April 1, 2011 for May 11, 2011 Annual General Meeting
- March 30, 2010 for May 12, 2010 Annual General Meeting
- October 5, 2009 for November 20, 2009 Special Stockholders' Meeting
- April 1, 2009 for May 13, 2009 Annual General Meeting

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

Questions and answers during stockholders' meetings are duly indicated in the minutes of meetings.

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

Resolution	Approving	Dissenting	Abstaining	
Approval of minutes of the May 16, 2012 Annual General Meeting	3,788,795,100	0	279,191,900	
Approval of the annual report of the President and COO	4,127,405,500	0	581,500	
Approval of the 2012 Audited Financial Statements	4,127,405,500	0	581,500	
Ratification and approval of corporate acts from May 16, 2012 up to May 8, 2013	4,127,987,000	0	0	
Appointment of external auditors for 2013-2014	4,045,982,115	21,604,885	400,000	
Election of directors for 2013-2014	(see tabulation of votes below for each of the directors)			
		Approving	Dissenting	Abstaining
	Oscar M. Lopez	4,063,938,777	73,754,430	0
	Federico R. Lopez	4,103,972,566	33,720,641	0
	Francis Giles B. Puno	4,064,331,777	73,361,430	0
	Richard B. Tantoco	3,968,837,717	168,855,490	0
	Peter D. Garrucho, Jr.	4,004,912,877	132,780,330	0
	Elpidio L. Ibanez	3,992,076,592	145,616,615	0
	Eugenio L. Lopez III	4,039,989,286	97,703,921	0
	Tony Tan Caktiong	4,123,158,122	14,535,085	0
	Jaime I. Ayala	4,137,693,207	0	0

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

The company duly filed a Current Report on SEC Form 17-C on the stockholders' approval of the election of directors and appointment of external auditors for the period 2013-2014. These were the material resolutions which were approved by the stockholders during their May 8, 2013 Annual General Meeting.

(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:

No such modifications were made during the most recent Annual General Meeting.

Modifications	Reason for Modification
None	--

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Directors Present: <ul style="list-style-type: none"> • Oscar M. Lopez • Federico R. Lopez • Francis Giles B. Puno • Richard B. Tantoco • Peter D. Garrucho Jr. • Elpidio L. Ibañez • Tony Tan Caktiong 	May 8, 2013	As no stockholder, present or represented at the meeting, demanded that voting be by ballot, the votes were counted under the supervision of the Corporate Secretary who counted the votes based on the number of shares entitled to vote owned by stockholders present or represented at the meeting, with the assistance of the company's stock transfer agent.	0.54%	85.62%	86.0%
Special	Directors Present: <ul style="list-style-type: none"> • Oscar M. Lopez • Federico R. Lopez • Francis Giles B. Puno • Richard B. Tantoco • Peter D. Garrucho Jr. • Elpidio L. Ibañez • Eugenio L. Lopez III 	January 25, 2012	As no stockholder, present or represented at the meeting, demanded that voting be by ballot, the votes were counted under the supervision of the Corporate Secretary who counted the votes based on the number of shares entitled to vote owned by stockholders present or represented at the meeting, with the assistance of the company's stock transfer agent.	0.45%	82.54%	83.0%

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

Yes. Votes shall be counted under the supervision and control of the Corporate Secretary with the assistance of the company's stock transfer agent Securities Transfer Services, Inc., and the company's external auditors SyCip Gorres Velayo & Co.

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

Yes. Holders of common shares are entitled to 1 vote for each share of stock. Holders of Series "B" and "E" voting preferred shares are likewise entitled to 1 vote for each share of stock. Series "F" and "G"

preferred shares are non-voting shares and its holders are thus entitled to vote only on specific items provided under the Corporation Code.

(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	<p>Article I Section 6 of the company's By-laws provides that, except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of the stockholders to one vote for each share of stock standing in his name in the stock and transfer books of the Corporation, which vote may be given personally or by written proxy. The written proxy to act shall be given to the Corporate Secretary not less than 6 business days prior to the date of the stockholders' meeting, and the validation thereof should be not later than 5 business days prior to the date of the stockholders' meeting.</p> <p>The Corporation does not solicit proxies. In the Information Statement, it is indicated that "WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED TO NOT SEND US A PROXY"; however, a draft general proxy form is attached to the Information Statement solely for the convenience of stockholders who may wish to appoint a proxy for the meeting.</p>
Notary	There is no requirement for a notarized proxy.
Submission of Proxy	Under the company's By-laws, the written proxy should be submitted to the Corporate Secretary not less than 6 business days prior to the date of the stockholders' meeting.
Several Proxies	When more than 1 proxy is submitted by a stockholder, the one that bears the latest date shall be considered.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it was intended.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	An invalidated proxy shall not be counted.
Validation of Proxy	Under the company's By-laws, the proxy shall be validated not later than 5 business days prior to the date of the stockholders' meeting.
Violation of Proxy	Proxies which violate the above-mentioned requirements shall not be counted.

(h) Sending of Notices

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

Policies	Procedure
Preliminary copies of the notice of meeting and information statement (and attachments) shall be filed with the PSE and SEC, and uploaded in the company and PSE's websites, at least 10 business days prior to the date definitive copies thereof are first sent or given to security holders.	Preliminary copies of the notice of meeting and information statement (and attachments) are filed by the company personally with the SEC and through the online disclosure system (OdiSy) with the PSE. Upon the PSE's approval of the disclosure, the company uploads the same in its website. The PSE likewise uploads the report in its own website.
Definitive copies of the notice of meeting and information statement (and attachments) shall be filed	Upon receipt of the PSE's comments on the notice of meeting and preliminary information statement (and

with the PSE and SEC, and uploaded in the company and PSE's websites, at least 15 business days prior to the date of the stockholders' meeting. Within the same period, copies shall be distributed to stockholders entitled to notice of, and vote at, the said stockholders' meeting.	attachments), the company makes the necessary revisions and files definitive copies thereof personally with the SEC and through the OdiSy with the PSE. Upon the PSE's approval of the definitive information statement, the company proceeds to distribute the same to its stockholders entitled to notice of, and vote at, the stockholders' meeting. Definitive copies are likewise uploaded in the company and PSE's websites.
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(i) Definitive Information Statements and Management Report

(For the May 8, 2013 Annual General Meeting)

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	There were approximately 630 stockholders who were entitled to receive copies of the definitive information statement and its attachments.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 5. Distribution of hard copies to market participants / certain beneficial owners commenced on April 12.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 5. Distribution of hard copies to stockholders commenced on April 12.
State whether CD format or hard copies were distributed	Yes. Hard copies were distributed to stockholders entitled to notice of, and vote at, the Annual General Meeting.
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies were distributed to stockholders entitled to notice of, and vote at, the Annual General Meeting.

(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 dividend policy is explained in Exhibit A (Management Report) of the Notice of Meeting.
The amount payable for final dividends.	Yes. The amount payable for final dividends is indicated in Schedule K of Exhibit C (SRC Rule 68, as amended) of the Notice of Meeting.
Documents required for proxy vote.	Yes. While the company is not soliciting proxies, a draft general proxy form is attached to the Notice of Meeting solely for the convenience of stockholders who may wish to appoint a proxy.

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>Under the Manual on Corporate Governance, specifically Section 12 on Shareholders' Benefit – Investors' Rights and Protection, the board recognizes and shall respect the rights of the stockholders under the law, the Articles of Incorporation and By-Laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records; right to information; right to dividends, and appraisal rights. The board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. It is further provided that it is the duty of the board to promote the rights of 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 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. Accurate and timely information should be made available to the stockholders to enable them to arrive at a sound judgment pertaining to matters brought to their attention for consideration or approval.</p> <p>Although all stockholders should be treated equally and without discrimination, the board should consider granting minority stockholders the right to propose the holding of meetings as may be proper under the circumstances and the items for discussion in the agenda that relate directly to the business of the company.</p>	<p>All stockholders are encouraged and are given an opportunity to ask questions regarding the company during the annual stockholders' meeting.</p>

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

Yes, minority stockholders have the right to nominate candidates for election to the board of directors.

K. INVESTORS RELATIONS PROGRAM

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

The company's communications policies are embodied in the Quality Management System Manual, which are periodically reviewed by Quality, Environment, Safety and Health Department in line with the requirements of ISO 9001: 2008 Standard. These are reviewed and audited regularly.

The Investor Relations and the Legal and Regulatory Departments of the company jointly work together to draft and review major company announcements that are approved by Senior Management prior to release.

Internal and external communications may be provided in any of the forms below:

- Internal / External Shareholder Meetings
- Annual Reports
- Public disclosures
- Company Website
- Investor Conferences and Roadshows, local and international
- E-mails
- Speeches
- Presentations
- Press Releases

- 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	<p>The objectives of the company's Investor Relations program are to:</p> <ul style="list-style-type: none"> • define the company's corporate message, strategy and objectives; • establish a consistent message; • provide timely information and updates to the company's stakeholders; and, • build relationships of trust with the stakeholders.
(2) Principles	<ul style="list-style-type: none"> • Commitment to deliver targets • Consistent provision of timely and relevant information • Honesty and transparency
(3) Modes of Communications	<ul style="list-style-type: none"> • Shareholder Meetings • Annual Reports • Public disclosures • Company Website • Investor Conferences and Roadshows, local and international • E-mails • Speeches • Presentations • Press Releases
(4) Investors Relations Officer	<p>Valerie Gloriane Y. Dy Sun vydysun@firstgen.com.ph (632) 449-6247</p>

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

The acquisition and sale of corporate assets are jointly undertaken by the Finance and Business Development Departments of the company. Transactions are evaluated on the basis of the company's required rates of returns and are subjected to stress-testing/scenario analysis by the project proponents.

The company's strategy is dictated by its mission and vision statements. Moreover, its registered list of business activities, as well as certain loan covenants, require that it evaluate certain transactions within the parameters of its allowed business activities.

Extraordinary transactions such as mergers and dispositions of substantial assets are submitted for approval to the company's board of directors, and thereafter, for ratification by the stockholders, under Sections 77 and 40 of the Corporation Code.

It is the company's policy under Section 13 of the Manual on Corporate Governance that all material information about the Corporation, such as acquisition and disposition of assets, are publicly and timely disclosed through the appropriate mechanisms of the Philippine Stock Exchange and periodic submissions to the Securities and Exchange Commission.

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

The Company normally hires an investment bank(s) for a third party assessment in order to evaluate the fairness of a transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
<p><u>Education</u> The First Gen group of companies aims to provide its host communities access to education and improve the mean percentage scores (MPS) in the National Achievement Test of its host schools to a passing rate of 75% through a holistic education program. Students from Sta. Rita Aplaya and Sta. Rita Karsada Elementary Schools, host schools of First Gas, are given school supplies at the beginning of the school year, while achieving students are given medals and awards at the end of the school year to recognize their accomplishments and further encourage them to do well in their respective schools. Graduating students are provided with review classes to prepare them for the National Achievement Test while teachers are trained on various teaching techniques to make their lessons more interesting to students and their teaching methods more student-centered. Grade 1 students from the 2 host schools are also provided with Preventive Dental Health Care since tooth decay is one of the most common reasons of absenteeism in school.</p>	<p>Sta. Rita Aplaya Elementary School and Sta. Rita Karsada Elementary School, Batangas City</p>
<p><u>Livelihood</u> The First Gen group of companies aims to increase the employability of residents from its host communities to enable them to find regular sources of income, whether through employment in First Gas or other institutions, or through their own businesses. For 3 years now, First Gas has been implementing the “<i>Tulong Upang Lumawig Angking Yaman (TULAY)</i>” Program that provides qualified out-of- school youths with training on Shielded Metal Arc Welding. Women were trained on basic cosmetology dubbed “<i>Ganda Mo, Hanapbuhay Ko</i>”. Out of the 126 graduates in 2012, 75% were employed because of the skills they acquired, while 18% are undergoing apprenticeship. First Gas also continues to support the United Sta. Rita Cooperative (UNISCO), a manpower cooperative composed of residents of both Barangay Sta. Rita Aplaya and Barangay Sta. Rita Karsada that were formed through the facilitation of First Gas to enable the residents to engage in contracts with industries. To date, UNISCO has engaged 17 service contracts with First Gas for repainting, grass cutting and janitorial services.</p> <p>First Gen Mindanao Hydro Power Corp. has also committed to provide scholarships on technical-vocational education to qualified individuals from their host communities in Agusan del Norte. The same is also being considered for Bukidnon.</p>	<p>Barangay Sta. Rita Aplaya and Barangay Sta. Rita Karsada, Batangas City</p> <p>Agusan del Norte and Bukidnon</p>
<p><u>Environment</u> The First Gen group of companies takes care of both of its terrestrial and marine environment through various conservation programs.</p> <p>A. Terrestrial</p> <p>The group conducts an annual tree planting activity that aims to reforest Batangas City and the Mt. Makiling. The reforestation of Mt. Makiling is in partnership with the Makiling Center for Mountain Ecosystems and the Diliman Science Research Foundation. The First Gen group of companies has committed to conserve and protect Mt. Makiling for the next 5 years through assessment monitoring and evaluation of the 4 sub-watersheds of Makiling: Molawin-Dampalit, Cambantoc, Greater Sipit and Tigbi.</p> <p>Inside the compound of First Gas, the company maintains a tree nursery that provides seedlings for various tree planting initiatives in the Province of Batangas. First Gas has an existing commitment with the Archdiocese of Lipa and the Green Philippines Program to provide seedlings for the coming years.</p> <p>B. Marine</p> <p>First Gas and FG Bukidnon Power Corpo. conduct regular coastal clean-ups in partnership with the communities and local government agencies. The First Gen group of companies also supports a marine biodiversity conservation program dubbed the “Center of the Center”, which aims to strengthen marine law enforcement in the Province of Batangas to ensure the protection of the Verde Island Passage through provision of operational support to the “Bantay Dagat”</p>	<p>Mt. Makiling/ Makiling Center for Mountain Ecosystems</p> <p>Batangas Province</p> <p>Batangas City and Bukidnon</p>

(sea watch) of the Municipalities of Mabini and Tingloy, as well as the Enforcement Network led by the Province of Batangas.	
<p>Community Health and Safety</p> <p>First Gas conducts a feeding program dubbed “<i>Gatas ay Biyaya at Yaman (GABAY)</i>” to improve the nutrition condition of the students of its host schools Sta. Rita Karsada Elementary School and Sta. Rita Aplaya Elementary School. Selected students identified as malnourished are fed with milk daily for 6 months to improve their body mass index from malnourished to normal.</p> <p>First Gas also conducts health missions all year round, which includes dental, optical and medical missions in partnership with the City Health Office of Batangas. In 2012, First Gas also facilitated free eye cataract surgery for the indigent residents of its host Barangay in partnership with the Asian Eye Institute. FG Bukidnon conducts an annual bloodletting activity in partnership with the Philippine National Red Cross.</p>	<p>Sta. Rita Aplaya Elementary School and Sta. Rita Karsada Elementary School, Batangas City</p> <p>Batangas City and Bukidnon</p>
<p>Disaster Relief and Social Interventions</p> <p>The First Gen group of companies also provides interventions for victims of calamities through disaster relief operations. The companies and their respective employees mobilize financial and in-kind donations distributed to victims of natural disasters through partner institutions like ABS-CBN Sagip Kapamilya and the Philippine National Red Cross. Interventions for marginalized groups such as abused and abandoned children, street families, the elderly and the terminally ill are provided through the Group’s Employee Volunteering Program dubbed Employee Power (EmPOWER). Through the program, provision of needs such as basic food supplies, hygiene kit, school supplies and education tours are given as applicable.</p>	<p>Nationwide</p>
<p>Arts and Culture</p> <p>The First Gen group also provides an institutional support to the Lopez Museum through the Eugenio Lopez Foundation, Inc. for the promotion, education and conservation of materials significant to our cultural heritage. The group also provides sponsorship for provincial and barangay cultural celebrations significant to its host communities.</p>	<p>Lopez Museum and Batangas City</p>

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
<p>Board of Directors</p>	<p>Under Section 5 of the company’s Manual on Corporate Governance, the board is primarily accountable to the company and to the stockholders.</p> <p>The company’s Compliance Officer monitors and ensures compliance with the Manual on Corporate Governance, the rules and regulations of regulatory agencies, and the principles and policies of good corporate governance. If any violation is found, he is tasked to report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent the repetition of the violation. The Compliance Officer reports directly to the Chairman of the board.</p>	<p>The board should provide the Corporation and its stockholders a balanced and comprehensive assessment of the company’s performance, position and prospects.</p> <p>The company continues to search ways and means to further improve its corporate governance structures. The company regularly reviews its existing policies and programs with the intention of further elevating the level of accountability of the directors.</p>

Board Committees	The Audit Committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to the charter.	The self-assessment shall be based on the completeness of the charter as to its compliance with regulatory requirements and actual implementation.
Individual Directors	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as members of the board.
CEO/President	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	Under Section 4 of the By-laws, the President shall annually present a report of the preceding year's business at the stockholder's meeting.

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
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	Under the manual, the Compliance Officer shall monitor compliance with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	A violation of any provision of the manual by a member of the board of directors shall be a sufficient cause for removal from directorship.

[SIGNATURE PAGE FOLLOWS]

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 D.C. on MAY 8, 2013.

SIGNATURES



FEDERICO R. LOPEZ

Chairman of the Board



FEDERICO R. LOPEZ

Chief Executive Officer



TONY TAN CAKTIONG

Independent Director



JAIME I. AYALA

Independent Director



VICTOR B. SANTOS JR.

Compliance Officer

MAY 08 2013

SUBSCRIBED AND SWORN to before me this _____ day of May 2013, affiants exhibiting to me their Tax Identification Nos. as follows:

Name	Tax Identification No.
Federico R. Lopez	102-829-522
Tony Tan Caktiong	111-391-738
Jaime I. Ayala	204-153-026
Victor B. Santos Jr.	123-365-320

Thomas F. Dulay Jr.
ATTY. TOMAS F. DULAY, JR.

NOTARY PUBLIC
Until Dec. 31, 2013

ADM. MATTER# MP-061 2013-2014

PTK# 7612451 - 01/07/13 Q.C.

IR# 843380-01/02/13 Q.C.

Roll# 16583 - 02/18/1981

TIN# 410-225-918

MCL# 00035

#92 Legaspi St., Pasig, C.C.

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