

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**  
**Consolidated Changes in the ACGR for 2014**

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9)
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Actual number of Directors for the year	Nine (9)
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Dr. Emilio T. Yap	NED	N/A	Dr. Perez	2002	July 2013	Annual	14
Dr. Ma. Cristina D. Padolina	ED	N/A	Dr. Perez	8/2006	July 2013	Annual	6
Dr. Angel C. Alcala	ID		Dr. Perez (no relation)	7/2008	July 2013	Annual	6
Dr. Emil Q. Javier	ID		Dr. Perez (no relation)	7/2002	July 2013	Annual	13
Dr. Ricardo F. de Leon	ED	N/A	Dr. Perez	2/2008	July 2013	Annual	6
Dr. Emilio C. Yap	NED	N/A	Dr. Perez	9/2009	July 2013	Annual	5
Dr. Alejandro C. Dizon	NED	N/A	Dr. Perez	8/2007	July 2013	Annual	7
Dr. Johnny C. Yap	NED	N/A	Dr. Perez	10/2007	July 2013	Annual	7
Ms. Corazon M. Tiongco	ED	N/A	Dr. Perez	2000	July 2013	Annual	14

Annual Stockholders' Meeting held on July 23, 2013.

Reference:  
CEU Results of ASM of July 23, 2013

- (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.

Policies:

The Board of Directors and Management of CEU 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 their corporate goals.

The Shareholders, Board of Directors and Senior Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and ensure compliance to corporate governance policies and practices within the organization. The Board also believes that complete, adequate and timely material information should be given to the public.

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

The Board shall respect the rights of the stockholders are provided for in the Corporation Codes, namely:

- i. Right to vote on all matters that require their consent and approval;
- ii. Pre-emptive right to all stock issuances of the corporation;
- iii. Right to inspect corporate books and records
- iv. Right to information
- v. Right to dividends; and
- vi. Appraisal right

The Board has likewise adopted the corporate governance policy to protect the rights of minority stakeholders under the Revised Code of Corporate Governance:

- A director shall not be removed without

The Company's Board of Directors has adopted the principle of "one share, one vote" policy to ensure that all shareholders are treated equally with respect to voting rights, subscription rights and transfer rights. By having 2 independent directors elected during the annual stockholders' meeting the Board of Directors has established effective shareholder voting mechanisms such as "majority of minority" to protect minority shareholders against actions of controlling shareholders. The Company provides all shareholders with the notice and agenda of the annual general meeting (AGM) at least 15 business days prior to the meeting so as to allow shareholders to call a special shareholders' meeting and submit a proposal for consideration at the AGM or the special meeting. During the annual shareholders' meeting, the Board ensures the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.

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

The Board of Directors of Centro Escolar University reviews and approved the vision and mission of the University annually during the annual organizational meeting of the University.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
N/A (No member of the company's Board of Directors holds the office of a director in other companies within its Group).	N/A (No member of the company's Board of Directors holds the office of a director in other companies within its Group).	N/A (No member of the company's Board of Directors holds the office of a director in other companies within its Group).

(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

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

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.
Dr. Emilio T. Yap	Philtrust Bank	Non-Executive Director-Chairman Emeritus
	Centro Escolar University	Non-Executive Director-Chairman
Dr. Emilio C. Yap III	Manila Bulletin	Executive-Director
	Philtrust Bank	Executive-Director
Dr. Johnny C. Yap	Euromed Laboratories Phils.	Executive-Vice Chairman
	Philtrust Bank	Executive-Treasurer

(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
Dr. Emilio C. Yap III	Emilio T. Yap	Grandfather
Dr. Johnny C. Yap	Emilio T. Yap	Grandfather

(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:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporation. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.	No limit has yet been set on the maximum number of executive directorship in other companies. However, for listed companies the maximum number of executive directorship is five (5) board seats.
Non-Executive Director	Non-executive directors, who, at the same time, serve as full-time executives in other corporations, may be covered by a lower indicative limit of membership in other boards. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities should not be compromised	No limit has yet been set on the maximum number of non-executive directorship in other companies. However, for listed companies the maximum number of directorship is five (5) board seats.

CEO	The Chief Executive Officer may be covered by a lower indicative limit of membership in other boards. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities should not be compromised.	No limit has yet been set on the maximum number of non-executive directorship in other companies. However, for listed companies the maximum number of directorship is five (5) board seats.
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(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Dr. Emilio T. Yap	1	0.00	0.0000%
Dr. Ma. Cristina D. Padolina	38,316	0.00	0.0103%
Dr. Emil Q. Javier	1	0.00	0.0000%
Dr. Angel C. Alcala	1	0.00	0.0000%
Dr. Ricardo F. de Leon	39,370	0.00	0.0106%
Dr. Alejandro C. Dizon	51,837	49,981,575	13.4210%
Corazon M. Tiongco	10,108,404	0.00	2.7143%
Dr. Emilio C. Yap III	267,173	0.00	0.0717%
Dr. Johnny C. Yap	1,000	0.00	0.0003%
<b>TOTAL</b>	<b>10,506,103</b>	<b>49,981,575</b>	<b>16.241%</b>

Reference: SEC FORM 23B March 31, 2014 Corazon M. Tiongco

2) Chairman and CEO

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

Yes  /  No

Identify the Chair and CEO:

Chairman of the Board	Dr. Emilio T. Yap
Chief Academic Officer/President	Dr. Ma. Cristina D. Padolina

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Maintain qualitative and timely lines of communication and information	Exercise general supervision of the business, affairs and property of the

	between the Board and Management	Corporation, and over its several officers and employees.
Accountabilities	<p>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</p> <p>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.</p>	<p>Act as Acting Chairman at and call to order all meetings of the stockholders of the corporation.</p> <p>See that all orders and resolutions of the Board are carried into effect.</p> <p>Perform such other duties as from time to time may be assigned by the Board.</p>
Deliverables	Attendance in regular and special board meeting, ensuring the presence of a quorum for transaction of corporate business.	Submit to the Board a monthly oOperations report during regular meeting and after the close of each fiscal year, submit to the Board and stockholder at each annual meeting a complete report of the operations of the corporation for the preceding year, and the state of affairs of the corporation.

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

The President/CEO and other top management positions are elected by the Board during the Organizational meeting after the stockholders' meeting. Since the President/CEO and other top management officials are part of the Board, they are exposed and familiar with the policies set by the Board for implementation. The Board, particularly the Independent Directors who are also members of the Audit Committee observe and assess their performance closely. This also prepare others for any top management position in case of vacancy.

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

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

Yes, experience and background are considered in the choice of members of the Board. One of the Independent Director is a former Chairman of CHED, and Former Secretary of DENR. One executive director is a former Chancellor of the UP Open University and Commissioner of CHED and the other executive director is former President of Mindanao State University. Other Directors are successful businessmen and professionals.

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

Yes, one of the Independent director is a Former President of the University of the Philippines.

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

	Executive	Non-Executive	Independent Director
Role	To design, develop and implement strategic plans for	To constructively challenge and contribute to the	The role of independent directors is to provide an



	the company in a cost-effective and time-efficient manner.	development of business strategies. To scrutinize the performance of management in meeting agreed goals and objectives and monitoring and in succession planning.	outside perspective, supporting the chair in leading the board and to assist the board in the development of policy-making and planning.
Accountabilities	Responsible for the day-to-day operation of the organization, including managing committees and staff and developing business plans in collaboration with the board for the future of the organization	Not involved in the day-to-day running of business. Monitors the executive activity and contributes to the development of business strategies.	Evaluate management performance and making sure that financial information provided to shareholders is accurate and complete independent directors should also ensure that a robust risk-management system is in place.
Deliverables	Accountable to the Chairman of the Board and reports to the board on a regular basis. The board may offer suggestions and ideas about how to improve the company, but the Executive Director decides whether or not, and how, to implement these ideas.	Non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.  Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing senior management and in succession planning.	There must be at least one independent director in Nominations, Audit and Remuneration Committee. The Independent director shall perform its duties in accordance with the respective committee charters.

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

Independence for the Company is an essential part of professionalism and professional behavior. It refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. It is an ability to 'stand apart' from inappropriate influences to be able to make the correct and uncontaminated decision.

Centro Escolar University in its continuous commitment to the information needs of our people and our democratic institutions maintains its independence by being a vehicle of fidelity and impartiality, while upholding its dedication of bringing good news to the public.

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

The company in compliance with SEC Memorandum Circular No 9 series of 2011, have a term limit for independent directors of five (5) consecutive years. After completion of the five (5) year service period, an independent director shall be ineligible for election as such in the company until he has undergone a "cooling off" period of two (2) years. An independent director re-elected after the "cooling off" period can serve for another

five (5) consecutive years, provided that, after serving as independent director for ten (10) years, the independent director shall no longer be considered.

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
Not applicable	Not applicable	Not applicable	Not applicable

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree.</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience.</li> </ul>
(ii) Non-Executive Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting.	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience</li> </ul>
(iii) Independent Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting.	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience</li> </ul>

<b>b. Re-appointment</b>		
(i) Executive Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting.	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience</li> </ul>
(ii) Non-Executive Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting.	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience</li> </ul>
(iii) Independent Directors	Evaluation by the Board on the recommendation of the Nomination Committee, ratified at Annual Stockholder's Meeting	<ul style="list-style-type: none"> <li>a. College education or equivalent academic degree</li> <li>b. Practical understanding of the business of the corporation</li> <li>c. Membership in good standing in relevant industry, business or professional organization</li> <li>d. Previous business experience</li> </ul>
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	No director has been disqualified in accordance with the criteria	<ol style="list-style-type: none"> <li>1. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined under the Securities Regulation Code; (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 (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> <li>2. Any person who, by reason of his misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures</li> </ol>

		<p>commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (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.</p> <p>3. Any person who is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission 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> <p>4. 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.</p> <p>5. Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have 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 Commission or SSP, or any of its rule, regulation or order.</p> <p>6. Any person judicially declared as insolvent.</p> <p>7. Any person found guilty by final judgment or order of a foreign court or</p>
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		<p>equivalent financial regulatory authority of acts, violations or misconduct similar to an or the acts, violations or misconduct enumerated in sub-paragraphs (1) to (5) above.</p> <p>8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	No director has been disqualified in accordance with the criteria	<p>1. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined under the Securities Regulation Code; (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 (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.</p> <p>2. Any person who, by reason of his misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (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.</p> <p>3. Any person who is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to</p>

		<p>him under the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission 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> <p>4. 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.</p> <p>5. Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have 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 Commission or SSP, or any of its rule, regulation or order.</p> <p>6. Any person judicially declared as insolvent.</p> <p>7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to an or the acts, violations or misconduct enumerated in sub-paragraphs (1) to (5) above.</p> <p>8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
(iii) Independent Directors	No director has been disqualified in accordance with the criteria	1. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined under the

		<p>Securities Regulation Code; (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 (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.</p> <p>2. Any person who, by reason of his misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (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.</p> <p>3. Any person who is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission 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> <p>4. Any person convicted by final judgment or order by a court or competent administrative body of an</p>
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		<p>offense involving moral turpitude, fraud, embezzlement, theft, estafa counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.</p> <p>5. Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have 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 Commission or SSP, or any of its rule, regulation or order.</p> <p>6. Any person judicially declared as insolvent.</p> <p>7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to an or the acts, violations or misconduct enumerated in sub-paragraphs (1) to (5) above.</p> <p>8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	No director has been temporary disqualified in accordance with the criteria	<p>1. 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.</p> <p>2. 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 his incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purpose4s of the succeeding election.</p> <p>3. Dismissal or termination for cause as director of any corporation covered by this Code. This disqualification shall be in effect until he has cleared himself</p>



		<p>from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>4. If any of the judgments or order cited in the grounds of disqualification has not become final.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(ii) Non-Executive Directors	No director has been temporary disqualified in accordance with the criteria	<p>1. 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.</p> <p>2. 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 his incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purpose4s of the succeeding election.</p> <p>3. Dismissal or termination for cause as director of any corporation covered by this Code. This 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> <p>4. If any of the judgments or order cited in the grounds of disqualification has not become final.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(iii) Independent Directors	No director has been temporary disqualified in accordance with the criteria	<p>1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations.</p>

		<p>The disqualification shall be in effect as long as the refusal persists.</p> <p>2. 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 his incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purpose4s of the succeeding election.</p> <p>3. Dismissal or termination for cause as director of any corporation covered by this Code. This 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> <p>4. If any of the judgments or order cited in the grounds of disqualification has not become final.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
<b>e. Removal</b>		
(i) Executive Directors	No director has been removed in accordance with the criteria	Any of the above instances for permanent disqualification.
(ii) Non-Executive Directors	No director has been removed in accordance with the criteria	Any of the above instances for permanent disqualification.
(iii) Independent Directors	No director has been removed in accordance with the criteria	Any of the above instances for permanent disqualification.
<b>f. Re-instatement</b>		
(i) Executive Directors	No director has been reinstated in accordance with the criteria	Any person who is permanently disqualified as a director shall not be eligible for reinstatement.
(ii) Non-Executive Directors	No director has been reinstated in accordance with the criteria	Any person who is permanently disqualified as a director shall not be eligible for reinstatement.
(iii) Independent Directors	No director has been reinstated in accordance with the criteria	Any person who is permanently disqualified as a director shall not be eligible for reinstatement.
<b>g. Suspension</b>		
(i) Executive Directors	No director has been suspended in accordance with the criteria	Any of the above instances for temporary disqualification.

(ii) Non-Executive Directors	No director has been suspended in accordance with the criteria	Any of the above instances for temporary disqualification.
(iii) Independent Directors	No director has been suspended in accordance with the criteria	Any of the above instances for temporary disqualification.

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Dr. Emilio T. Yap	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Dr. Ma. Cristina D. Padolina	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Dr. Emilio C. Yap	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Dr. Alejandro C. Dizon	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Dr. Johnny C. Yap	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Ms. Corazon M. Tiongco	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.
Dr. Ricardo F. de Leon	Unanimous vote of all stockholders present and represented during the annual stockholders meeting.

#### 5) Orientation and Education Program

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

ICD Orientation/Seminar

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

one (1)

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

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution

**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:

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest	The Company does not permit conflict of interest.	The Company does not permit conflict of interest.	The Company does not permit conflict of interest.
(b) Conduct of Business and Fair Dealings	The Company adheres to the principle of fairness in the conduct of its business and dealings.	The Company adheres to the principle of fairness in the conduct of its business and dealings.	The Company adheres to the principle of fairness in the conduct of its business and dealings.
(c) Receipt of gifts from third parties	The Company requires disclosure and regulates the receipt of gifts from third parties.	The Company requires disclosure and regulates the receipt of gifts from third parties.	The Company requires disclosure and regulates the receipt of gifts from third parties.
(d) Compliance with Laws & Regulations	The Company requires compliance with applicable laws and regulations.	The Company requires compliance with applicable laws and regulations.	The Company requires compliance with applicable laws and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	The Company treats as confidential trade secrets and regulates use of non-public information.	The Company treats as confidential trade secrets and regulates use of non-public information.	The Company treats as confidential trade secrets and regulates use of non-public information.
(f) Use of Company Funds, Assets and Information	The Company only allows the authorized use of its funds, Assets and information.	The Company only allows the authorized use of its funds, Assets and information.	The Company only allows the authorized use of its funds, Assets and information.
(g) Employment & Labor Laws & Policies	The Company requires compliance with laws, rules and policies on employment and labor.	The Company requires compliance with laws, rules and policies on employment and labor.	The Company requires compliance with laws, rules and policies on employment and labor.
(h) Disciplinary action	The Company enforces its rules and regulations.	The Company enforces its rules and regulations.	The Company enforces its rules and regulations.
(i) Whistle Blower	No whistle blower policy is in place.	No whistle blower policy is in place.	No whistle blower policy is in place.
(j) Conflict Resolution	Undertaken by the Board of Directors.	Undertaken by the Administration Department	Undertaken by the Administration Department

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

Yes, the Company's code of conduct, which is embodied in the Company Rules and Regulations, is furnished to all directors, senior management and employees.

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

Each new director, officer and employee is personally furnished a copy of the Company Rules and Regulations. The Company acts immediately on all complaints for alleged violations of the Company Rules and Regulations and imposes the corresponding penalty after observance of due process.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(2) Joint Ventures	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(3) Subsidiaries	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(4) Entities Under Common Control	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(5) Substantial Stockholders	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(6) Officers including spouse/children/siblings/parents	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
(7) Directors including spouse/children/siblings/parents	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.

(8) Interlocking director relationship of Board of Directors	The Company regulates related party transactions. Prompt notice of related party transactions is required to be given to the Board, which in turn review and decides whether to approve, ratify, disapprove or reject the same.
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(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None (There are no actual or probable conflicts of interest involving any director.
Name of Officer/s	None (There are no actual or probable conflicts of interest involving any director.
Name of Significant Shareholders	None (There are no actual or probable conflicts of interest involving any shareholders owning 5% or more.

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	<p>It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any actual or potential conflict of interest as soon as they become aware of it. It is the responsibility of a director or senior manager who has an actual or potential conflict of interest with the Company to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction.</p> <p>A transaction characterized by an actual or potential conflict of interest should be brought before the Board Audit Committee, which will determine if such transaction will benefit the Company. The Board Audit Committee shall then present the matter to the Board for discussion.</p> <p>The conflicted board member shall not participate in discussions on transactions in which he/she is a conflicted party and shall also abstain from voting on such issues. The directors, excluding the conflicted director, should constitute a quorum in order to proceed with such meeting.</p>
Group	<p>There are no interlocking Directors in the group. There are "Interlocking Directors" where a member of the Company's board of directors also serves on another company's board where he own shares exceeding twenty percent (20%) of the latter's outstanding capital stock.</p> <p>In deciding transactions between companies with Interlocking</p>

	<p>Directors, the directors shall be guided by the rule that approval of transactions are subject to the following condition:</p> <ol style="list-style-type: none"> <li>1. The presence of director in the board meeting in which the contract was approved is not necessary to constitute a quorum for such meeting;</li> <li>2. The vote of such director is not necessary for approval of the contract;</li> <li>3. The contract is fair and reasonable under the circumstances; and</li> <li>4. In the case of an officer, the contract with the officer has to be previously authorized by the board of directors.</li> </ol>
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5) Family, Commercial and Contractual Relations

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None (There are no known family, commercial, contractual or business relations between any holder of significant equity)	Not applicable	Not applicable

(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
Not applicable	Not applicable	Not applicable

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None (There are no known shareholder agreements that may impact on the control, ownership and strategic direction of the Company)	Not applicable	Not applicable

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.

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



<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	The Company prefers to amicably resolve dispute involving stockholders.
<b>Corporation &amp; Third Parties</b>	The Company prefers to amicably resolve disputes involving third parties.
<b>Corporation &amp; Regulatory Authorities</b>	The company prefers to amicably resolve disputes involving regulatory authorities. Resort to higher authority should only be made after the dispute has not been resolved within a reasonable time.

**C. BOARD MEETINGS & ATTENDANCE**

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

The Board of Directors’ meeting are scheduled on the last Friday of the month.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Dr. Emilio T. Yap	July 23, 2013	12	12	100%
Member	Dr. Ma. Cristina D. Padolina	July 23, 2013	12	12	100%
Member	Dr. Ricardo F. de Leon	July 23, 2013	12	12	100%
Member	Dr. Alejandro C. Dizon	July 23, 2013	12	8	67%
Member	Dr. Emilio C. Yap III	July 23, 2013	12	12	100%
Member	Dr. Johnny C. Yap	July 23, 2013	12	12	100%
Member	Dr. Corazon M. Tiongco	July 23, 2013	12	12	100%
Independent	Dr. Angel C. Alcala	July 23, 2013	12	11	92%
Independent	Dr. Emil Q. Javier	July 23, 2013	12	11	92%

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

No, non-executive directors did not have a meeting without the presence of any executive directors.

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

No, the amended by-laws of the company requirement are majority of the board members.

- 5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

Board papers are given three days in advance for the board of the directors meetings.

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

Yes, Board members have independent access to Management and Corporate Secretary.

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

The Roles of the Corporate Secretary are:

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

- 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 relations are strictly followed by the members.
- If he is also the Compliance Officer, perform all the duties and responsibility of the said officer as provided in Manual of Corporate Governance.
- Perform other duties which the Board may deem fit.

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

Yes, the Corporate Secretary is well trained in legal, accountancy and corporate secretarial policies. He is a Lawyer by profession.

(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	Members of the executive committee will be given notice and agenda of the monthly board meetings by the executive secretary five days in advance of the set meetings
Audit	Members of the audit committee will be given notice and agenda of the quarterly board meetings by the internal audit head five days in advance of the set meetings
Nomination	Members of the nomination committee will be given notice and agenda of the annual board meeting by the chairman of the committee five days in advance of the set meeting.
Remuneration	Members of the remuneration committee will be given notice and agenda of the semi-annual board meetings by the chairman of the committee five days in advance of the set meeting.

6) External Advice

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

Procedures	Details
No procedure exists	So far there is no felt need for advice.

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
N/A	N/A	N/A

**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	Monthly Salary and Allowances	Monthly Salary and Allowances
(2) Variable remuneration	Not applicable	Not applicable
(3) Per diem allowance	Every Board meeting	Every Board meeting, if director
(4) Bonus	Performance, Midyear and Christmas Bonuses	Performance, Midyear and Christmas Bonuses
(5) Stock Options and other financial instruments	Not applicable	Not applicable
(6) Others (specify)	Not applicable	Not applicable

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Fixed Remuneration, Bonuses and Per diems allowances	Monthly Salary and Allowances, Bonuses, Per diems	Based on the established company salary structure
Non-Executive Directors	Per diems, allowances, Christmas Bonus	Directors’ Fee	Amount of Per diem allowance and Christmas bonus were set and approved by the Board and ratified by the stockholders in the annual meeting.

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

Remuneration Scheme	Date of Stockholders’ Approval
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	₱3,517,156.74	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	₱1,980,000.00	₱2,640,000.00	₱1,320,000.00
(d) Bonuses	₱1,749,134.04	₱1,000,000.00	₱500,000.00
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
<b>Total</b>			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
<b>Total</b>	-	-	-

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

##### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
No member of the Board of Directors owns or is entitled to stock rights, options or warrants over the	Not applicable	Not applicable	Not applicable	Not applicable

company's share				
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(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
Not applicable. No incentive programs exist for Board of Directors, etc.	Not applicable	Not applicable

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
Dr. Teresa R. Perez	₱2,101,001.57
Dr. Erna V. Yabut	₱2,011,442.04
Dr. Flordeliza Anastacio	₱1,626,544.00
Dr. Olivia Limuaco	₱1,823,790.00
Dr. Carlito B. Olaer	₱1,873,201.90

SEC Form 17- A 2014 Dr. Priscilla A. Panlasigui retired July 26,2013, Dr. Juliana Alvaro died on August 4, 2013

## 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			The role and responsibilities of the Executive Committee are established by the Board of Directors. The executive committee constitutes the Company's top management	The Executive Committee is to act on behalf of the Board during intervals between meetings of the Board in order to provide a degree of flexibility and ability to respond to time sensitive business and legal matters.	The Committee shall have, and may exercise, all the powers of the Board in the management of the business and affairs of the Company between meetings of the Board, except (a) as limited by the Company's certificate of incorporation or by-laws, each as amended, or applicable law or regulation and (b) with respect to matters that are specifically reserved for another committee of the Board.	Subject to applicable rules, procedures, restrictions, resolutions, and requirements of the Board or of the Constitution and by-laws, the Executive Committee (i) acts on the Board's behalf between Board meetings and (ii) by vote of two-thirds of its entire voting memberships, after seeking advice from all of the Board's voting members may adopt or modify company's policy. The Board, at its next meeting, shall review Executive Committee minutes and may modify, reject or ratify any Executive Committee action.
Audit			2	The Audit Committee Charter sets out the policies, responsibilities and authority of the Company's Audit Committee (the "Committee") and the procedures that shall guide the function of the Committee, including the rules governing	Assist the Board in the performance of its, oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.	The Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the integrity of the company's financial statements and the financial reporting processes.	To deal with, and where applicable resolve, determine finally and approve, all matters falling within the scope of its purpose, function and duties as set out in its Charter and all other matters that may be delegated by the Board to the Committee from time to time.



				the Committee.			
Nomination	1	1	1	The Nomination Committee supports and advises the Board in relation to the selection and appointment of Directors who are able to meet the needs of the Company and the ongoing evaluation and review of the performance of the Board and the Directors.	To review and evaluate the qualifications of all persons nominated to the Board and other appointment that require board approval.	To assess the effectiveness of the Boards' processes and procedure in the election or replacement of directors.	To recommend to the Board of Directors nominees to fill vacancies in membership of the Board of Directors as they occur and, prior to each Annual Meeting of Stockholders, recommend a slate of nominees for election as directors at such meeting.
Remuneration	2	3		The Remuneration Committee assists the Board to fulfill its responsibilities to shareholders and regulators in relation to the remuneration within the company.	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers.	To ensure that compensation of directors and officers is consistent within the corporation's culture, strategy and the business environment in which it operates.	The Committee is authorized to appoint independent remuneration experts to advise them on specific remuneration issues, and seek any information it requires from any employee who must cooperate with any request made by the Committee.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Ma. Cristina D. Padolina	yearly	8	8	100	one year
Member (ED)	Dr. Ricardo F. de Leon	yearly	8	8	100	one year
Member (NED)	Mr. Cesar F. Tan	early	8	8	100	ne year

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Emil Q. Javier	yearly	3	3	100	yearly
Member (ID)	Dr. Angel C. Alcala	yearly	3	3	100	yearly
Member (NED)	Atty. Sergio F. Apostol	yearly	3	3	100	yearly

Disclose the profile or qualifications of the Audit Committee members.

Chairman: Dr. Emil Q. Javier

Dr. Emil Q. Javier, 73 years old, Filipino, an independent director. Became member of the Board of Directors of the University in July 2002. He is a Trustee of the Asia Rice Foundation, Head Advisor of the Biotech Coalition of the Philippines and Academician of the National Academy of Science and Technology (Phils.). He is likewise a Board member of the International Service for the Acquisition of Agri-Biotech Applications (Sout6h East Asia Center), Nutrition Center of the Philippines, Member, Advisory Committee of Japan International Cooperation Agency (JICA) Phils., and Independent Director of CEU Hospital, Inc. and Del Monte Pacific Ltd.

Member: Dr. Angel C. Alcala

Former CHED Commissioner Dr. Angel C. Alcala, 85 years old, Filipino an independent director. Became member of the Board of Directors of the University in July 2008. He was also former President of Silliman University and Secretary of Department of Environment and Natural Resources. He is presently the President of Cap College, Makati, Chairman of the Silliman University-Angelo Kind Center for Research and Environmental Management (SUAKCREM) and Professor Emeritus, Silliman University.

Member: Atty. Sergio F. Apostol

Atty. Sergio F. Apostol, 79 years old, Filipino was elected Corporate Secretary and Compliance Officer on February 26, 2010. He is a member of the Board of Directors of Manila Hotel and Chairman and Chief Executive Offricer of Katrix Agri-Aqua Corporation. He is also a member of the Audit and Nomination Committee. Member of the House of Representatives 13<sup>th</sup> Congress.

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

The Audit Committee is responsible for reviewing the performance and recommending the appointment, retention or discharge of the independent auditors. They shall ensure that the independent auditors are ultimately accountable to the Board of Directors and shareholders of the Company and they shall determine specific policies and procedures to ensure that the independence of the external auditors is maintained.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Ricardo F. de Leon	yearly	2	2	100	Yearly
Member (ED)	Ms. Corazon M. Tiongco	yearly	2	2	100	Yearly
Member (ID)	Dr. Emil Q. Javier	yearly	2	2	100	Yearly
Member	Atty. Sergio F. Apostol	yearly	2	2	100	Yearly

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Ma. Cristina D. Padolina	yearly	12	12	100	Yearly
Member (ED)	Dr. Ricardo F. de Leon	yearly	12	12	100	Yearly
Member	Mr. Cesar F. Tan	yearly	12	12	100	Yearly
Member	Dr. Erna V. Yabut	yearly	12	12	100	Yearly

(e) Others (Specify) – Compensation Committee

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ma. Cristina D. Padolina	yearly	22	22	100	Yearly
Member (ED)	Ricardo F. de Leon	yearly	22	22	100	Yearly
Member	Cesar F. Tan	yearly	22	22	100	Yearly
Member	Erna V. Yabut	yearly	22	22	100	Yearly
Member	Bernardita T. Traje	yearly	22	22	100	Yearly
Member	Eracisimo C. Veranga	yearly	22	22	100	Yearly
Member	Lolita M. Balboa	yearly	22	22	100	Yearly
Member	Ma. Flordeliza L. Anastacio	yearly	22	22	100	Yearly

2) Changes in Committee Members

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

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

3) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Recommended resolutions for approval of the Board.	Approval of signing authorities for the company.
Audit	Discussed and recommended the Audited Financial Statements for year ended 2011 for Board approval.  Assessed the committee's fulfillment of its responsibilities under the Revised Code of Corporate Governance.  Assed its performance based on the guidelines prescribed in SEC Circular No. 4 (series of 2012).  Discussed and recommended appointment of external auditor.	Investigated financial reporting-related issues in Enrolment and Registration System 2 (EARS@)  Committee to develop a succession plan for its members and chair, and to set a framework for whistle blower program.  Performance evaluation of external auditor.

Nomination	Reviewed the nominations for Board of Directors and gave the list of nominees to the Corporate Secretary	Determination of qualifications and disqualifications.
Remuneration	Review the provisions of the Collective Bargaining Agreement.	Evaluation of the financial economic cost to the company.

4) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review of company policies	Not applicable
Audit	Review its duties and responsibilities in the next committee meeting.  Discuss, prepare, evaluate (1) succession plan (2) whistle blower program (3) business continuity plan (4) Code of Conduct for Management	Preparation of succession plan and whistle blower program and review of the Code of Conduct for Management
Nomination	Review qualifications and temporary disqualifications; review Committee duties and responsibilities	Limitations on the years of service as Executive Directors, Non-executive Directors and Independent Directors
Remuneration	Study/Review of the existing salary scale of faculty and staff	Improvement of the salary scale of faculty and staff.

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

- A successful risk management initiative should be proportionate to the level of risk in the University as related to the size, nature and complexity. This approach will enable a risk management initiative to deliver outputs, including compliance with applicable governance requirements, assurance top stakeholders regarding the management of risk and improved decision making.
- It is the company's policy to avoid exposure to risks, almost all purchases of books are done locally while subscriptions for imported journals and magazines are monitored to ensure delivery.
- Provision for doubtful accounts, collectability receivables has been established for many years now and is considered adequate.
- Assets of the company such as buildings, equipment, furniture, fixtures and inventory are insured against fire, earthquake, flood, etc.
- The company upholds an advocacy of fair dealings with suppliers and high standards of education for students.

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

The Board of Directors of Centro Escolar University understands the importance of risk management. In like manner, the board had reviewed the risks that may challenge the company and is certain that risk management system is effective and adequate.

(c) Period covered by the review;

Fiscal year 2013-2014.

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

The Board regularly conducts review of risks on the basis of the report of management at least once a year or as maybe necessary,. Whenever there is a prescribed risk management immediately reports to the executive directors and to the Board.

To assess the effectiveness of risk management system the directors must:

1. Ensure that an overall risk management structure, policies and procedures are being observed by the Company.
2. Review the adequacy of the company's risk management process.
3. Review the results of the annual risk assessment done by the designated Chief Risk Officer (CRO) designated by the executive committee. The report should include the material financial and non-financial risks that may have an impact on the Company and the corresponding measures in addressing the said risks.
4. Evaluate the risk management report submitted by the CRO on a quarterly basis.
5. Monitor the risk management activities of the company and evaluate the effectiveness of the risk mitigation and action plans, with the assistance of the internal auditors.

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

Not applicable.

2) Risk Policy

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	The Company has an established policy that a student should pay his tuition fee balance before he can be issued a clearance for enrollment.	To ensure collection of tuition fee of currently enrolled students.
Liquidity Risk	The company ensures that it has sufficient cash to meet expected operational expenses and to cover scheduled approved capital expenditures.	To ensure continuous, undisrupted operation of the company and to meet financial obligations as they became due.
Market Risk	Ensures that the Company's exposure to market risk for changes in interest rates will not significantly affect its interest income from deposits.	To maximize interest income from time deposits.

(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>
Not applicable. The company does not belong to a group	Not applicable.	Not applicable.

(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
The Company Board of Directors has adopted the principle of "one share, one vote" policy to ensure that all shareholders are treated equally with respect to voting rights, subscription rights and transfer rights. By having 2 independent directors elected during the annual stockholders' meeting the Board of Directors has established effective shareholder voting mechanisms such as "majority of minority" to protect minority shareholders against actions of controlling shareholders. The Company provides all shareholders with the notice and agenda of the annual general meeting (AGM) at least 15 working days prior to the meeting so as to allow shareholders to call a special shareholders' meeting and submit a proposal for consideration at the AGM or the special meeting. During the annual shareholders' meeting, the Board ensures the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.

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	Submission of semester end report of tuition fee balances of students.	Students with balance will not be given clearance for enrollment.
Liquidity Risk	Preparation of daily cash position	Maximize placements on time deposits.
Market Risk	Regular monitoring of interest rates	Maximize interest income on time deposits.

(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>
There is no control system setup because there is no group risk exposure	Not applicable.	Not applicable.

(b) 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:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Executive Committee	Compliance with established controls, check and balance	Ensures Compliance.
Audit Committee	Submits reports on compliance or deviations.	Ensures Compliance.

## 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;

Internal Controls are integral part of the company's financial and business policies and procedures. Internal controls consists of all the measures taken by the company for the purpose of: (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of performance in all organizational units of the organization. Internal controls are ways of the company to implement good business practices.

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

The Board of Directors has reviewed and considered that the internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements are effective and adequate.

(c) Period covered by the review;

April 1, 2013 to March 31, 2014.

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

Review of internal controls are done regularly, it is embedded in the business operations of the company. When a need for attention arises the management brings it up to the board meetings for discussions and evaluations for timely solutions as possible.

Generally, the determination of the effectiveness of the internal control is really based on the board of directors' judgment resulting from an assessment of the these five components: (1) Control Environment, which provides discipline and structure; (2) Risk Assessment and its impact on internal controls; (3) Control activities, which are the policies and procedures that help ensure management that directives are carried out; (4) Information and communication, which are in a form and time frame that will enable people to carry out their responsibilities and (5) Monitoring, a process that assess the quality of the system's performance over time.

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

Not applicable. The company conducted a review during the year.

### 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
It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.	<ul style="list-style-type: none"> <li>• Organization's governance</li> <li>• Risk Management</li> <li>• Management controls over: efficiency/effectiveness of operations (including safeguarding of assets)</li> <li>• The reliability of financial and management reporting</li> <li>• Compliance with laws and regulations</li> </ul>	In-house Internal Audit Function	Ma. Rolina S. Servitillo	The Internal audit process is composed of planning, fieldwork, and reporting. Fieldwork results are compiled, presented and discussed with the management. A final summary report then goes to Senior Management and the Audit Committee for review.

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

Yes. The audit committee is responsible for the appointment and performance of internal auditor, likewise appointment and/or removal of the internal auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced requires the approval of the audit committee.

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

The work of internal auditor is reviewed and approved by the audit committee. The audit committee ensures that the internal auditors have free and full access to all company records, properties and personnel relevant to and required by its function and that the internal audit committee shall be free from interference in determining its scope, performing its work and communicating its results.

(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.

There has been no resignation/s or re-assignment of the internal audit staff. The company does not employ internal audit staff from third party auditing firm.

(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>	Conforms to expected progress
<b>Issues<sup>6</sup></b>	Issues have been resolved satisfactorily
<b>Findings<sup>7</sup></b>	No material findings
<b>Examination Trends</b>	Conduct appropriate audit procedures on a regular basis

[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:

- 2) Preparation of an audit plan inclusive of a timeline and milestones;
- 3) Conduct of examination based on the plan;
- 4) Evaluation of the progress in the implementation of the plan;
- 5) Documentation of issues and findings as a result of the examination;
- 6) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 7) 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>
All cash and check receipts are deposited to the bank the same day before cut-off time and the following day after the cut-off time. Deposits to bank accounts are verified the following banking day. Cash counts are being done from time to time. Reconciliation of bank accounts	Full compliance
Payments to the suppliers or for services rendered to the company are paid by check or petty cash vouchers supported by invoices, etc. and duly approved by authorized senior officer.	Full compliance
Credit accommodations and limits are established, verified by authorized officers.	Full compliance

(g) Mechanisms 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):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
Reports only to the audit chairman or members of the audit committee.	Credit accommodations on tuition fees are approved by the	The company has no dealings with investment banks.	No dealing with rating agencies.

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

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

Report of external auditor is approved by the audit committee and board of directors.	President and/or Treasurer.		
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman and President of Centro Escolar University attest to the company’s full compliance with the SEC Code of Corporate Governance. The Board of Directors, Management and Employees of the company have been given proper instruction on their respective duties as mandated by the Code and internal mechanisms are in place to ensure that compliance.

**H. ROLE OF STAKEHOLDERS**

8) Disclose the company’s policy and activities relative to the following:

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	Upholds customers’ rights and interests.	Upholding students, faculty and personnel welfare .
Supplier/contractor selection practice	Accreditation of qualified contractors and suppliers	Biddings, canvassing
Environmentally friendly value-chain	Involvement of the company in tree planting activities	Tree planting in Manila Boys Town
Community interaction	Involvement of the community in the Company’s advocacy projects.	The Company’s participation in various community projects.
Anti-corruption programmes and procedures?	Maintain High Ethical conduct	Do not accept gifts from suppliers
Safeguarding creditors' rights	Right to receive payments	Issuance of checks and vouchers for payments to creditors

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

Yes, the company has a separate corporate social responsibility section. Its purpose is to achieve continuous human development by contributing and giving back to the society. The corporate social responsibility section promotes reading awareness and organizes fund drives for calamity victims.

10) Performance-enhancing mechanisms for employee participation.

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

As compliance to the health, industrial safety and welfare provision of the Labor Code, the Company takes steps to protect and maintain the health and welfare of the employees and workers.

The Company has a continuing health and wellness program.

The Company also provides free annual x-ray and hospitalization benefits for employees.

Employees and workers, depending on the length of service, are entitled to minimum of eighteen (18) to maximum of twenty-three (23) working days vacation leave with pay for every year of continuous service and minimum of eighteen (18) to maximum of twenty-three (23) working days sick leave, which are both convertible to cash; and are members of Social Security System, PhilHealth and Pag-ibig.

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

The company provides for the maintenance and cleanliness of the whole company premises. Employees are not allowed to smoke within the office and school compound.

The company has a continuing health and wellness program.

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

The company has its own faculty and staff in-house training program. The company also provides training for faculty and staff through participation in various seminars and conferences sponsored by professional and other organizations.

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

Seventy percent (70%) of the tuition fee increases goes to salary increases and benefits of the employees aside from salary increases derived from CBA negotiations, periodic evaluation, loyalty awards, performance and longevity.

11) 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 adheres to the due process requirement in administrative cases. The employees concerned are always entitled to the opportunity to be heard prior to the imposition of any disciplinary penalty in accordance with the Company Rules and Regulations and the Labor Code of the Philippines. Retaliation constitutes misconduct, which can be investigated and penalized accordingly.

## I. DISCLOSURE AND TRANSPARENCY

### 12) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
USAUTOOCO, INC.	126,620,891	34.00	USAUTOOCO, INC.
U.S. Automotive Co., Inc.	55,963,803	15.02	U.S. Automotive Co., Inc.
PCD Nominee Corp. – Filipino	49,981,575	13.43	Alejandro C. Dizon
Southville Commercial Corporation	29,686,293	7.97	Southville Commercial Corp.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ma. Cristina D. Padolina	38,316	0.00	0.0103
Ricardo F. de Leon	39,370	0.00	0.0106
Cesar F. Tan	19,735	0.00	0.0053
Juliana M. Alvaro	16,885	0.00	0.0045
Maria Clara Perlita Erna V. Yabut	4,000	0.00	0.0011
Priscilla A. Panlasigui	15,164	0.00	0.0041
Teresa R. Perez	3,226	0.00	0.0009
Corazon M. Tiongco	10,108,404	0.00	2.7143
Wandalyn Maira L. Bondoc	19,734	0.00	0.0053
Bernardita T. Traje	753	0.00	0.0002

Reference: SEC FORM 23B March 31, 2014 Corazon M. Tiongco

### 13) Does the Annual Report disclose the following:

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

Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes
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Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

14) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo and Co., Inc.	₱800,000.00	Does not apply

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15) Medium of Communication

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

- Through company website
- E-mail
- Telephone/Fax
- Posting/mail
- News Releases

16) Date of release of audited financial report: July 2014, filed with income tax return to the BIR.

17) Company Website

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

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

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

18) Disclosure of RPT

RPT	Relationship	Nature	Value
Philtrust Bank	Interlocking directorship	Operating Lease	₱24 million a year

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

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are based on terms similar to those offered to non-related parties. Under the Company policy, shareholders are prohibited to obtain loans and advances from/to the Company.



**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>	Per Amended By-Laws, at any meeting of stockholders, the holders of record for the time being of a majority of the stock of the company then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Ratification of approved corporate acts.
<b>Description</b>	Corporate acts approved by the Board are ratified by the stockholders during the Annual Stockholders’ Meeting.

(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
Voting Right	None
Pre-emptive Right	None
Power of Inspection	None
Right to Information	None
Right to Dividends	None
Appraisal Rights	None

Dividends

Declaration Date	Record Date	Payment Date
October 25, 2013	November 19, 2013	December 12, 2013
June 28, 2013	July 17, 2013	August 8, 2013
November 23, 2012	December 17, 2012	January 15, 2013

December 16, 2011	January 2, 2012	January 25, 2012
September 30, 2011	October 14, 2011	November 10, 2011
May 27, 2011	June 10, 2011	July 7, 2011

(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
Sending of Notice of Annual Stockholders' Meeting, together with the Agenda, Annual Report and Proxy.	Per Amended By-Laws, notice of the time and place of holding any annual meeting, or any special meeting of the stockholders, shall be given either by posting the same enclosed in a postage prepaid envelope, addressed to each stockholder of record entitled to vote, or by delivering the same to him in person. The Company observes a minimum of 15 business days for giving out of notices to the Annual; Stockholders' Meeting
Agenda for the Annual Stockholders' Meeting allots a period for stockholders' questions and suggestions.	During the Annual Stockholders' Meeting, questions and/or suggestions from the floor for the continuing improvement of operations of the Company may be given by the stockholders, and these are noted by the management.

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

It is the policy of the company to encourage stockholders to participate in the discussions of the above corporate acts during the annual stockholders' meeting when the Presiding Officer opens the floor for discussions of other matters.

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

Yes, the company observes a minimum of 15 business days for giving out notices to the Annual Stockholders' Meeting.

- a. Date of sending out notices: July 2, 2013 (Preliminary Information Statement to PSE/SEC.)
- b. Date of the Annual/Special Stockholders' Meeting: July 23, 2013

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

Question were raised during the Annual Stockholders' Meeting last July 23, 2013.

2. Clarification on the Audited Financial Statements attached to 17-A

A stockholder raised a query on the increase of deferred tax liabilities from P224,668,920 in 2012 to P231,344,052 in 2013.

On the clarification about the increase of deferred tax liabilities (from P224,668,920 in 2012 to P231,344,052 in 2013), due to the revaluation increment on land as a result of the increase in appraised value of the land in the Makati-Legaspi campus. Mr. Cesar F, Tan, Treasurer, said that the deferred tax obligation would only be paid upon the sale of the land.

See Minutes of annual Stockholders meeting

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

Resolution	Approving	Dissenting	Abstaining
Cash Dividend Declaration	Unanimous vote of all stockholders present and represented during the Annual Stockholders' Meeting	None	None
Appointment of External Auditor	Unanimous vote of all stockholders present and represented during the Annual Stockholders' Meeting	None	None
Ratification of Approved Corporate Acts	Unanimous vote of all stockholders present and represented during the Annual Stockholders' Meeting	None	None

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

Disclosures with SEC on the same date.

(e) Modifications

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

Modifications	Reason for Modification
None (No modifications were made in the regulations for the July 23, 2013 Annual Stockholders' Meeting)	N/A (No modifications were made)

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Dr. Ma. Cristina D. Padolina Dr. Ricardo F. de Leon Dr. Emil Q. Javier Dr. Angel C. Alcala Dr. Alejandro C. Dizon Dr. Johnny C. Yap Ms. Corazon M. Tiongco	July 23, 2013			324,381,661	87.10

Minutes of Stockholders Meetings

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

The stockholders entitled to voter may, at any stockholders' meeting, appoint one person (who need not be stockholders) to act as inspector of election at all meetings of the stockholders until the close of the next annual meeting. If any inspector shall refuse to serve, or neglect to attend, at any meeting of the stockholders, or his office shall become vacant, the meeting may appoint an inspector in his place.

- (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, at every meeting of the stockholders of the Corporation, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Corporation; provided, however, that in case of the election of the nine (9) members of the Board of Directors, every stockholder entitled to vote shall be entitled to accumulate his votes in accordance with the provision of law in such case made and provided.

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	The proxy shall have been appointed in writing by the stockholder himself, or by his duly authorized attorney.
Notary	The Company does not require notarization of the proxies.
Submission of Proxy	The instrument authorizing the proxy to act shall be exhibited to the Secretary and to the inspectors of election, and shall be lodged with the Secretary if he shall so request.
Several Proxies	The company allows one (1) proxy per shareholder.
Validity of Proxy	The proxies are valid only for the annual Stockholders' Meeting for which it was issued by the stockholders.
Proxies executed abroad	No proxies executed abroad were received during the Annual Stockholders' Meeting
Invalidated Proxy	No proxies were invalidated during the Annual Stockholders' Meeting

Validation of Proxy	Proxies are validated by comparing the same with the Master List of Stockholders.
Violation of Proxy	No proxy violation has been recorded.

(h) Sending of Notices

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

Policies	Procedure
To send notices of annual/special stockholder's meetings according to the by-laws and other applicable rules and regulations.	Notices are given at least 15 business days before the date set for such meeting.  Notices of Annual/Special Meeting are electronically filed with PSE and posted in their website.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	1,069 shareholders
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	June 27, 2013
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	July 2, 2013
<b>State whether CD format or hard copies were distributed</b>	Hard copies were distributed
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes, all stockholders were provided with hard copies

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

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

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation.	The stockholders are encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right is not unduly restricted and any doubt about the validity of a proxy is resolved in the stockholders favor.
It is the duty of the Board to promote the rights of stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.	The Board takes the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.
Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.	Although all stockholders are treated equally or without discrimination, the Board gives 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, minority stockholders have a right to nominate candidates for board of directors.

**K. INVESTORS RELATIONS PROGRAM**

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

The company adheres to applicable disclosure rules and procedures prescribed by its regulators and PSE. Major company announcements are reviewed and approved by the Board as the need arises, and the disclosures thereof are undertaken by the Compliance officer in coordination with the Executive Committee.

- 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	Full disclosure and transparency in all company’s investor relations programs in accordance with SEC and PSE rules and regulations.
(2) Principles	Timely and factual information to stockholders and the public in general.
(3) Modes of Communications	Telephone, fax, e-mail and news releases.
(4) Investors Relations Officer	Company Treasurer or Corporate Secretary

- 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?

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

No mergers have ever been discussed nor sales of substantial assets.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

<b>Initiative</b>	<b>Beneficiary</b>
Readership awareness program	Students in public schools of depressed areas
Scholarship Grants	Underprivileged but deserving students
Financial Assistance to victims of natural disasters	Victims of natural disasters
Health and wellness program	employees
Fund raising activities	Victims of calamities
Community outreach programs	Manila Boys Town



**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.

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>	Attendance and participation in the deliberations during board meetings	Attendance to constitute a quorum
<b>Board Committees</b>	Attendance and participation in the deliberations during board meetings	Attendance to constitute a quorum
<b>Individual Directors</b>	Contribution to the development of business strategies, evaluation of strategic plans submitted for business development.	Developed business strategies are aligned to the vision and mission of the company.
<b>CEO/President</b>	Implementation of development plan approved by the Board	Effectiveness of the implementation of the approved project.

**M. 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
Breach of the Corporate Governance Manual	The sanctions range from warning, reprimand, suspension, forfeiture of benefits and/or termination from the service depending on the gravity of the offense.