

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the Year: **2016**
2. Exact Name of Registrant as Specified in its Charter: **Megawide Construction Corporation**
3. **2/F Spring Bldg. Arnaiz Ave. cor. P. Burgos St., Pasay City, Metro Manila**  
Address of Principal Office Postal Code **1300**
4. SEC Identification Number: **CS200411461**
5. (SEC Use Only)  
Industry Classification Code:
6. BIR Tax Identification Number: **232-715-069-000**
7. **655-1111**  
Issuer's telephone number, including area code
8. **N/A**  
Former name or former address, if changed since last report

## A. BOARD MATTERS

### 1) Board of Directors

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

Complete the table with information on the Board of Directors:

Directors' 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 <sup>1</sup> (if ID, state the number of years served as ID) <sup>2</sup>	Elected when (Annual/Special Meeting)	No. of years served as director <sup>3</sup>
Michael Cosiquien	ED	N/A	Suyen Corporation	July 28, 2004	September 16, 2016	Annual Meeting	12
Edgar B. Saavedra	ED	N/A	Suyen Corporation	July 28, 2004	September 16, 2016	Annual Meeting	12
Yerik C. Cosiquien	NED	N/A	Suyen Corporation	July 28, 2004	September 16, 2016	Annual Meeting	12
Elizabeth Anne C. Uychaco <sup>4</sup>	NED	Sybase Equity Investments Corporation (Sybase)	Suyen Corporation	March 16, 2011	June 30, 2015	Annual Meeting	5
Florentino Tuason, Jr.	NED	N/A	Suyen Corporation	April 8, 2011	September 16, 2016	Annual Meeting	5
Oliver Y. Tan	ED	N/A	Suyen Corporation	September 16, 2016	September 16, 2016	Annual Meeting	1
Leonilo G. Coronel	ID	N/A	Suyen Corporation (no relationship with nominator)	July 19, 2010	September 16, 2016 (served as ID for 6 years <sup>5</sup> )	Annual Meeting	6
Leonor M. Briones <sup>6</sup>	ID	N/A	Suyen Corporation (no relationship with nominator)	July 19, 2010	June 30, 2015 (served as ID for 5 years)	Annual Meeting	6
Hilario G. Davide, Jr.	ID	N/A	Suyen Corporation (no relationship with nominator)	September 16, 2016	September 16, 2016 (served as ID for 1 year)	Annual Meeting	1

<sup>1</sup>Updated as of 2016.

<sup>2</sup>Reckoned from first election on July 19, 2010. (Updated as of 2016).

<sup>3</sup>Updated as of 2016.

<sup>4</sup> Ms. Uychaco resigned due to the sale of shareholdings of its nominee entity, Sybase Equity Investment Corporation.

<sup>5</sup> Pursuant to SEC Memorandum Circular No. 9, Series of 2011, which took effect on January 2, 2012, the reckoning year for the first five (5)-year period within which an independent director is allowed to serve is 2012. Thus, the Corporation is still compliant with the allowable period for independent directors to serve in a registered corporation.

<sup>6</sup> Due to Sec. Briones' appointment as Secretary of Education, effective July 1, 2016, she could no longer sit as a member of the Board of Directors.

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

**The Board of Directors has adopted the corporate governance policy stated in the Revised Code of Corporate Governance. In particular, the Board has adopted the following policies to protect the rights of minority stakeholders:**

- **A director shall not be removed without cause if it will deny minority shareholders representation in the Board.**
- **The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.**
- **The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."**
- **The Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.**
- **Megawide's Board and Management committed themselves to the principles and best practices contained in its Revised Manual on Corporate Governance and acknowledged that the Revised Manual serves as their guide to the attainment of corporate goals.**

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

**Yearly.**

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>7</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office as 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.
Michael C. Cosiquien	Altria East Land Inc. (Altria) MySpace Properties, Inc. (MySpace) <sup>8</sup>	Executive, Chairman Executive, Chairman

<sup>7</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Citicore Holdings Investment, Inc. (Citicore) Citicore Power Inc. (CPI) Himamaylan Biomass Power Inc. (HBPI) Megawatt Clean Energy Inc. (MCEI) Silay Solar Power Inc. (SSPI) First Toledo Solar Energy Corp. (FTSEC) Next Generation Power Technology Corp. (NGPT) MWM Terminals, Inc. (MWM) GMR-Megawide Cebu Airport Corporation (GMCAC)	Executive, Chairman Non-Executive, Chairman  Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman  Non-Executive, Chairman Non-Executive, Chairman  Non-Executive, Chairman
Edgar B. Saavedra	Altria MySpace <sup>9</sup> Citicore CPI NGPT SSPI FTSEC MWM MCEI HBPI GMCAC	Executive Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive Non-Executive Non-Executive
Oliver Y. Tan	Altria MySpace <sup>10</sup> Citicore CPI NGPT SSPI FTSEC MCEI HBPI GMCAC	Executive Non-Executive Executive Executive Executive Executive Executive Executive Executive Executive

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Elizabeth Anne C. Uychaco	Belle Corporation <sup>11</sup>	Executive
Hilario G. Davide, Jr.	Philtrust Bank <sup>12</sup>	Independent Director

<sup>8</sup> Updated as of 2016

<sup>9</sup> Updated as of 2016

<sup>10</sup> Updated as of 2016

<sup>11</sup> Updated as of 2016

<sup>12</sup> Updated as of 2016

Leonilo G. Coronel	Philippine National Bank	Non-Executive Director
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(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
Michael C. Cosiquien	Citicore <sup>13</sup>	Director and stockholder
Edgar B. Saavedra	Citicore <sup>14</sup>	Director and stockholder
Oliver Y. Tan	Citicore <sup>15</sup>	Director and stockholder

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

**As of the end of 2016, there is no 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. On its meeting dated May 18, 2017, The Board of Directors adopted a Revised Code on Corporate Governance to limit directorships to publicly listed companies held by a nonexecutive director to a maximum of five.**

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	A Director necessitates a commitment to the Company. A Director shall exercise due discretion in accepting and holding directorship in other publicly listed companies to ensure each director will have sufficient time to fully prepare for meetings, challenge management's proposal/vies and oversee the long-term strategy of the Company.	Effective May 2017, non-executive directors of the Board should concurrently serve as directors to a maximum of five publicly listed companies.
<b>Non-Executive Director</b>		
<b>CEO</b>		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company (as of December 31, 2016):<sup>16</sup>

<sup>13</sup> Updated as of 2016

<sup>14</sup> Updated as of 2016

<sup>15</sup> Updated as of 2016

<sup>16</sup> Updated as of 2016

Name of Director	Number of Direct shares	Number of indirect shares / Through (name of record owner)	% of capital stock
Michael C. Cosiquien	3 (lodged with PCD)	None	Nil
Edgar B. Saavedra	3 (lodged with PCD)	None	Nil
Yerik C. Cosiquien	3 (lodged with PCD)	8,996,108(held by his father, lodged with PCD)	Nil
Oliver Tan	18,767,852 (lodged with PCD)	None	Nil
Florentino A. Tuason, Jr.	246	None	Nil
Leonilo G. Coronel	5 (lodged with PCD)	None	Nil
Hilario G. Davide, Jr.	1 (lodged with PCD)	None	Nil
<b>TOTAL</b>	18,768,113	8,996,108	Nil

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 benefits of independent views.

Yes  No

The roles of the Chairman and CEO should as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. The positions of the Chairman and CEO are currently unified. However, Pursuant to Article 3 (C) of the Revised Code of Corporate Governance, the Board gets independent views from independent and non-executive directors to provide checks and balances and to ensure that the Board gets the benefit of independent views and perspectives.

Identify the Chair and CEO:

<b>Chairman of the Board</b>	Michael C. Cosiquien
<b>CEO/President</b>	CEO – Michael C. Cosiquien President – Edgar B. Saavedra

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
<b>Role</b>		
<b>Accountabilities</b>	<ul style="list-style-type: none"> <li>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</li> </ul>	<ul style="list-style-type: none"> <li>Preside at the meetings of the stockholders;</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>Supervise the preparation of the agenda of the meeting in</li> </ul>	<ul style="list-style-type: none"> <li>Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of</li> </ul>

	<p>coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;</p> <ul style="list-style-type: none"> <li>• Maintain qualitative and timely lines of communication and information between the Board and Management; and</li> <li>• Be the Presiding Officer of the Executive Committee</li> <li>• Ensure that the membership of the Board has the right balance of skills and experience to support the needs of the business in determining the necessary strategies and policies to maximize its opportunities for successful business development and profit growth which enhance share performance relative to competitors and the industry</li> </ul>	<p>the Board of Directors, including those for executive training, development and compensation;</p> <ul style="list-style-type: none"> <li>• Supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors;</li> <li>• Implement the administrative and operational policies of the corporation under his supervision and control;</li> <li>• Appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;</li> <li>• Oversee the preparation of the budgets and the statements of accounts of the corporation;</li> <li>• Represent the corporation at all functions and proceedings;</li> <li>• Execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors;</li> <li>• Make reports to the Board of Directors and stockholders;</li> <li>• Perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</li> </ul>
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3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

**The Board will still discuss such detailed plan for succession. In the revised corporate governance code approved by the Board last May 18, 2017, the Company has adopted a policy granting power to the Governance, Compensation and Nomination Committee to be responsible for overseeing periodic evaluation of senior management succession planning.**

4) Other Executive, Non-executive and Independent Directors

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

**The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company’s industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.**

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

**The qualification for a directorship requires that the director to have a previous business experience and practical understanding of the business of the Corporation.**

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

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			
Deliverables	<ul style="list-style-type: none"> <li>• Conduct fair business transactions with the company and ensure that personal interest does not conflict with the interests of the corporation;</li> <li>• Devote time and attention necessary to properly and effectively perform his duties and responsibilities;</li> <li>• Act judiciously;</li> <li>• Exercise independent judgment;</li> <li>• Have a working knowledge of the statutory and regulatory requirements that affect the company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies;</li> <li>• Keep abreast with industry developments and business trends in order to promote the corporation’s competitiveness; and</li> <li>• Observe confidentiality.</li> </ul>	<ul style="list-style-type: none"> <li>• Always attend Board meetings;</li> <li>• Conduct fair business transactions with the company and ensure that personal interest does not conflict with the interests of the corporation;</li> <li>• Devote time and attention necessary to properly and effectively perform his duties and responsibilities;</li> <li>• Act judiciously;</li> <li>• Exercise independent judgment;</li> <li>• Have a working knowledge of the statutory and regulatory requirements that affect the company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant</li> </ul>	



		<p>regulatory agencies;</p> <ul style="list-style-type: none"> <li>• Keep abreast with industry developments and business trends in order to promote the corporation's competitiveness; and</li> <li>• Observe confidentiality.</li> </ul>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

**The company adheres to the definition of "independent director" provided under Section 38 of the Securities Regulation Code, namely:**

**"xxx 'independent director' shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director."**

**It also complies with the definition of the term provided under Part I item c of the Code of Corporate Governance:**

**"c. *Independent Director* - refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the directors' fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment."**

Does the company have a term limit of five consecutive years for independent directors?

**Yes. The company shall comply with SEC Memorandum Circular No. 9 series of 2011<sup>17</sup> on Term Limits of Independent Directors.**

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

**Pursuant to the SEC Memorandum, an independent director who had served for five (5) years can be re-elected after a 2-year cooling-off period and can serve for another five (5) years provided that the independent director has not engaged in any activity that under existing rules disqualifies a person from being elected as independent director.**

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<sup>17</sup> Updated as of 2016.

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
Leonor Briones	Independent Director	June 30, 2016	Due to Sec. Briones' appointment as Secretary of Education, effective July 1, 2016, she could no longer sit as a member of the Board of Directors.
Elizabeth Anne C. Uychaco	Non-executive Director	June 30, 2016	Due to sale of shareholdings of its nominee entity, Sybase Equity Investment Corporation.

(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. Please 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	Stockholders may submit the names of nominees to the Corporate Secretary. The Compensation and Nomination Committee then reviews and evaluates the nominations and gives the list of nominees to the Corporate Secretary.  The stockholders will then elect the directors from the list of nominees during the regular stockholders' meeting.	Directors must possess the following qualifications and none of the following disqualifications:  Qualifications: <ul style="list-style-type: none"> <li>• college education or equivalent academic degree;</li> <li>• practical understanding of the business of the corporation;</li> <li>• membership in good standing in relevant industry, business or professional organizations;</li> <li>• previous business experience</li> </ul> Permanent disqualification:
(ii) Non-Executive Directors		

		<ul style="list-style-type: none"> <li>● Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: <ul style="list-style-type: none"> <li>(a) involves the purchase or sale of securities, as defined in the Securities Regulation Code;</li> <li>(b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or</li> <li>(c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</li> </ul> </li>   <li>● Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: <ul style="list-style-type: none"> <li>(a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;</li> <li>(b) acting as director or officer of a bank, quasibank, trust company, investment house, or investment company;</li> <li>(c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</li> </ul> </li> </ul> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the</p>
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		<p>Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission (SEC) or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <ul style="list-style-type: none"> <li>● Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.</li> <li>● Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order.</li> <li>● Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.</li> <li>● Any person judicially declared as insolvent.</li> <li>● Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory</li> </ul>
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		<p>authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) of Article 3, Part E (1) of the Revised Code of Corporate Governance.</p> <ul style="list-style-type: none"> <li>● Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</li> <li>● A stockholder may not be nominated or elected to the Board of Directors if he/she represents an interest adverse to or in conflict with those of the Corporation or if he/she is an officer or stockholder of a corporation engaged in the same business as that of the Corporation.</li> </ul> <p>Temporary Disqualification</p> <ul style="list-style-type: none"> <li>● Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</li> <li>● Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</li> <li>● Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The</li> </ul>
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		<p>disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <ul style="list-style-type: none"> <li>• If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</li> <li>• If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</li> </ul> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(iii) Independent Directors		<p>Please refer to item (a) (i) and (ii) under “Criteria.”</p> <p>Pursuant to Section 38 of the Securities Regulation Code and the SEC Code of Corporate Governance, an “independent director” shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under the SEC Code of Corporate Governance, this means that apart from the directors' fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his</p>

		independent judgment.
b. Re-appointment		
(i) Executive Directors	Please refer to item (a) under “Process Adopted.”	Please refer to item (a) (i) and (ii) under “Criteria.”  For independent directors, please refer also to item (a) (iii) under “Criteria.”
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Compensation and Nomination Committee pre-screens and evaluates the qualifications and disqualifications of nominees.	Please refer to item (a) (i) and (ii) under “Criteria.”  For independent directors, please refer also to item (a) (iii) under “Criteria.” Under SEC Memorandum Circular 9, s. 2011, after serving as independent director for 10 years, an independent director is perpetually barred from being elected as such in the same company, without prejudice to being elected as independent director in other companies outside of the business conglomerate.
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	The Compensation and Nomination Committee pre-screens and evaluates the qualifications and disqualifications of nominees. The Compliance Officer will determine the violation through notice and hearing and recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Please refer to item (a) (i) and (ii) under “Criteria.”  For independent directors, please refer also to item (a) (iii) above. Under SEC Memorandum Circular 9 s. 2011, an independent director is ineligible for election as such after completion of a five-year service period, unless he/she has undergone a 2-year cooling off period and he/she has not engaged in any activity that under existing rules disqualifies a person from being elected as independent director in the same company.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	Directors may be removed by vote of the stockholders holding or representing at least 2/3 of the outstanding capital stock.	Directors may be removed with cause or by commission of a third violation of the Manual on Corporate Governance.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Reinstatement		
(i) Executive Directors	Please refer to item (a) under “Process Adopted.”	Please refer to item (a) (i) and (ii) under “Criteria.”  For independent directors, please refer also to item (a) (iii) under
(ii) Non-Executive Directors		
(iii) Independent Directors		

		“Criteria.”
g. Suspension		
(i) Executive Directors	The Compliance Officer will determine the violation through notice and hearing and recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Suspension from office shall be imposed in case of second violation of the Manual on Corporate Governance. The duration of the suspension shall depend on the gravity of the violation.
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting<sup>18</sup>

Name of Director	Votes Received
Michael C. Cosiquien	1,847,546,071
Edgar B. Saavedra	1,774,405,956
Yerik C. Cosiquien	1,774,405,956
Hilario G. Davide, Jr.	1,847,546,071
Oliver Y. Tan	1,847,546,071
Florentino A. Tuason, Jr.	1,847,546,071
Leonilo G. Coronel	1,774,405,956

6) Orientation and Education Program

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

**The company gives a brief presentation on the company structure and business operations after election of the new directors.**

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>19</sup> for the past three (3) years:

**Corporate Governance Seminar  
ASEAN CG Scorecard Seminar**

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Florentino A. Tuason, Jr..	May 2016	Mandatory Continuing Legal Education	Integrated Bar of the Philippines – Makati
	December 2016	Third Annual SEC – PSE Corporate Governance Forum	Philippine Stock Exchange and Securities and Exchange Commission

<sup>18</sup>September 16, 2016. (Updated as of 2016)

<sup>19</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



Leonilo Coronel	August 2016	SEC Corporate Governance Forum	Securities and Exchange Commission
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## 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 directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.		
(b) Conduct of Business and Fair Dealings	All directors, officers and employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners (suppliers, subcontractors, banks and other entities that engage in business with the company).		
(c) Receipt of gifts from third parties	Company Personnel or their immediate families shall not use their position with the Company to solicit any cash, gifts or free services from any Company customer, supplier or contractor for their immediate family or friend's personal benefit. Gifts or entertainment from others should not be accepted if they could be reasonably considered to be extravagant for the employee, officer or director who receives it, or otherwise improperly influence the Company's business relationship with or create an obligation to a customer, supplier or contractor.		
(d) Compliance with Laws & Regulations	The company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the company.		
(e) Respect for Trade Secrets/use of Non-public information	All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the company.		
(f) Use of Company Funds, Assets and Information	All directors, officers and employees shall use company property and resources efficiently, responsibly, and only for legitimate business purposes only. They should safeguard company assets from loss, damage, misuse or theft.		
(g) Employment & Labor Laws & Policies	The company has a manual which provides for employee rights, obligations and policies on employee-related matters, which are consistent with and in accordance with relevant provisions of the Labor Code.		
(h) Disciplinary action	Employees who commit a violation of the Code of Conduct shall be subject to disciplinary action (including termination) without prejudice to any civil or criminal proceedings that the company may file for violation of existing law.		
(i) Whistle Blower	It is the responsibility of all employees to comply with and report violations or suspected violations of the Code.  No employee who, in good faith, reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence.		
(j) Conflict Resolution	The principle of due process shall be observed in the handling of all cases.		

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

**In its October 1, 2012 meeting, the Audit and Risk Management Committee approved that the company should adopt a Code of Conduct for Management. Formulation of a Code of Conduct for Directors and Management is on-going.**

**A copy of the Employee Code of Conduct/Discipline has been distributed to all employees of the company.**

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

**In its October 1, 2012 meeting, the Audit and Risk Management Committee approved that the company should adopt a Code of Conduct for Management. Formulation of a Code of Conduct for Directors and Management is on-going.**

**A copy of the Employee Code of Conduct/Discipline was distributed to all employees for strict compliance. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and corrective measures can be instituted.**

**Generally, the Human Resources Department is responsible for the company-wide implementation and monitoring of compliance with the Employee Code of Conduct/Discipline.**

- 4) Related Party Transactions

- (a) Policies and Procedures

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

**The review, approval or ratification, monitoring and recording of transactions between above parties shall be in accordance with the provisions of the Corporation Code, Securities Regulation Code, and SEC rules and regulations.**

Related Party Transaction	Policies and Procedures
(1) Parent Company	The company complies with the requirements of Corporation Code, Securities Regulation Code, SEC rules and regulations, and other relevant rules and regulations.
(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:

	<b>Details of Conflict of Interest (Actual or Probable)</b>
Name of Director/s	
Elizabeth Anne C. Uychaco	Ms. Uychaco is the nominee of the company's principal stockholder, Sybase. Sybase is under the SM Group. One of the companies under the SM Group is SM Development Corporation (SMDC), which is also a major customer of the company.
Name of Officer/s	
Name of Significant Shareholders	
Citicore	Citicore is the controlling stockholder of the company. Forty percent (40%) and 44.69% of the issued and outstanding capital stock of Citicore are owned by Michael Cosiquien and Edgar Saavedra, respectively.

(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.

	<b>Directors/Officers/Significant Shareholders</b>
Company	The Board discusses and resolves issues on major transactions of the company. This ensures that independent views from all directors are obtained.  The company complies with the requirements of Section 32 of the Corporation Code on "Dealings of directors, trustees or officers with the corporation."
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>20</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: **None**

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>

<sup>20</sup>Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Citicore	consortium partner	The company formed a joint venture company with Citicore in connection with Public-Private Partnership for School Infrastructure Project (PSIP) of the Department of Education.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **None**

Names of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

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
<b>Corporation &amp; Stockholders</b>	None. The company will still have to adopt an alternative dispute resolution system for conflicts/differences between the company and the stockholders.
<b>Corporation &amp; Third Parties</b>	In dealing with conflicts, the company, through its executives and officers, initiates dialogue with the parties concerned. They exert best efforts to enable the parties to reach an amicable settlement.
<b>Corporation &amp; Regulatory Authorities</b>	The company is committed to comply with the requirements of regulatory authorities. In instances of conflicts or differences, the corporation consults and obtains advice from the regulatory authorities concerned.

**C. BOARD MEETINGS & ATTENDANCE**

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

2) Attendance of Directors<sup>21</sup>

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Michael Cosiquien	July 28, 2004	6	6	100
Member	Edgar Saavedra	July 28, 2004	6	5	83
Member	Yerik Cosiquien	July 28, 2004	6	5	83
Member	Elizabeth Anne Uychaco	March 16, 2011	4	4	100 <sup>22</sup>
Member	Oliver Tan	September 16, 2016	2	2	100 <sup>23</sup>
Member	Florentino A. Tuason, Jr.	April 8, 2011	6	6	100
Independent	Hilario G. Davide, Jr.	September 16, 2016	2	2	100 <sup>2</sup>
Independent	Leonor Briones	July 19, 2010	2	2	100 <sup>24</sup>
Independent	Leonilo Coronel	July 19, 2010	6	6	100

- 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.

**No. Under Article III, Section 6 of the company's By-Laws, a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all members of the Board.**

<sup>21</sup>Updated as of 2016.

<sup>22</sup> Ms. Uychaco's term as director ended in 2016. From January 1, 2016 until the end of her term, there were only 4 Board meetings.

<sup>23</sup> Chief Justice Davide and Mr. Tan were elected to the Board of Directors on September 16, 2016. From the day of their election until December 31, 2016, there were only 2 Board meetings.

<sup>24</sup> Due to Sec. Briones' appointment as Secretary of Education, effective July 1, 2016, she could no longer sit as a member of the Board of Directors. From January 1, 2016 until June 30, 2016, there were only 2 Board meetings.

5) Access to Information

- (a) How many days in advance are board papers<sup>25</sup> for board of directors meetings provided to the board?

**Board papers are provided to members of the Board of Directors between 2-5 days before the date of the Board meeting.**

- (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?

**Article IV, Section 5 of the company's By-Laws provides that the Corporate Secretary shall have the following specific powers and duties:**

- **To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;**
- **To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;**
- **To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;**
- **To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;**
- **To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.**
- **To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes,**

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<sup>25</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.

determine the result, and do such acts as are proper to conduct the election.

- To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

The company's Manual on Corporate Governance provides that the Corporate Secretary shall:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.
- Be loyal to the mission, vision and objectives of the corporation.
- Work fairly and objectively with the Board, Management and stockholders.
- Have appropriate administrative and interpersonal skills.
- If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the corporation.
- Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

Yes, the Corporate Secretary's role includes assisting the Chairman in preparing the board agenda, and other board papers.

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

Yes, he is trained in legal practice.

(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 are distributed to the committee members prior to the date of the committee meeting.
Audit and Compliance	
Compensation and Nomination	
Risk	Committee members may directly inquire with Management, the Corporate Secretary or Corporate Information Officer on matters to be discussed during the committee meeting.
Others (specify)	N/A

6) External Advice

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

Procedures	Details
Referral to external legal counsel	Legal matters such as validity of certain transactions, legal documents and other legal questions are referred to the external legal counsel.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (including 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: **N/A**

Existing Policies	Changes	Reason

#### D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration of the CEO and the four most highly compensated management officers are determined based on the company salary structure and benefits package upon the recommendation of the Compensation and Nomination Committee and subject to Board approval.	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)	Salary adjustments are based on performance and changes in responsibilities.	



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

Disclose the company's policy on remuneration and 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	Php20,000 director's per diem per Board meeting for each regular director		
Non-Executive Directors	Php25,000 director's per diem per Board meeting for each independent director		
	Php30,000 monthly allowance in the form of reimbursable expenses for each regular director and independent director		
	Reimbursable expenses cover receipts for food, beverage, gasoline and travel expenses.		

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.

**No. Article III, Section 8 of the company's By-Laws provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each Board meeting. The By-Laws does not require stockholders' approval.**

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

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

Remuneration item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php68,172,173	-0-	-0-
(b) Variable Remuneration	-0-	-0-	-0-
(c) Per diem Allowance	Php7,900,000		
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Monthly allowance)			
<b>Total</b>	Php76,072,173		

Remuneration item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
a) Advances	-0-	-0-	-0-
b) Credit granted	-0-	-0-	-0-
c) Pension Plan/s Contributions	-0-	-0-	-0-
d) Pension Plans/Obligations incurred	-0-	-0-	-0-
e) Life Insurance Premium	-0-	-0-	-0-
f) Hospitalization Plan	Healthcare coverage and benefits are provided by the Company through a health maintenance organization.	-0-	-0-
g) Car Plan	-0-	-0-	-0-
h) Others (Specify)	-0-	-0-	-0-
<b>Total</b>	-0-	-0-	-0-

#### 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:

**There are no 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
N/A	N/A	N/A	N/A	N/A

##### (b) Amendments of Incentive Programs

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

**There are no amendments or discontinuation of any incentive programs introduced, including the criteria used in the creation of the program.**

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

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
Louie Ferrer / Chief Marketing Officer	Php10,700,943
Ronald Paulo / VP Operations	
Jesus Chua / Chief Strategy Officer	
Claudia Soriano / VP Human Resources	
Albert Saringo/ VP Operations	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	0	1	The Executive Committee does not have a Charter.	However, under the company's By-Laws, the Executive Committee shall act on specific matters within the competence of the Board, as may be delegated by the By-Laws or on a majority vote of the Board except as provided in Section 35 of the Corporation Code. All actions of the Executive Committee on matters not delegated shall be subject to ratification and confirmation of the Board of Directors.		
Audit and Compliance	1	0	2	The Committee has adopted a Committee Charter on October 1, 2013	Pre-approve all audit and non-audit services rendered by and approve the engagement fees and other compensation to be paid to the independent accountant.  Performs oversight functions over the Company's internal and external auditors.  Review the quarterly and annual financial statements before submission to the Board.		
Compensation and Nomination	2	2	2	The Committee has adopted a Committee Charter on December 2, 2016.	Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval; Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with qualifications and disqualifications stated in		

					the Manual on Corporate Governance. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the company's culture, strategy and the business environment in which it operates		
Risk	3	0	2	None. The Risk Committee has yet to formulate a Charter.			
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## 2) Committee Members<sup>26</sup>

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Michael C. Cosiquien	November 4, 2011	0	N/A	N/A	5 years
Member (ED)	Edgar B. Saavedra	November 4, 2011	0	N/A	N/A	5 years
Member (ED)	Oliver Y. Tan	November 4, 2011	0	N/A	N/A	5 years
Member (ID)	Hilario G. Davide, Jr.	September 16, 2016	0	N/A	N/A	4 months

### (b) Audit and Compliance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Leonilo G. Coronel	July 19, 2010	5	5	100	6 years
Member (ED)	Michael C. Cosiquien	March 16, 2011	5	5	100	5 years
Member (ID)	Hilario G. Davide, Jr. <sup>27</sup>	September 16, 2016	2	2	100	4 months

### (c) Compensation and Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Hilario G. Davide, Jr.	September 16, 2016	2	2	100	4 months
Member (NED)	Yerik C. Cosiquien	July 19, 2010	1	1	100	6 years
Member	Louie Ferrer	March 16, 2011	1	1	100	5 years
Member (ID)	Leonilo G. Coronel	July 19, 2010	1	1	100	6 years

<sup>26</sup>Updated as of 2016.

<sup>27</sup> Chief Justice Davide was made part of the Audit Committee on September 16, 2016. From the day of his election until December 31, 2016, there were only 2 Audit Committee Meetings.

Member (ED)	Edgar B. Saavedra	March 16, 2011	1	1	100	5 years
Member	Florentino A. Tuason, Jr.	April 8, 2011	1	1	100	5 years

(d) Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Hilario G. Davide, Jr.	September 16, 2016	0	0	N/A	4 months
Member (ID)	Leonilo G. Coronel	July 19, 2010	0	0	N/A	6 years
Member (ED)	Michael C. Cosiquien	March 16, 2011	0	0	N/A	5 years
Member (ED)	Edgar B. Saavedra	March 27, 2014	0	0	N/A	2 years
Member (ED)	Oliver Tan	September 16, 2016	0	0	N/A	4 months
Member (NED)	Florentino A. Tuason, Jr.	June 30, 2015	0	0	N/A	1 year

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors: **N/A**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A	N/A	N/A	N/A	N/A	N/A
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes: <sup>28</sup>

**Due to Sec. Briones' appointment as Secretary of Education, effective July 1, 2016, she could no longer sit as a member of the Board of Directors. Ms. Uychaco's term as director ended in 2016. Thus, the resulting positions vacated were filled up by other members of the Board.**

<sup>28</sup> Updated as of 2016.

4) Work Done and Issues Addressed<sup>29</sup>

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

Name of Committee	Work Done	Issues Addressed
Audit and Compliance	Discussed and recommended the Audited Financial Statements for year ended 2015 for Board approval	None
	Discussed and approved the Interim Financial Statements as of March 31, 2016	None
	Discussed and approved the Interim Financial Statements as of June 30, 2016	None
	Discussed and approved the Interim Financial Statements as of September 30, 2016.  Reviewed work done of the internal audit group and approved revised audit plan.  Approved audit plan of external auditor.	None
Compensation and Nomination Committee	Approved the Company's committee charter and review the organizational structure of the Corporation	None
Risk	Identified the risks of the Corporation	Agreed to complete a template of the risks of an organization
Others (Specify)	N/A	N/A

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review the organization and management information system of the company	None
Audit and Risk Management	Review its duties and responsibilities in the next committee meeting	None
Nomination	Review the nominations and gave the list of nominees to the Corporate Secretary	None

<sup>29</sup> Updated as of 2016.

Compensation	None	None
Others (Specify)	N/A	N/A

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

**On October 1, 2012, the Audit and Risk Management Committee agreed to adopt an Enterprise Risk Management (ERM) Policy Statement wherein the company shall: (i) establish a culture of disclosing, evaluating and managing risks, from the Board of Directors and throughout the organization towards achieving its goals and objectives; (ii) protect and preserve its employees' and clients' safety and welfare, the value and condition of its properties and assets and its local and global reputation; and (iii) align its risk appetite with its long-term strategic objectives.**

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

**The directors have reviewed the effectiveness of the company's risk management system.**

**The measures currently in place have proven to be effective and adequate. However, the company, together with the Enterprise Risk Management Committee, plans to institutionalize and formalize the risk management system.**

(c) Period covered by the review;

**N/A. Please see explanation in item (b) above.**

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

**N/A. Please see explanation in item (b) above.**

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

**N/A. Please see explanation in item (b) above.**

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Credit Risk	<p>Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company.</p> <p>The Company continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.</p>	<p>The primary objective of the Company's risk and financial management framework is to protect the Company's shareholder from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p> <p>To ensure that all risks affecting the profitability and cash flow management are identified.</p>
Liquidity Risk	<p>The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.</p> <p>The Company maintains cash to meet its liquidity requirement for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.</p>	<p>To ensure that all risks affecting the profitability and cash flow management are identified.</p>
Market Risk	<p>The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risk which result from its operating, investing and financing activities.</p> <p>The Company's policy is to minimize interest rate cash flow risk exposure on long-term financing. Longer-term borrowing are therefore usually made at fixed rates.</p>	<p>To ensure that all risks affecting the profitability and other material risks are identified.</p>



	In relation to its investment portfolio, the Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by the management. The investments are also continuously monitored for further fluctuations in existing market yield rates.	
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(b) Group

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	<p>Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group.</p> <p>The Group continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.</p>	<p>The primary objective of the Group's risk and financial management framework is to protect the Group's shareholder from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.</p> <p>To ensure that all risks affecting the profitability and cash flow management are identified.</p>
Liquidity Risk	<p>The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.</p> <p>The Group maintains cash to meet its liquidity requirement for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally</p>	<p>To ensure that all risks affecting the profitability and cash flow management are identified.</p>

	secured by an adequate amount of committed credit facilities.	
Market Risk	<p>The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.</p> <p>The Group's policy is to minimize interest rate cash flow risk exposure on long-term financing. Longer-term borrowing are therefore usually made at fixed rates.</p> <p>In relation to its investment portfolio, the Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by the management. The investments are also continuously monitored for further fluctuations in existing market yield rates.</p> <p>The Group manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.</p>	To ensure that all risks affecting the profitability and other material risks are identified.

(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
<p>The risk to minority shareholders is in relation to their right to be represented in the Board. However, the shareholder has the right to cumulate his votes in order to assure proper representation in the Board.</p> <p>In terms of approval of corporate actions, the company has two independent directors and it complies with the requirements of the Corporation Code, Securities Regulation Code, and Manual of Corporate Governance in ensuring and protecting the rights of the stockholders.</p>

3) Control System Set Up

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Credit Risk	Credit risk is a risk of default of a obligor to fully meet their commitments in a timely manner. The Company reviews its aging of receivable on a monthly basis and reviews defaults on a historical basis to analyze trends and patterns arising from such default.	The Company continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.
Liquidity Risk	Liquidity risk is a risk that a Company may not be unable to meet short term financial demands. Risk is measured through preparation of yearly forecast, which is updated monthly to determine cash flow requirement.	The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business.
Market Risk	Market risk refers to the risk of losses due to changes in market prices, interest rates and foreign-exchanges. The Company monitors its investment portfolio on a monthly basis to ensure that market fluctuations do not impact significantly the Company's profitability.	For long-term borrowings, the Company enters into a fixed interest rate with the banks to minimize exposures. Investment portfolio are evaluated and compared with prevailing market opportunities to ensure maximum return on investments.

(b) Group

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
	same as above	

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Enterprise Risk Management Committee	Assists the Board in the development and oversight of the company's risk management program,	Generally oversees the risk management process to be an integral part of planning and operations of the company to meet corporate goals and objectives

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

**A system of internal control refers to the process by which organizations maintain environments that encourage incorruptibility and deter fraudulent activities by management and employees. Internal controls encompasses a set of rules, policies and procedures the Group implements to provide reasonable assurance that:**

- Its financial reports are reliable
- Its operations are effective and efficient; and
- Its activities comply with applicable laws and regulations.

**The Group applies the Committee of Sponsoring Organizations (COSO) framework in understandings its internal control system and provides the following key concepts:**

- Internal control is a process, rather than a structure. It is continuing series of activities, planned, implemented and monitored by the board of directors and management at all levels within an organization
- Internal control provides reasonable assurance, not absolute assurance, with regard to achievement of the organization's objectives
- The objectives of internal control relate to assurance not only about reliable financial reporting and compliance, but also with regard to its effectiveness and efficiency of operations
- Internal control is therefore also concerned with the achievement of performance objectives, such as profitability.

**Warnings should also be given regarding over-reliance on any system, noting in particular that:**

- A good internal control system cannot turn a poor manager into a good one
- The system can only provide reasonable assurance regarding the achievement of objectives – all internal control systems are at risk from mistakes and errors
- Internal control systems can be by-passed by collusion and management override
- Controls are only designed to cope with routine transactions and events

- There are resource constraints in provision of internal control systems, limiting their effectiveness.

In other words, it is good corporate governance to establish the system, risks with the Group will be minimized, but those risks can never be entirely eliminated.

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

The Audit and compliance committee, through the powers granted by the Board of Directors, is responsible for reviewing the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is communicated to the Audit and Compliance Committee by the Head of Internal Audit who reports directly to the Audit and Compliance Committee and considers the work of the Internal Audit Department (IAD), by senior managers within the Company who have responsibility for the development and maintenance of the internal control framework, and by the comments made by the External Auditors in their management letters and audit report.

The IAD undertakes independent and objective assurance and advisory activities, which are designed to improve and add value to the Company's operations. Using a systematic, risk-based approach, the IAD seeks to assist the Company to achieve its objectives by auditing the effectiveness and efficiency of the organizational governance, internal controls, operations and process. The IAD undertakes internal audit assignments, for which, very price objectives are established through an assessment of the relevant risk. On the conclusion of an oversight assignment, the IAD prepares a detailed report addressed to concerned individuals. The assignment reports includes findings and recommendation to help management address risks, maintain or enhance internal controls, and encourage effective governance. IAD systematically follows up on all the recommendations it makes.

Based on the foregoing, the directors assessed that the system of internal control has been in place for the year ending December 31, 2016.

- (c) Period covered by the review;

**December 31, 2016**

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

Every quarter the IAD reports to the Audit and Compliance Committee the summary of results of audit engagements. Please see item (b) above.

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

**N/A. Please see item (b) above.**

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether in-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Evaluating the reliability and integrity of significant information	All financial and operating information	In-house	Mia Cortez/ Robin John Lim	As needed
Evaluating the systems established to ensure compliance	Compliance with policies, plans, procedures which could have a significant impact on the organization	In-house	Mia Cortez/ Robin John Lim	As needed

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

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

**The internal audit team directly reports to the Audit and Compliance Committee.**

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Jesus Antonio Rueda	Resignation to explore opportunity outside the country

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

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

<b>Progress Against Plans</b>	
Issues <sup>30</sup>	No critical issues noted that would put the Company at major risk
Findings <sup>31</sup>	No critical findings noted that would put the Company at major risk
Examination Trends	No significant examination trends were noted.

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

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

(f) Audit Control Policies and Procedures

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Establish governance frameworks to define the scope of work and policies that will regulate and control department activities	Implemented
Ensure the efficient functioning of resources, issue written reports and instructions that deal with policies and procedures regarding recordkeeping, attendance, leave, and other administrative requirements	Implemented

(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):

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<sup>30</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>31</sup> "Findings" are those with concrete basis under the company's policies and rules.

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<p>Internal Auditors are not authorized to:</p> <ol style="list-style-type: none"> <li>1.Perform operational duties;</li> <li>2.Approve accounting transactions;</li> </ol> <p>External Auditors may not provide the following services to the company:</p> <ol style="list-style-type: none"> <li>1.Management responsibilities;</li> <li>2.Preparing accounting records;</li> <li>3.Financial information systems design and implementation.</li> </ol>	<p>There are no independent issues involving financial analysts, investment banks and rating agencies as there are no public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</p>		

- (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. **Compliance Officer**

## H. ROLE OF STAKEHOLDERS

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	The company implements strict quality assurance and quality controls	Conducts site visits to perform audit on the accomplishments and quality output of each site
Supplier/contractor selection practice	The company has a supplier accreditation policy in place.	At least three suppliers are required to submit their bid proposals for review and evaluation, and a recommendation is submitted for consideration.
Environmentally friendly value-chain	ISO 14001:2004 Environmental Management System Standards  LEED Certification	The company is ISO 14001 compliant.
Community interaction	Megawide Corporate Foundation, Inc.	Initiatives undertaken by the company includes rehabilitation of Dormitory at the Hospicio de San Jose, Organic Farming in Silay, Library upgrade of TUP



Anti-corruption programmes and procedures?	The company does not condone any dishonest, unethical or unprofessional behavior regardless of his level of authority.	Violations or suspected violation of company policies can be brought to the attention of any of the following:  1. Head of Human Resources Department 2. Compliance officer 3. Head of Audit Group
Safeguarding creditors' rights	The company manages its cash flow to meet its obligations.	All obligations are settled promptly as part of the company's commitment to its business partners.

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

**Megawide Corporate Foundation, Inc.**

- 3) Performance-enhancing mechanisms for employee participation:

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

**The company commits to provide and maintain a safe, secure and healthy work environment.**

**Employees are instructed to report accidents and unsafe conditions and practices to the Safety Department.**

**The company also has health care benefits for employees covered by its insurance provider.**

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

**The company's Manual on Safety Procedures is properly disseminated to all its employees.**

**Moreover, all employees are required to undergo annual medical check-up.**

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

**Depending on their work assignment and employee development plans, employees undergo, or are sent to, specialized training courses.**

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measurers  
**Employees receive incentives based on their performance, which is evaluated every June and December.**

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

**The company's Code of Ethics and Business Conduct and other relevant rules and regulations shall serve as a guide in determining the penalties and sanctions to be imposed by the Human Resources Department where violations are proven and validated.**

**Before enforcing any disciplinary sanction, due process shall be observed in the handling of all cases.**

**Upon complainant's request, the company shall use its best efforts to protect the identity of the complainant for any report made in good faith.**

**Reports of violations or suspected violations shall be kept confidential, consistent with the need to conduct an adequate investigation.**

## I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2016)<sup>32</sup>

Shareholder	Number of Common Shares	Percent	Beneficial Owner
Citicore	1,362,957,505	56%	Citicore
PCD Nominee Corporation (Filipino)	715,316,191	29%	Various
PCD Nominee Corporation (Non-Filipino)	277,221,588	11%	Various

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

2) Does the Annual Report disclose the following:<sup>33</sup>

Key risks	Yes
Corporate objectives	Yes

<sup>32</sup>Updated as of 2016.

<sup>33</sup>Updated as of 2016.

Financial performance indicators	Yes
Non-financial performance indicators	N/A. All of the company's key performance indicators are financial.
Dividend policy	Yes
Details of whistle-blowing policy	No. This information was not required to be included in the Annual Report. The Audit and Compliance Committee has approved a whistle-blowing policy on January 2017.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No. This information was not required to be included in the Annual Report.
Number of board of directors/commissioners meetings held during the year	No. This was disclosed in an advisement letter filed with the SEC.
Attendance details of each director/commissioner in respect of meetings held	No. This was disclosed in an advisement letter filed with the SEC.
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
Punongbayan & Arullo	Php1,935,000	Php 480,000

Except for the audit opinion rendered on the financial statements of Megawide and review for the use of proceeds on Megawide's preferred shares, the external auditor did not provide any other type of services.

4) Medium of communication

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

- (a) Company Website;
- (b) Philippine Stock Exchange (PSE) Disclosures;
- (c) Press releases.

5) Date of release of audited financial report: **April 6, 2017**

6) Company Website

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

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<sup>34</sup>**

RPT	Relationship	Nature	Value
Refer to Note 26 of the Consolidated Financial Statements			

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? **Please see above discussion.**

**J. RIGHTS OF STOCKHOLDERS**

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

(a) Quorum

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

<b>Quorum Required</b>	A majority of the outstanding capital stock, in accordance with the Corporation Code of the Philippines.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Voting by poll
<b>Description</b>	Shareholders cast their vote on any resolution through the use of ballots.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Right to receive Notice of Regular meeting at least two (2) weeks prior to the meeting	Right to receive Notice of Special Meeting at least two (2) weeks prior to the meeting

<sup>34</sup>Updated as of 2016

<p>Right of appraisal in certain instances where he has dissented and voted against a corporate action, including:</p> <p>a) An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;</p> <p>b) The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;</p> <p>c) The investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized; and</p> <p>d) A merger or consolidation.</p>	<p>Right to nominate candidates to be elected as directors not earlier than forty (40) days nor later than twenty-five (25) days prior to the date of the regular or special meeting of stockholders for the election of directors</p>
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Dividends<sup>35</sup>

Declaration Date	Record Date	Payment Date
March 9, 2016	February 23, 2016	March 3, 2016
March 9, 2016	May 10, 2016	June 3, 2016
March 9, 2016	August 9, 2016	September 3, 2016
March 9, 2016	November 8, 2016	December 3, 2016

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
During the stockholders' meeting, the presiding officer opens the floor for questions. The questions are addressed by the relevant officers of the company.	
Even after the meeting has been adjourned, the directors and officers entertain questions and encourage discussions with the stockholders.	

<sup>35</sup>Updated as of 2016

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

**During the stockholders' meeting, the presiding officer opens the floor for other matters. These matters are addressed by the relevant officers of the company. If any of the above corporate acts will be discussed in a stockholders' meeting, they will be included in the Information Statement which is distributed to the stockholders 15 business days before the AGM.**

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

**No. It gives out notices at least 15 business days before the date of the AGM.**

- a. Date of sending out notices :**August 25, 2016**<sup>36</sup>
  - b. Date of the Annual/Special Stockholders' Meeting: **September 16, 2016**<sup>37</sup>
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting<sup>38</sup>

**The questions and answers raised during the September 16, 2016 Annual Stockholders' Meeting were as follows:**

**A shareholder asked how the functions of the Chief Executive Officer (CEO) and Chief Operating Officer (COO) are delineated. The Chairman answered that the CEO determines the strategy of the company while the COO handles operations.**

**The same shareholder inquired why the email address of the Corporation is not indicated in the Philippine Stock Exchange's Electronic Disclosure Generation Technology (EDGE) Portal. The Chairman said that his comment will be taken note of.**

**The same shareholder congratulated the Corporation for registering a strong balance sheet.**

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<sup>36</sup>Updated as of 2016

<sup>37</sup>Updated as of 2016

<sup>38</sup>Updated as of 2016

5. Result of Annual/Special Stockholders' Meeting's Resolutions<sup>39</sup>

Resolution	Approving	Dissenting	Abstaining
Approval of the Audited Financial Statements for the Year Ended December 31, 2015	1,847,546,071	0	0
Appointment of External Auditor	1,847,546,071	0	0

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

The results of the votes are reflected in the Minutes of the Annual Stockholders' Meeting which are uploaded to the Company's website within five (5) days from the actual date of the said meeting. A copy of the Minutes is also sent to the stockholders and uploaded in the PSE's website.

(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: **None**

Modifications	Reason for Modification

(f) Stockholders' Attendance

(g) Details of Attendance in the Annual/Special Stockholders' Meeting Held:<sup>40</sup>

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	Michael Cosiquien Edgar Saavedra Yerik Cosiquien Elizabeth Anne Uychaco Florentino A. Tuason, Jr. Leonor Briones Leonilo Coronel Oliver Tan Louie Ferrer Joyce M. Briones	September 16, 2016	By poll	0.01%	74.07 %	75.74%

<sup>39</sup>Updated as of 2016

<sup>40</sup>Updated as of 2016

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

**Yes, representatives of the external auditor, Punongbayan & Araullo were present to count and/or validate 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. **Yes.**

(h) Proxy Voting Policies

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

	<b>Company's Policies</b>
Execution and acceptance of proxies	Must be in writing, signed by the stockholders and submitted 10 working days prior to validation. There is a presumption of regularity in the execution of proxy.
Notary	Not required
Submission of Proxy	Must be submitted to the Corporate Secretary 10 working days prior to validation.
Several Proxies	If given to two persons, either or both may exercise the power given. If three or more are named, majority of those who attend exercise the power given.
Validity of Proxy	Pursuant to the Corporation Code, it can be specific for said meeting or valid for 5 years.
Proxies executed abroad	No company policy
Invalidated Proxy	If the stockholder appears at the meeting, the proxy becomes invalid.
Validation of Proxy	At least <u>five (5)</u> working days before any meeting
Violation of Proxy	Proxy will not be accepted.

(i) Sending of Notices

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

<b>Policies</b>	<b>Procedure</b>
May be sent by personal delivery or mail at least two (2) weeks prior to the date of the meeting	Notices of the Annual Meeting are sent together with copies of the Information Statement through the Stock and Transfer Agent's independent delivery services provider



(j) Definitive Information Statements and Management Report<sup>41</sup>

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	25
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 21, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 21, 2016
State whether CD format or hard copies were distributed	Yes.
If yes, indicate whether requesting stockholders were provided hard copies	Yes.

(k) 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.	No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting.
The auditors to be appointed or re-appointed.	No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting.
An explanation of the dividend policy, if any dividend is to be declared.	No. Dividends were not declared.
The amount payable for final dividends.	No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting and PSE/SEC disclosures.
Documents required for proxy vote.	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **Please see above explanation.**

<sup>41</sup>Updated as of 2016

2) Treatment of Minority Stockholders

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

**The Board of Directors has adopted the corporate governance policy stated in the Revised Code of Corporate Governance. In particular, the Board has adopted the following policies to protect the rights of minority stakeholders:**

Policies	Implementation
A director shall not be removed without cause if it will deny minority shareholders representation in the Board.	These policies are being implemented by the company.
The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	
The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."	
The Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.	

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

**K. INVESTORS RELATIONS PROGRAMS**

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

**Aside from regular reporting and disclosures to various regulating agencies such as the SEC and PSE, the company actively maintains a website that provides timely information updates on its governance and financial performance.**

**The company has also designated officers to handle queries and requests from investors and shareholders.**

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

	<b>Details</b>
(1) Objectives	To build understanding and relationship of trust with financial media, analysts, investing community and shareholders
(2) Principles	Provide essential, correct, and up-to-date information to analysts, the investing community and shareholders
(3) Modes of Communications	PSE website, company website, meetings, email, telephone calls
(4) Investors Relations Officer	Joan Cosico Vice President – Investor Relations Contact number: 655-1111 Email address: jcosico@megawide.com.ph investorrelations@megawide.com.ph

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

**The company does not have a separate rule or procedure governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers, and sale of substantial portions of corporate assets other than the relevant provisions in the Corporation Code of the Philippines.**

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

**N/A. The company does not have any transaction of this nature.**

## **L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES<sup>42</sup>**

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

<b>Initiative</b>	<b>Beneficiary</b>
Megawide Engineering Excellence Scholarship Program	7 from TUP Manila and 1 from UP Diliman
Aklat para sa lahat (Book reading and Provision of reading corners) in Bataan, Rizal, Cebu, and Paranaque	2,400 School Aged Children (preschool to high school) – 21 daycare centers, 8 elementary schools, and 1 high schools
Megawide – TUP Center for Engineering Excellence (library upgrade)	300 Engineering Students enrolled at the TUP College of Engineering who have access to the library
Organic Farming Project with the women of Barangay Rizal, Silay City	20 housewives in Rizal
Cebu City Operation Second Chances Livelihood Training Program	135 orphans, child victims and children in conflict with the law undergoing reform and rehabilitation
Megawide Citicore Operation Tuli in Bataan	150 school-aged children
Building Green – Megawide Foundation Supports	300 community members and 1 organization

<sup>42</sup>Updated as of 2016

Earth Day 2016 – Mangrove Tree Planting Activity	
<i>Building Greens</i> – Adoption of a 5-hectare lot in the Marikina Watershed Area	300 community members and 1 organization
Launch and Cascade of Megawide Foundation and Employee Volunteerism Policy	70 employees attended the general assembly
Branding and Corporate Merchandise	300 items intended for volunteers, employees, partners
Solicitations and other contributions	1 academe, 1 religious, 2 cause-oriented group and 1 socio-civic organizations
Rehabilitation of Dormitory at the <i>Hospicio de San Jose</i>	Currently being used by 150 male wards aged 7-15 and special children
Christmas Thanksgiving Outreach	For 75 service staff and support employees (messengers, drivers, utility, etc.)

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

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

	Process	Criteria
<b>Board of Directors</b>	The performance of the Board is reviewed.	By-laws, Manual on Corporate Governance
<b>Board Committees</b>	Self-assessment	The performance of the Audit and Compliance Committee is reviewed based on the standard provided in the Manual on Corporate Governance.
<b>Individual Directors</b>	Self-assessment	By-laws, Manual on Corporate Governance
<b>CEO/President</b>	The performance of the CEO/President is reviewed by the Board.	By-laws, Manual on Corporate Governance, overall performance of the company.

## N. INTERNAL BREACHES AND SANCTIONS

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

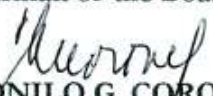
Violations	Sanctions
First violation	Reprimand
Second violation	Suspension from office  The duration of the suspension shall depend on the gravity of the violation.
Third	Removal from office or directorship

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 CITY on JUN 08 2017

SIGNATURES

  
MICHAEL C. COSIQUIEN

Chairman of the Board

  
LEONILO G. CORONEL

Independent Director

  
JENNIFER C. LEE

Compliance Officer

  
MICHAEL C. COSIQUIEN

Chief Executive Officer

HILARIO G. DAVIDE, JR.

*out of town*  
Independent Director

SUBSCRIBED AND SWORN to before me this JUN 08 2017,  
affiants exhibiting to me their valid IDs, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Michael C. Cosiquien	TIN 150-443-099-000	
Leonilo G. Coronel	PP# EB7221293	23 January 2013/ DFA NCR East
Jennifer C. Lee	PP# EC4663163	16 July 2015/DFA Mla.

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Page No. 37;  
Book No. I;  
Series of 2017.



*Anna Maria D. Kagasan*  
ANNA MARIA D. KAGASAN  
Commission No. M-278  
Notary Public for Makati City  
Until December 31, 2018  
6th Floor, Don Pablo Building  
114 Amoroso St., Legaspi Village, Makati City  
PTR No. 5918446/01-11-17/Makati City  
IBP No. 1061001/01-10-17/Makati City  
Admitted to BAR on May 2016  
Roll No. 66038