


SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: 2015
2. Exact Name of Registrant as Specified in its Charter: HOUSE OF INVESTMENTS, INC. \*
3. 3/F, Grepalife Bldg., 219 Gil J. Puyat Ave., Makati City, PHL 1200  
Address of Principal Office Postal Code
4. SEC Identification Number: 15393
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: 000-463-069-000
7. (63-2) 815 9636  
Issuer's Telephone number, including area code
8. N.A.  
Former name or former address, if changed from the last report<sup>7</sup>

\* Full name as specified in its Charter: "House of Investments, Inc. doing Business also under the names of Honda Cars Quezon City, Honda Cars Manila, Honda Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth, Isuzu Greenhills, Isuzu Leyte". **IN THIS REPORT, "HOI" or "COMPANY" ARE USED FOR BREVIDY WHEN REFERRING TO "HOUSE OF INVESTMENTS, INC."**

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	<b>ELEVEN (11)</b>
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Actual number of Directors for the year	<b>ELEVEN (11)</b>
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director) <sup>1</sup>
Amb. Alfonso T. Yuchengco	NED	NA*	Nomination Committee	2005	July 2015	07/17/15 AGM	4 yrs
Helen Y. Dee	ED	NA*	Nomination Committee	2001	July 2015	07/17/15 AGM	4 yrs
Yvonne S. Yuchengco	NED	NA*	Nomination Committee	2007	July 2015	07/17/15 AGM	4 yrs
Medel T. Nera	ED	NA*	Nomination Committee	2011	July 2015	07/17/15 AGM	4 yrs
Atty. Wilfrido E. Sanchez	NED	NA*	Nomination Committee	2000	July 2015	07/17/15 AGM	4 yrs
Dr. Reynaldo B. Vea	NED	NA*	Nomination Committee	2010	July 2015	07/17/15 AGM	4 yrs
Renato C. Valencia	ID	NA*	VIRGINIA RANCES No Relation	2005	July 2015	07/17/15 AGM	4 yrs
Roberto F. de Ocampo, OBE	ID	NA*	VIRGINIA RANCES No Relation	2000	July 2015	07/17/15 AGM	4 yrs
Antonino L. Alindogan, Jr.	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2015	07/17/15 AGM	4 yrs
Francisco H. Licuanan, III	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2015	07/17/15 AGM	4 yrs
Juan B. Santos	ID	NA*	Nomination Committee	2014	July 2015	07/17/15 AGM	1 yr

\* NOT APPLICABLE SINCE NONE OF THE DIRECTORS ARE NOMINEES OF ANY PRINCIPAL

- (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. **Continued in the next Page 5-A**
- (c) How often does the Board review and approve the vision and mission? **The Board reviews and approves the Company's vision and mission annually to ensure: (i) consistency with its corporate governance policies and business strategies, (ii) equitable treatment of all stakeholders of the Company, especially the protection of rights and interests of minority shareholders.**
- (d) Directorship in Other Companies
- (i) Directorship in the Company's Group<sup>2</sup> - **Continued in the next Page 5-B**
- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please

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

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



emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. – **Adopted in the Company's CORPORATE GOVERNANCE MANUAL, Revised and dated July 4, 2014:**

**(1) PROTECTION OF RIGHTS AND EQUAL TREATMENT OF ALL COMPANY STAKEHOLDERS (Article 1, page 1):** "Company Stakeholders include all HOI stockholders and other parties that have some form of interest or dealings with the Company, such as creditors, investors, borrowers, suppliers, employees, social communities, etc. Stockholders' rights include (a) the right to vote on all matters that require their consent or approval, (b) pre-emptive rights to all stock issuances of the Company, (c) the right to inspect the books and records of the Company, (d) the rights to information, dividends, and appraisals. The Board is responsible for promoting these rights, the removal of impediments to the exercise of these rights, and to provide adequate avenues that will allow stockholders to seek timely redress for any breach of their rights."

**(2) TRANSPARENCY (Section F, page 27):** Full Company transparency is observed through (a) timely submissions of all reports/disclosures required by all regulatory bodies, (b) public disclosure of any material information about the Company, such as earnings results, acquisition/disposition of assets, changes in ownership, and other matters as determined by the SEC, PSE, and other regulatory agencies, (c) disclosure of matters regarding remuneration of Directors and Senior Management and corporate strategies, (d) disclosures through the appropriate or prescribed procedures/avenues.

**(3) RESPONSIBILITIES AND DUTIES OF THE BOARD (Section F, page 9):** The primary responsibility of the Board is the proper governance of the Company in order to achieve long-term success and sustained profitability. The specific Board responsibilities are (a) oversee Management's operational and financial performance of its various businesses, (b) provide strategic planning and guidance for the Company, (c) ensure the implementation of an effective risk management program across the organization, (d) establish a stakeholder relations program, (e) ensure that adequate internal control systems are in place, (f) develop a succession planning program for key Management positions.

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
Amb. Alfonso T. Yuchengco	Pan Malayan Management & Investment Corp.	ED – Chairman
	EEI Corporation	NED – Chairman
	Mapua Institute of Technology (MCI)	NED – Chairman
	Malayan Colleges Laguna, Inc.	NED – Chairman
	Honda Cars Kalookan, Inc.	NED – Chairman
Helen Y. Dee	Mapua Information Technology Center	NED – Chairman
	Manila Memorial Park Cemetery, Inc.	NED – Chairman
	Landev Corporation	NED – Chairman
	HI-Eisai Pharmaceutical, Inc.	NED – Chairman
	Pan Pacific Computer Center, Inc.	NED – Chairman
	Malayan High School Science, Inc.	NED – Chairman
	Pan Malayan Management & Investment Corp.	ED
	La Funeraria Paz Sucat, Inc.	NED
	EEI Corporation	NED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	Honda Cars Kalookan, Inc.	NED
	Pan Malayan Management & Investment Corp.	ED
Yvonne S. Yuchengco	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	People eServe Corp.	NED
	Malayan High School Of Science, Inc.	NED
	Honda Cars Kalookan, Inc.	NED
	Pan Pacific Computer Center, Inc.	NED
	Malayan Colleges Laguna, Inc.	NED
	Manila Memorial Park Cemetery, Inc.	NED
	La Funeraria Paz Sucat, Inc.	NED
Medel T. Nera	Hexagon Lounge	NED – Chairman
	Greyhounds Security & Investigation Agency	NED – Chairman
	Zamboanga Industrial Finance Corp.	NED – Chairman
	Honda Cars Kalookan, Inc.	NED
	Xamdu Motors, Inc.	NED
	EEI Corporation	NED
	Manila Memorial Park Cemetery, Inc.	NED
	Landev Corporation	NED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	Malayan Colleges Laguna, Inc.	NED
	Investment Managers, Inc.	NED
	Mapua Information Technology Center	NED
	Mapua Techserv, Inc.	NED
	Lo-oc Limestone Development Corp	NED
Dr. Reynaldo B. Veal	Mapua Institute of Technology (MCI)	ED
	Malayan Colleges Laguna, Inc.	ED
	Malayan High School Science, Inc.	ED
	Mapua Information Technology Center	ED
	iPeople, Inc.	NED
Renato C. Valencia	iPeople, inc.	ID – Chairman
Roberto F. de Ocampo, OBE	EEI Corporation	ID
Atty. Wilfrido E. Sanchez	EEI Corporation	NED

(ii) Directorship in Other Listed Companies: **Continued in the next Page 6-A**

(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
Helen Y. Dee	Amb. Alfonso T. Yuchengco	Ms. H.Y.Deer and Ms. Y.S.Yuchengco are daughters of Amb. Alfonso T. Yuchengco
Yvonne S. Yuchengco		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **NO**. In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **NO**. If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	NONE
Non-Executive Director		NONE
CEO		NONE

(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:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Amb. Alfonso T. Yuchengco	Common: 794,450		0.13 %
	Preferred: 435,332,315		54.00 %
Helen Y. Dee	Common: 1,125,345	Common: 673,720 /thru HYDEE Mgt. & Resources	0.29 %
Yvonne S. Yuchengco	Common: 90,255		0.01 %
Medel T. Nera	Common: 5		0.00 %
Atty. Wilfrido E. Sanchez	Common: 5		0.00 %
Dr. Reynaldo B. Vea	Common: 5		0.00 %
Renato C. Valencia	Common: 1,000		0.00 %
Roberto F. de Ocampo, OBE	Common: 5		0.00 %
Antonino L. Alindogan, Jr.	Common: 500		0.00 %
Francisco H. Licuanan, III	Common: 500		0.00 %
Juan B. Santos	Common: 5		0.00 %
TOTAL – Common Shares *	2,012,075	673,720 = 2,685,795 shares	0.43 %
TOTAL – Preferred Shares *	435,332,315	= 435,332,315 shares	54.00 %

\* TOTAL NUMBER OF ISSUED & OUTSTANDING: COMMON SHARES AS OF DEC. 31, 2015: 615,996,114 shares  
PREFERRED SHARES AS OF DEC. 31, 2015: 796,743,253 shares

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 ☐

(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.
Amb. Alfonso T. Yuchengco	Rizal Commercial Banking Corp. (RCBC)	NED – Honorary Chairman
Helen Y. Dee	Rizal Commercial Banking Corp. (RCBC)	ED – Chairperson
	National Reinsurance Corp. of the Phils.	NED – Chairperson
	Petro Energy Resources Corp.	NED – Chairperson
	PLDT	NED
	Seafront Resources Corp.	NED - Chairperson
Yvonne S. Yuchengco	Rizal Commercial Banking Corp. (RCBC)	NED
	Petro Energy Resources Corp.	NED
	Seafront Resources Corp.	NED
	National Reinsurance Corp. of the Phils.	NED
Medel T. Nera	Rizal Commercial Banking Corp. (RCBC)	NED
	Seafront Resources Corp.	NED
	National Reinsurance Corp. of the Phils.	ID
Renato C. Valencia	Metrobank	ID
	Roxas & Company, Inc.	D
	Anglo Philippine Holdings Corp.	ID
	Vulcan Industrial & Mining Corp.	ID
Wilfrido E. Sanchez	LT Group, Inc.	ID
	Universal Robina Corp.	ID
	Rizal Commercial Banking Corp. (RCBC)	NED
Juan B. Santos	First Phil Holdings Corp.	ID
	PLDT	NED
	Philex Mining Corp.	NED
Roberto F. de Ocampo, OBE	SPC Power Corp.	ID
	Robinsons Land Corp.	ID
	Phinma Corp.	ID
	DFNN, Inc.	ID
Antonino L. Alindogan, Jr.	Rizal Commercial Banking Corp. (RCBC)	ID
	PAL Holdings, Inc.	ID
	LT Group, Inc.	ID
Dr. Reynaldo B. Vea	Seafront Resources Corp.	NED

Identify the Chair and CEO:

Chairman of the Board	HELEN Y. DEE
CEO/President	MEDEL T. NERA

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	(1) Ensures Board meetings are held and supervises agenda preparation in cooperation w/ Corp. Sec., (2) Maintains qualitative and timely communication between the Board and Management, (3) Leads the Board in ensuring Company compliance with good governance policies mandated by SEC/PSE.	(1) Leads Management in executing Board's business strategies/plans/targets to achieve operational efficiency and profitability, (2) Fosters good governance policies – increased balance of functions between the Board and Management and stronger accountability
Accountabilities	Accountable to HOI stakeholders for the Company's long-term success and consistent profitability to enhance shareholder value	Accountable to the Board for the effective execution, supervision and monitoring of the Company's business strategies/plans/targets
Deliverables	(1) Regular Board meetings are held, (2) Establish programs that will improve Corporate Governance Policies to sustain the Company's long-term success and profitability.	(1) Timely provide the Board with regular status reports on Company operations, financial condition, prospects, and other significant business matters, including issues that need to be addressed urgently

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? – **Explained in the next Page 7-A**

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 HOI's Corporate Governance Manual contains specific provisions regarding qualifications of Directors that ensure the diversity of experience and background of the Directors.**

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 qualifications required of Company Directors include the qualifications mandated in SEC Memorandum Circular No. 6, Series of 2009, Article 3 – D (iii) – "Qualifications of Directors".**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors: **Explained in the next Page 7-A**

Provide the company's definition of "independence" and describe the company's compliance to the definition. **Explained in the next Page 7-A**

Does the company have a term limit of five consecutive years for independent directors? **YES.** If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? **NO.** Please explain. **The Company adopted the SEC mandatory term limits for INDEPENDENT DIRECTORS (5 year term, 2 year cool off, another 5 year term, then permanently barred from serving as Independent Director of the Company).**

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
	NONE		

3 ) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? – The succession planning program of the Board of Directors requires hiring the under- study of a retiring CEO/key management officer at least 1 year prior to the scheduled retirement of the officer. The retiring key management officer is also requested by the Board to continue working for the Company as a consultant. The Board adopted these measures to ensure the smooth transition of responsibilities.

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

	Executive	Non-Executive	Independent Director
Role	<ol style="list-style-type: none"> <li>1. Design, develop, implement strategic objectives, plans, policies, procedures that shall guide and direct the activities of the Company according to principles of good corporate governance</li> <li>2. Establish control mechanisms to ensure Company's day-to-day operations, managing committees and staff are monitored consistently.</li> </ol>	<ol style="list-style-type: none"> <li>1. Challenge constructively and contribute to the development of Company's strategic plans</li> <li>2. Scrutinize the performance of management in meeting agreed goals and objectives.</li> <li>3. Ascertain that financial controls and risk management systems are robust and effective</li> <li>4. Determine appropriate levels of remuneration of EDs, play key roles in appointing, removal or replacement, succession plan of senior management</li> </ol>	<ol style="list-style-type: none"> <li>1. Bring an objective, outside perspective on the Company's strategy/control measures</li> <li>2. Contribute skills and expertise that may not be available within Company resources</li> <li>3. Ensure objective policies on hiring and promotions in the Company</li> <li>4. Act as the balancing element between Board members and Senior Management</li> </ol>
Accountabilities	Accountable to Board of Directors and Shareholders of the Company		
Deliverables	Implementation of Company's strategic plans to attain long term success and consistent profitability, to increase shareholder value	Establishment of control measures that will ensure the Company's operations are in accordance with good corporate governance practices	Establishment of policies and procedures that allow new and independent ideas to improve the Company's operations and financial results

Provide the company's definition of "independence" and describe the company's compliance to the definition. - The Company's definition of INDEPENDENCE is "freedom from any business or other relationship that could or could be reasonably perceived to materially interfere with the exercise of independent judgment in carrying out a director's responsibilities." The Independent Directors nominated and elected to the Board are neither officers nor employees (consultants or retainers – legal or otherwise) of the Company nor any of its affiliates, and do not have any relationship with the Company which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nomination Committee passed upon their qualifications and found no disqualifications, as provided for in the By-Laws and in accordance with SRC Rule 38."

(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	All nominations shall be submitted to/received at the principal office of the Company at least 10 days prior to the scheduled date of the ASM and addressed to the attention of the Corp. Sec. The Nomination Committee will then assess their qualifications before submitting to the BOD for election during the ASM.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the re-appointment of a director.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the permanent disqualification of a director, specified in HOI's Corp. Governance Manual, page 6, Section E-1, "Permanent Disqualification".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E-1 – "Permanent Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the temporary disqualification of a director, specified in HOI's Corp. Governance Manual, page 8, Section E-2, "Temporary Disqualification".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 8, Section E-2 – "Temporary Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the removal of a director, specified in HOI's Corp. Governance Manual, page 6, Section E, "Disqualification of Directors".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E – "Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the re-instatement of a director.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the suspension of a director, specified in HOI's Corp. Governance Manual, page 6, Section E, "Disqualification of Directors"	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E – "Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting - **Explained in the next Page 8-A**

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any. **Explained in the next Page 8-A**

Voting Result of the last Annual General Meeting - 2015

Name of Director	Votes Received
Amb. Alfonso T. Yuchengco	1,225,234,149
Helen Y. Dee	1,225,234,149
Yvonne S. Yuchengco	1,225,234,149
Medel T. Nera	1,225,234,149
Dr. Reynaldo B. Veja	1,225,234,149
Atty. Wilfrido E. Sanchez	1,225,234,149
Roberto F. de Ocampo, OBE	1,225,234,149
Renato C. Valencia	1,225,234,149
Antonino L. Alindogan, Jr.	1,225,234,149
Francisco H. Licuanan III	1,225,234,149
Juan B. Santos	1,225,234,149

- (a) Disclose details of the company's orientation program for new directors, if any. – New directors, if any, are required to have undergone the SEC minimum requirements for new directors, such as attendance of SEC Corporate Governance Seminars, SEC/PSE Seminars on Required Disclosures, etc. within 6 months after assuming their positions.



- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: “Corporate Governance”, SGV, September 2015  
“Corporate Governance”, SGV March 2014  
“Corporate Governance” Atty. Justina F. Callangan June 2012
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.
- None**

## 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	All HOI Directors/Employees have a duty to be entirely free from conflicting interests when representing the Company in any/all business transactions.		
(b) Conduct of Business and Fair Dealings	All HOI Directors/Employees have a duty to conduct business fairly and free from any manipulation, concealment, abuse of privileged information, misrepresentation.		
(c) Receipt of gifts from third parties	All gifts received from 3 <sup>rd</sup> parties shall be surrendered to the HR Dept. for proper disposition based on established policies on gift amounts, nature of gifts, etc.		
(d) Compliance with Laws & Regulations	All HOI Directors/Employees have a duty to comply with all laws/regulations of jurisdictions that they fall under, both local and international.		
(e) Respect for Trade Secrets/ Use of Non-public Information	All HOI personnel should mark and identify tangible docs/verbal information as proprietary or confidential and take proper steps in storing and transmitting such.		
(f) Use of Company Funds, Assets and Information	All HOI personnel must protect Company assets and ensure its efficient use, avoiding theft/waste or incidents that have a negative impact on HOI’s profitability.		
(g) Employment & Labor Laws & Policies	All personnel policies are updated and always in accordance with all Employment & Labor Laws of the proper jurisdictions.		
(h) Disciplinary action	Disciplinary actions include warnings to terminations of employment, depending on the incidents and after observance of due process in each case.		
(i) Whistle Blower	The Company’s Whistleblower Policy is intended to provide guidelines in properly handling the report of suspected/actual wrongdoings without fear of retribution.		
(j) Conflict Resolution	The Good Governance Committee is responsible for the amicable resolution or settlement of conflicts between the Company, stockholders, third parties, etc.		

- 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 Internal Audit, Risk Management, and HR Departments, together with the Company’s Legal Counsel, coordinate and work closely together to ensure implementation of and compliance with the Company’s Code of Business Conduct and Ethics. Monitoring of compliance is part of Internal Audit’s Program performed regularly and violations, IF ANY, are reported, investigated, and properly sanctioned as deemed necessary.**
- 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.

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>This pertains to management and professional fees charged by the Parent Company for administering the subsidiaries' operations. These are non-interest bearing and payable on demand. These are properly disclosed in the audited financial statements submitted to gov't regulatory agencies.</p> <p>All transactions with joint ventures, subsidiaries, entities under common control, substantial stockholders, officers, and directors strictly adhere to the policy of "arms-length" dealings. Any debts obtained from RCBC are subject to BSP provisions regarding DOSRI accounts. All related party transactions are properly disclosed according to the requirements of regulatory bodies.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

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

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

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	The Good Governance Committee is responsible for resolving possible conflicts of interest between the Company/group, directors, officers, significant shareholders.
Group	

5) Family, Commercial and Contractual Relations -

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

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

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

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

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

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

Alternative Dispute Resolution System	
Corporation & Stockholders	The Good Governance Committee is responsible for resolving possible conflicts of interest between the Company/group, stockholders, 3 <sup>rd</sup> parties, regulatory authorities. There have been no known disputes for the last 3 years.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

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

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Helen Y. Dee	July 17, 2015	14	13	93%
Member	Amb. Alfonso T. Yuchengco	July 17, 2015	14	13	93%
Member	Yvonne S. Yuchengco	July 17, 2015	14	14	100%
Member	Medel T. Nera	July 17, 2015	14	12	86%
Member	Atty. Wilfrido E. Sanchez	July 17, 2015	14	12	86%
Member	Dr. Reynaldo B. Vea	July 17, 2015	14	14	100%
Independent	Renato C. Valencia	July 17, 2015	14	14	100%
Independent	Roberto F. de Ocampo, OBE	July 17, 2015	14	12	86%
Independent	Antonino L. Alindogan, Jr.	July 17, 2015	14	13	93%
Independent	Francisco H. Licuanan, III	July 17, 2015	14	12	86%
Independent	Juan B. Santos	July 17, 2015	14	12	86%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? NO.
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. YES. The minimum quorum requirement of 2/3 of board members was adopted to ensure the equitable treatment of all shareholders and to comply with SEC requirements.
- 5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? **15 days**
- (b) Do board members have independent access to Management and the Corporate Secretary? **YES.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? **Explained in the next Page 12-A**
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. **YES.**
- (e) Committee Procedures

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

Yes ☒

No ☐

Committee	Details of the procedures
Executive	Materials for Committee meetings are always given in advance to the Committee members for their review and preparation. Committee members may also request for copies directly from the Committee Chairpersons. Members are also allowed to seek external or professional advice (Company expense) to prepare them for active participation in meetings.
Audit	
Nomination	
Remuneration	
Others: <b>GOOD GOVERNANCE</b>	
Others : <b>RISK MANAGEMENT</b>	

#### 6) External Advice

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

Procedures	Details
Company's Directors may request for external advice, requests coursed through the Chairman of the Board.	A Company Director may request for external advice as may be deemed necessary. Such requests must state the purpose and estimated cost of the external advice.

#### 7) Change/s in existing policies

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

Existing Policies	Changes	Reason
Not Applicable - There were no changes introduced on existing policies affecting Company business.		

### 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:

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in

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

preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary is responsible for keeping and preserving the integrity of the minutes of the stockholders', board, and all committee meetings; furnishes the President of the Company copies of all such minutes. Other duties include: (1) Serves as adviser of the Board, and assists the Board in making business judgements in good faith and in the performance of their responsibilities/obligations, (2) assists the Chairman in preparing the Board agenda and ensures Board members are updated of such, (3) facilitates training of directors and keeps directors updated regarding any relevant statutory and regulatory changes, (4) ensures that all Board procedures, policies are followed by Directors, (5) ensures compliance with Articles of Inc. and By-laws, and appropriate rules and regulations of governmental bodies, in coordination with the Compliance Officer.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<p>The CEO's Fixed Remuneration is based on his annual performance as assessed by the Board of Directors and recommended by the Remuneration Committee. The other remunerations such as variable, per diem, bonus, and stock options are not applicable.</p>	<p>The Fixed Remuneration of the top 4 highest paid management officers are based on their annual job performance appraisals and Key Results Areas (KRAs) agreed on at the start of each year. The other remunerations such as variable, per diem, bonus, and stock options are not applicable.</p>
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

- 2) Remuneration Policy and Structure for Executive and Non-Executive Directors  
Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration Policy of Executive Directors is Fixed and based on recommendations of the Remuneration Committee.		
Non-Executive Directors	The Remuneration Policy of the Non-Executive Directors is on a per diem basis and based on recommendations of the Remuneration Committee.		

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
<p>YES, total remuneration of the Board of Directors is disclosed in the Company's Annual Report submitted to all stockholders who approve and ratify all acts and resolutions of the Board during the Annual Stockholders' Meetings.</p>	July 17, 2015
	July 17, 2014
	July 19, 2013

- 3) Aggregate Remuneration  
Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors & Senior Officers*	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration			
(b) Variable Remuneration			
(c) Per diem Allowance		115,000	747,500
(d) Bonuses			
(e) Stock Options and/or other financial instruments			

(f) Others (Specify)			
<b>Total</b>	<b>P40.4 Million</b>	<b>115,000**</b>	<b>747,500**</b>

\* SENIOR OFFICERS = ASSISTANT VICE PRESIDENT AND UP

\*\* As of Oct 4, 2014, Directors' per diem is P25,000/board meeting and P10,000/P5,000/sub-committee meeting.

Other Benefits	Executive Directors & Senior Officers*	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NONE	NONE	NONE
2) Credit granted	NONE	NONE	NONE
3) Pension Plan/s Contributions	NONE	NONE	NONE
(d) Pension Plans, Obligations incurred	NONE	NONE	NONE
(e) Life Insurance Premium	P769,687	NONE	NONE
(f) Hospitalization Plan		NONE	NONE
(g) Car Plan	P2,489,612	NONE	NONE
(h) Others (Specify)	NONE	NONE	NONE
<b>Total</b>	<b>P3,259,299</b>	<b>NONE</b>	<b>NONE</b>

\* SENIOR OFFICERS = ASSISTANT VICE PRESIDENT AND UP

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

##### (a) Board of Directors

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

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

Incentive Program	Amendments	Date of Stockholders' Approval
NONE	NONE	NONE

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Alexander A. G. Galang – SVP Group Internal Audit	P 18.6.Million
Ruth C. Francisco – SVP Finance	
Elsie P. Maglaya – VP PSS	
Ma. Esperanza F. Joven – VP Finance	
Ma. Elisa Elvina De Lara – VP Group Internal Audit	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				
Executive	2	1	1	No	Please see next page 15-A		
Audit		1	2	Yes			
Nomination		1	2	No			
Remuneration		1	2	No			
Others: <b>GOOD GOVERNANCE</b>		1	2	No			
Others : <b>RISK MANAGEMENT</b>		2	2	Yes			

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	July 17, 2015	1	1	100%	4 yrs
Member (ED)	Medel T. Nera	July 17, 2015	1	1	100%	4 yrs
Member (NED)	Wilfrido E. Sanchez	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 yrs



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	Functions	Key Responsibilities	Power
Executive	To lead the Company operations, develop its organizational culture.	To design, develop, implement strategic plans for the Company - cost-effective, efficient	To act and pass upon matters as the Board may entrust to it for action
Audit	To act as an operating committee to oversee financial reporting, disclosure	To assist the Board in oversight of financial reporting, internal control, external audit, compliance with regulatory requirements, etc.	To recommend external auditor, lead internal audit activities
Nomination	To act as an electoral body with main purpose of evaluating prospective Board members, senior officers of Company	Pre-screen, shortlist nominees for Director and senior mgt positions	To accept/disqualify nominations for Directors, senior management positions
Remuneration	To act as policy making body on remuneration of Directors, senior officers	To establish formal, transparent policies on remuneration of Directors, senior officers	To recommend compensation packages of Directors, senior officers
Others: GOOD GOVERNANCE	To act as framers of rules on how to govern the Company according to Good CG policies and best practices	To ensure the Board's effectiveness and compliance with Good CG policies and best practices.	To recommend to the Board plans, programs of continuing CG policies and best practices
Others : RISK MANAGEMENT	To oversee the system of limits, authority delegated to management to ensure systems are effective, etc.	To oversee and develop the Company's risk mgt program.	To implement the Company's overall risk management program.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Roberto F. de Ocampo, OBE	July 17, 2015	4	2	50%	4 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	4	4	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	4	4	100%	4 yrs

Disclose the profile or qualifications of the Audit Committee members.

**Explained in the next Page 16-A**

Describe the Audit Committee's responsibility relative to the external auditor- The Audit Committee is responsible for the selection of the external auditor to be contracted to conduct the review of the financial statements of the Company so that the external auditor may express an opinion on whether the Company's financial statements were prepared in accordance with Philippine Financial Reporting Standards. The Audit Committee is also responsible for the review of the results of the audit conducted by the external auditor, to be submitted to the Board of Directors for approval and submission to government regulatory agencies.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Wilfrido E. Sanchez	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Roberto F. de Ocampo, OBE	July 17, 2015	1	1	100%	4 yrs
Member (NED)	Yvonne S. Yuchengco	July 17, 2015	1	1	100%	2 yrs

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	1	1	100%	4 yrs

(e) Others (Specify)

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

**Explained in the next Page 16-A**

Disclose the profile or qualifications of the Audit Committee members.

Mr. Roberto F. de Ocampo, OBE, Chairman of the Audit Committee, was a former Secretary of Finance of the Republic of the Philippines, and he was also a Member of the Board of Governors of the World Bank and the Asian Development Bank.

Mr. Antonino L. Alindogan, Jr., Member of the Audit Committee, was a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas, and he was also the Chairman of the Development Bank of the Philippines.

Atty. Wilfrido E. Sanchez, Jr., Member of the Audit Committee, was a former Head of the Tax Division of SGV & Co. and currently holds the following positions: Director of EEI Corp, RCBC, partner of Quiason, Makalintal, Barot, Torres, Ibarra Law Offices.

(e) Good Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	1	1	100%	4 yrs

(f) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	3	2	66.7%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	3	3	100%	4 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	3	3	100%	4 yrs
Member (NED)	Yvonne S. Yuchengco	July 17, 2015	3	2	66.7%	4 yrs

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	NONE	NOT APPLICABLE
Audit	NONE	NOT APPLICABLE
Nomination	NONE	NOT APPLICABLE
Remuneration	NONE	NOT APPLICABLE
Others: <b>GOOD GOVERNANCE</b>	NONE	NOT APPLICABLE
Others : <b>RISK MANAGEMENT</b>	NONE	NOT APPLICABLE

4) Work Done and Issues Addressed - **Explained in the next Page 17-A**

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

Name of Committee	Work Done	Issues Addressed
Executive		
Audit		
Nomination		
Remuneration		
Others: <b>GOOD GOVERNANCE</b>		
Others : <b>RISK MANAGEMENT</b>		

5) Committee Program - **Explained in the next Page 17-A**

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		
Audit		
Nomination		
Remuneration		
Others: <b>GOOD GOVERNANCE</b>		
Others : <b>RISK MANAGEMENT</b>		

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following: **Explained in the next Page 17-B**

- Overall risk management philosophy of the company;
- A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- Period covered by the review;
- How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- 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:

### 3) 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	For effectiveness, the Executive Comm tasked a Management Committee to meet monthly to review operational + financial performance of subsidiaries and affiliates. The ManCom head is the Chairperson, other members are: Pres/CEO, VP-Finance, Controller, SVP-Int. Audit, Risk Officer	Monitored operational + financial performance of subsidiaries and affiliates; ensured budgets and plans were achieved.
Audit	The Audit Comm meets quarterly to review/monitor the effectiveness/ adequacy of Internal Control system + work plans.	Ensured adequacy of internal control systems, added strong control measures, compliance with all regulatory requirements
Nomination	Pre-screens/shortlists all candidates nominated as Director/Officers and ensures all their qualifications are in accordance with Corp. Gov. Manual and regulatory requirements.	Certified that elected Board members and officers possessed qualifications required and stated in the Corp. Gov. Manual.
Remuneration	Establishes a formal + transparent procedure for developing policies on executive remuneration and for fixing remuneration packages of all officers; oversees and monitors the remuneration of senior mgt. and key personnel for consistency.	Ensured that compensation of Board Directors and Senior Management was consistent with the Company culture and strategy.
Others- <b>GOOD GOVERNANCE</b>	Ensures effectiveness of the Board and due observance of CGov policies and guidelines; amicable settlement of any disputes/conflicts between the Company and stockholders, 3 <sup>rd</sup> parties, regulatory agencies.	Ensured CGov policies were updated regularly according to requirements and the Board of Directors continue to fulfill its CGov responsibilities.
Others- <b>RISK MANAGEMENT</b>	Adopted an enterprise-wide Risk Mgt. Framework and Manual of Policies and Procedures approved by the Board for implementation on the Company	Initiated Risk Mgt consciousness and understanding across the Company

### 4) 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	1) diversify HOI portfolio + reduce reliance on 2 major subsidiaries by entering new businesses with strong growth/earnings potentials, 2) wind down businesses in sunset industries and invest proceeds in the identified new business ventures	1) find new businesses with strong long-term earning potentials, 2) identify businesses to divest and channel funds to new businesses, 3) back-up plans in case new ventures do not perform well
Audit	1) timely completion of scheduled work plans, 2) implement appropriate control systems	1) special tasks delay work plan completion, 2) adequate staffing needs to monitor control systems
Nomination	1) Review/update the selection process for the Directors and Senior Management	1) ensure candidates have the required qualifications
Remuneration	1) Review compensation structure of key officers and ensure competitiveness	1) industry competition continues to get stronger
Others- <b>GOOD GOVERNANCE</b>	1) Enhance the appraisal system of the Board of Directors and Senior Management	1) Evolving business environment requires knowledge + adjustment
Others- <b>RISK MANAGEMENT</b>	1) Full implementation of Risk Mgt across the Company	1) Risk mgt. consciousness is not adequate

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- a. Overall risk management philosophy of the company;

The Company is committed to pro-actively address all the inherent risks of its various businesses. Risks will be identified, assessed, and mitigated according to priority and nature of risks. The Company will either accept the risks, mitigate and minimize its impact, or transfer the risk to third parties.

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

The Board of Directors through the Risk Management Committee is tasked to review and analyze the effectiveness of the Company's risk management system on a continuing basis.

In 2015, the HI Chief Risk Officer, continuously monitor the implementation of the Enterprise Risk Management program for House of Investments as designed in coordination with SGV.

Risk Management efforts are reported to the Risk Management Committee and ultimately to the Board of Directors. The directors have reviewed the effectiveness of the risk management system and found them to be adequate.

- c. Period covered by the review; 2015

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

Quarterly, through the Risk Management Committee meetings.

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

Not Applicable.

Risk Exposure	Risk Management Policy	Objective
STRATEGIC	Avoid, Transfer, Mitigate, Accept the risk events, depending on the impact level of the risk event on the Company	For each risk exposure/category, identify specific risk events, assess their impact, apply mitigating measures, giving priority to high impact events; monitor risk event occurrences + add measures as appropriate; review effectiveness of program + adjust if necessary.
FINANCIAL		
OPERATIONAL		
COMPLIANCE		

(b) Group - **Explained in the next Page 18-A**

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

(c) Minority Shareholders

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

Risk to Minority Shareholders
The minority shareholders may not be able to elect to position candidates that they want to be Directors of the Company, and objections, if any, that they may have to certain Board actions/decisions may be outvoted.

2) Control System Set Up- **Explained in the next Page 18-A**

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)

b. Group - **Explained in the next Page 18-A**

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)

(a) 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
Foreign Exchange Risks	HOI's foreign exchange risks results from movements in the prevailing exchange rates between the Phil. Peso and the United States Dollar. The revenues and operating expenses of HOI are Peso denominated.	To minimize foreign exchange losses and maximize the earning potentials of HOI.
Liquidity Risks	Maintain a consistent level of funding to be able to finance day to day operations by constantly monitoring its projected cash flows on a weekly basis.	Manage liquidity to be able to service maturing debts, finance capital requirements, and finance current operations.
Business Continuity Risks	Members of the Executive Committee are accountable for establishing a sound business continuity program for the company.	To ensure that the appropriate measures are in place to minimize business interruption.

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)
STRATEGIC	Each Risk Exposure is assessed/measured based on its impact to the Company, and risk exposures are prioritized based on their assessments.	Risk Mgt Dept. ensures that control measures are in place and remain effective; Internal Audit oversees implementation of risk mgt control measures.
FINANCIAL		
OPERATIONAL		
COMPLIANCE		

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)
Foreign Exchange Risks	Each Risk Exposure is assessed/measured based on its impact to the Company, and risk exposures are prioritized based on their assessments.	Risk Mgt Dept. ensures that control measures are in place and remain effective; Internal Audit oversees implementation of risk mgt control measures.
Liquidity Risks		
Business Continuity Risks		



c. Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
AUDIT COMMITTEE	Audit processes shall be in accordance with the Internal Auditing Standards	Perform oversight functions on reports of internal/external audit processes
RISK MANAGEMENT COMM.	Risk management systems must be monitored/updated regularly.	Adopts mitigating measures for risk events to minimize losses from occurrences.

## G. INTERNAL AUDIT AND CONTROL

1) Internal Control System - **Explained in the next Page 19-A**

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

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function - **Explained in the next Page 19-A**

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

- (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?

**Explained in the next Page 19-A**

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

**Explained in the next Page 19-A**

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
NONE	NONE

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; - In accordance with HOI's Corporate Governance Manual, the set-up of adequate Internal Controls is the responsibility of Management. Specifically, the Internal Control Systems of HOI's divisions, subsidiaries, affiliates are established by "Process Owners" - the HEADS of the Company's divisions, subsidiaries, affiliates. The function of HOI's Group Internal Audit ("GIA") department is to provide an independent and objective review of the internal control measures as set up by Management. GIA is responsible for evaluating the adequacy and effectiveness of internal control measures and to recommend improvements, whenever necessary.
- b. A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate; - Based on HOI's Internal Audit Charter, the Audit Committee (a sub-committee of the Board of Directors) mandates the GIA to review the effectiveness and adequacy of internal control systems. The GIA performs this function and regularly reports its findings to the Audit Committee. The Audit Committee Chairman or Member informs the Board of the GIA Report, so that the Board can perform its own assessment of the Internal Audit systems. For the year 2014, HOI's Board assessed the Internal Control Systems to be generally effective and adequate.
- c. Period covered by the review; - From JANUARY 1, 2015 to DECEMBER 31, 2015.
- d. How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; - The review and assessment of internal controls is performed by the Audit Committee annually. The results of the assessment are validated by the Company's Compliance Officer to ensure compliance with updated reportorial requirements of various regulatory bodies.
- e. Where no review was conducted during the year, an explanation why not. - Not Applicable

2) Internal Audit

- a. Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor / Auditing Firm	Reporting process
To conduct regular internal audits on the Company using Int'l. Standards for the Professional Practice of IA	IA has oversight duties over financial reporting, risk mgt, internal control, external audit activities of all departments, subsidiaries of the Company	All In-house, EXCEPT HOI's Information Technology Dep't, outsourced to an independent Outside Consultant	ALLAN G. GALANG	Functionally, Mr. Galang reports to the Audit Comm; Administratively, to the CEO

- b. Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? - YES. The Audit Committee evaluates the performance of internal and external auditors and approves their appointment or removal, and subsequently endorsed to the Company's Board of Directors for final approval.
- c. Discuss the internal auditor's reporting relationship with the audit committee. - The authority of GIA emanates from the Audit Committee; the GIA is directly accountable to 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? YES, as explicitly stated in the Company's Internal Audit Charter.

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	Prior to Jan. 1 of each year, GIA submits to the Audit Comm for review/approval its proposed annual audit plan. The progress of GIA's plans is regularly presented to the Audit Comm for review/approval during the quarterly Committee meetings.
Issues <sup>6</sup>	ALL issues are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.
Findings <sup>7</sup>	ALL findings are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.
Examination Trends	ALL examination trends and non-compliance of GIA recommendations by Auditees are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.

[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- **Explained in the next Page 20-A**

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

g. Mechanism and Safeguards - **Explained in the next Page 20-A**

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

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.

- 1) Chairperson: **MS. HELEN Y. DEE**  
 2) President & CEO: **MR. MEDEL T. NERA**  
 3) Compliance Officer: **MR. JOSE MA. G. CASTILLO III**

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

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

(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
1) All internal audit controls, policies, procedures that were approved by the Management/Board must be documented and signed by authorized signatories and cascaded to all employees for compliance.	1) IMPLEMENTED- For all approved new policies on internal audit controls, GIA handled documentation, cascading of such to all employees (i.e. employee accountability for governance, risk mgt, controls), and constant monitoring.
2) GIA regularly monitors the implementation status of all previous audit reports/recommendations. GIA discusses with Auditee the results of the follow through review. GIA must provide the Audit Comm with a status report on these.	2) IMPLEMENTED- GIA regularly presents to the Audit Comm status reports on compliance/effectiveness of all approved internal control policies, recommendations to strengthen control measures found ineffective, for comments, approval, and endorsement to the Board.

(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
The Company's Internal Audit Charter clearly defines the scope of authority and access to information of both internal/external auditors in the performance of their functions. In case the independence of auditors is compromised, the HOI Internal Audit Charter is normally used as the basis to resolve the matter.	Reports of financial analysts are mainly based on HOI's publicly available data (i.e. HOI/SEC/PSE websites). The Company Investor Relations Program states that HOI will not influence/interfere with reports, unless the report is based on inaccurate data. In such cases, HOI will officially inform the financial analyst of the inaccuracy and request for the appropriate clarifications or corrections.	Investment banks mainly base their reports from interviews with HOI officers and publicly available data (i.e. HOI/SEC/PSE websites), an integral part of HOI's Investor Relations Program. The Program states that HOI will not influence/interfere with reports, unless a report is based on inaccurate data. In such cases, HOI will officially inform the inv bank of the inaccuracy and request for the corrections.	Reports of rating agencies are mainly based on HOI's publicly available data (i.e. HOI/ PSE websites). The Comp. Investor Relations Prog. states that HOI will not influence/ interfere with reports unless the report is based on inaccurate data. In such cases, HOI will officially inform the rating agency of the inaccuracy and request for the appropriate clarifications/corrections.

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Corp. Governance Manual	Regular monitoring of quality of product, service offered
Supplier/contractor selection practice	Procured Shared Services Policies	Accreditation of suppliers and transparent bidding process
Environmentally friendly value-chain	Centralized through the AY Foundation	Annual Tree-planting in Rodriguez, Rizal
Community interaction		Medical missions, distribute relief goods during calamities
Anti-corruption programs and procedures?	Code of Bus. Conduct & Ethics	Reinforce integrity as a Company Core Value
Safeguarding creditors' rights	Code of Bus. Conduct & Ethics	Transparency and equal treatment of all Company stakeholders

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

**Explained in the next Page 21-A**

3. Performance-enhancing mechanisms for employee participation.-

**Explained in the next Page 21-A**

- What are the company's policy for its employees' safety, health, and welfare?
- Show data relating to health, safety and welfare of its employees.
- State the company's training and development programmes for its employees. Show the data.
- State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? – HOI's WHISTLEBLOWER POLICY addresses the procedures for handling complaints by employees concerning illegal/unethical behavior of co-employees or entities that transact with the Company. Explain how employees are protected from retaliation. The Whistleblower Policy clearly states that valid complaints will not be divulged as coming from a Whistleblower. In the remote situation where a Whistleblower's identity is revealed, the Company, on its expense, will provide the necessary protection measures for the Whistleblower and related parties, depending on the case.

## I. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure -

**Explained in the next Page 21-A**

- a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<b>TOTAL</b>			

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
NO. As a member of the Yuchengco Group of Companies, HOI's Corporate Responsibility report/section is centralized through the ALFONSO YUCHENGO FOUNDATION, INC. (AY FOUNDATION).
- 3) Performance-enhancing mechanisms for employee participation.
- (a) What are the company's policy for its employees' safety, health, and welfare? – The Company provides the employees with medical/hospitalization/life insurance coverage (including annual medical check-ups) and retirement benefits. The coverage amounts are based on employees' salary brackets.
- (b) Show data relating to health, safety and welfare of its employees. – For 2014, the Company paid approximately P450,000 for medical/life insurance premiums of its employees.
- (c) State the company's training and development programmes for its employees. Show the data. – The Company encourages the employees' attendance of seminars/workshops as part of its continuing training and development program. For 2014, the Company spent approximately P800,000 for various seminars/workshops of its employees.
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures – The Company grants Longevity Pay as a form of recognizing long-term employee service to the Company. Starting on the 5<sup>th</sup> year of service, employees are granted one-time payments of a percentage of their monthly basic salary, paid with the 13<sup>th</sup> month pay.

#### I. DISCLOSURE AND TRANSPARENCY

##### 1) Ownership Structure -

(a) Holding 5% shareholding or more – As of December 31,2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>COMMON STOCKS</b>			
Pan Malayan Mgt (PMMIC)	294,758,580	47.83%	Helen Y Dee
PCD Nominee – Filipino	233,188,937	37.86%	PCD Nominee
PCD Nominee - Foreign	39,507,875	6.41%	PCD Nominee
<b>PREFERRED STOCKS</b>			
Alfonso T Yuchengco	435,332,315	54.6%	Not applicable
Pan Malayan Mgt & Invest	298,873,905	37.5%	Helen Y Dee

2. Does the Annual Report disclose the following:

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

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

3. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip, Gorres, Velayo & Co. (SGV & Co.)	P 2,965,563	NONE

4. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information. – **The Company uses its website and press releases for disseminating information and investor information.**

5. Date of release of audited financial report: March 31, 2016

6. Company Website

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

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

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

## 7. Disclosure of RPT

Explained in the next Page 23-A

RPT	Relationship	Nature	Value

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? - Related Party Transactions are properly disclosed in the audited financial statements submitted to government regulatory agencies to ensure that the investing public is informed of the nature of such transaction and a control measure to safeguard the minority shareholders and other stakeholders.

## 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	Majority (or more than 50%) of the O/S Shares entitled to vote, unless a greater majority is required under the Corp. Code, Articles of Inc., By-laws.
-----------------	--------------------------------------------------------------------------------------------------------------------------------------------------------

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	"VIVA VOCE"
Description	Corporate acts are presented to stockholders during the ASM for ratification; if there are no objections, these are approved.

#### (c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
<u>NONE.</u> Under the Company's By-Laws, all Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with the Corporation Code.	

## Dividends

Explained in the next Page 23-A

Declaration Date	Record Date	Payment Date

#### (d) Stockholders' Participation

- 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.

2. Measures Adopted	3. Communication Procedure
4. Stockholders are free to ask questions.	5. Stockholder queries are always addressed.
6. Stockholder questions are prioritized	7. Stockholders may ask clarifications anytime.



7) Disclosure of RPT

RPT	Relationship	Nature	Value
Parent Company - PMMIC	Subsidiary	Pertains to Dividends payable to parent co.	(P 1.10 )million
Associates	Subsidiary	1) Due from rel. parties for services rendered i.e. management consultancy, internal audit fees 2) subscription payable 3) Dividends receivable	P14.3 million P9.3 million 7.5million
Other Affiliates	Subsidiary	Receivable from EEI Retirement Fund, Inc.	273million
Entities under common control of PMMIC	Subsidiary	1) Cash and equivalents 2) Accounts Receivable 3) Commission receivable 4. Due from related parties 5. Management Fee 6. Accounts payable and accrued expenses 7. Due to related parties 8. Loans Payable 9. Long term debt(including current portion of long term debt)	P1.9 billion P54.8 million P382 thousand P39.9 million P11.8 million (471 thousand) (3.4 million) (100 million) (706 million)

Dividends

Declaration Date	Record Date	Payment Date
March 20, 2015	April 17, 2015	May 12, 2015
July 17, 2015	August 14, 2015	September 7, 2015
September 24, 2015	October 23, 2015	November 13, 2015
December 7, 2015	December 29, 2015	January 22, 2016

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution – Stockholder ratification is required.
  - Authorization of additional shares – Stockholder ratification is required.
  - Transfer of all or substantially all assets, which in effect results in the sale of the company – Stockholder ratification is required.
9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? NO – 15 days is the minimum period prescribed.
- Date of sending out notices: MAY 5, 2015
  - Date of the Annual/Special Stockholders' Meeting: JULY 17, 2015
10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

**Explained in the next Page 24-A**

11. Result of Annual/Special Stockholders' Meeting's Resolutions - **Explained in the next Page 24-A**

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16.	17.	18.	19.
20.	21.	22.	23.

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

(e) Modifications

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

Modifications	Reason for Modification
NONE	Not Applicable

(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	<u>See next page 24-A</u>	July 17, 2015	Show of hands	NA	NA	84.24%

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? NO – THIS IS DONE ONLY WHEN VOTING IS DONE THROUGH BALLOTS. The Stock Transfer Agent records and validates the attendance, which is carried through the votes.
- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. – COMMON AND PREFERRED SHARES CARRY ONE VOTE FOR ONE SHARE.

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

Mr. Emil Cruz one of the stockholders present clarified if Malayan Colleges Inc. would be accepting students from other schools for its Grade 11 and 12 offering. He was assured that student from other schools would be considered and maybe accepted into the said grade levels by Malayan Colleges.

Another stockholder Mr. Phillip Tan commented that the Company's stock prices appear to be undervalued. As such he suggested for the Company to either increase the cash dividends that it declares or to simply buy-back its own shares. He also expressed a personal sentiment that he would prefer to see a holding company of the Yuchengco family to be publicly listed as a blue chip company similar to the holding companies of the Ty, Ayala and Consunji families. The Chairman responded by thanking Mr. Tan for his suggestions and advised that the same are noted.

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

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
Approval of the Minutes of the Meeting of the previous ASM	1,225,234,149	None	None
Approval of Management Report and the Audited Financial Statements of 2014	1,225,234,149	None	None
Ratification and Confirmation of all acts, resolutions, proceedings of the Board of Directors, Executive Committee, and Officers of the Company during 2014	1,225,234,149	None	None
Election of Directors for 2015-2016	1,225,234,149	None	None
Appointment of SGV & Co. as external auditors of the Company for 2015	1,225,234,149	None	None

Names of Board Members / Officers Present:

1. Helen Y. Dee
2. Yvonne S. Yuchengco
3. Wilfrido E. Sanchez
4. Renato C. Valencia
5. Francisco H. Licuanan III
6. Antonino L. Alindogan, Jr.
7. Dr. Reynaldo B. Veja
8. Medel T. Nera
9. Roberto F. De Ocampo

All Company Officers (VICE PRESIDENT and up)

## (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	The proxy form must be dated, signed, and a designated person/s as proxy.
Notary	Notarization NOT required.
Submission of Proxy	Must be filed with Corp. Sec. not later than 10 days prior to the date of the ASM.
Several Proxies	Several proxies are allowed.
Validity of Proxy	Valid only for the meeting intended for.
Proxies executed abroad	Duly authenticated by the Philippine Embassy or Consular Office
Invalidated Proxy	Office of the Corp. Sec. is in charge of these.
Validation of Proxy	Office of the Corp. Sec. is in charge of these.
Violation of Proxy	Office of the Corp. Sec. is in charge of these.

## (h) Sending of Notices

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

Policies	Procedure
A written or printed notice of every regular or special meeting of the stockholders shall be sent at least 15 business days before the date of each meeting.	The President/Corp. Sec. shall send a written or printed notice of such meetings by mail, prepaid post to the last known office address of each stockholder as shown in the Company's stock transfer books at least 15 days before the date of such meeting.

## (i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All Stockholders who request copies of the 20-1S Definitive Information Statement are provided copies.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 1, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 1, 2015
State whether CD format or hard copies were distributed	<u>NO.</u>
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable

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

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

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

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
Minority stockholders are treated equally and entitled to the same rights as majority stockholders, as stated under the Corp. Code of the Phils.	This policy is implemented consistently in the interest of fairness and good Corporate Governance.

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

## K. INVESTORS RELATIONS PROGRAM

- 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. – External communications are mainly handled through the Company website and official press releases, while internal communications are done through emails/memoranda/announcements.
- Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To keep public investors well informed at all times.
(2) Principles	Transparency and fairness in all its dealings with any party.
(3) Modes of Communications	Company website, disclosures to SEC, PSE, etc.
(4) Investors Relations Officer	Ms. Ring F. Joven, VP-Finance, Tel 8159636, Fax 8161127

- 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? – Company consistently adheres to principles of transparency, fairness, objectivity when handling such matters.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. – The Board usually appoints an independent, external auditor/third party for these purposes.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. CENTRALIZED THROUGH THE ALFONSO YUCHENGCO FOUNDATION, INC. (AY FOUNDATION)

Initiative	Beneficiary
1. National Discipline Award	Graduating high school students of various schools
2. Championing the Youth for Community Leadership (CYCLE)	Recipients of the National Discipline Award
3. Blessed Teresa of Calcutta Award	Individuals dedicated to help the "poorest of the poor"
4. Others: Calamity and Natural Disaster Relief	Victims of various calamities and natural disasters

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	Self-Assessment	Meeting attendance, effectiveness of monitoring Management, profitability
Board Committees	Self-Assessment	Frequency of meetings, attendance, effectiveness of policies
Individual Directors	Self-Assessment	Meeting attendance, contributions to company advancement
CEO/President	Assessment by Board	Execution of Company business plans, profitability


N. INTERNAL BREACHES AND SANCTIONS

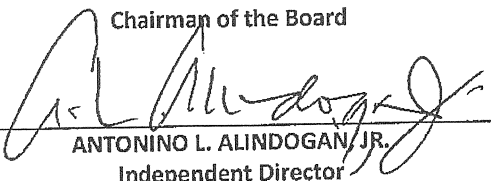
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees


Violations	Sanctions
Violations are explicitly described in the Company's Code of Business Conduct & Ethics.	Sanctions depend on the nature of the policy being violated and the extent of damage caused.

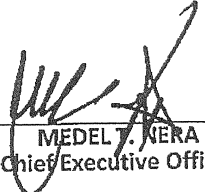
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI on \_\_\_\_\_, 2016.

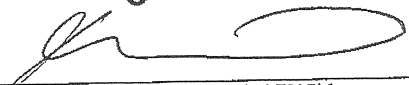
SIGNATURES

  
\_\_\_\_\_  
HELEN Y. DEE  
Chairman of the Board

  
\_\_\_\_\_  
ANTONINO L. ALINDOGAN, JR.  
Independent Director

  
\_\_\_\_\_  
JOSE MA. G. CASTILLO III  
Compliance Officer

  
\_\_\_\_\_  
MEHEL T. NERA  
Chief Executive Officer

  
\_\_\_\_\_  
RENATO C. VALENCIA  
Independent Director

28 APR 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:


NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

NOTARY PUBLIC

Doc No. 442  
Page No. 90  
Book No. 379  
Series of 2016

  
RUBEN T.M. RAMIREZ  
NOTARY PUBLIC  
UNTIL DEC. 31, 2017  
2734 M. AURORA ST., MAKATI CITY  
APPT. NO. 16-0512016-2917  
IBP NO. 1009-55/17-0010/2016-15  
ROLL NO. 2847/1411-410-000124/6-19-12  
PTR NO. MKT. 5329578/1-4-16 MAKATI CITY