

# COVER SHEET

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S.E.C Registration Number

Grand Plaza Hotel Corporation

( Company's Full Name )

c/o 12<sup>th</sup> Floor Net One Center, 26<sup>th</sup> Street corner 3<sup>rd</sup> Avenue

Crescent Park West Bonifacio Global City

Alain Charles J. Veloso

Contact Person

+63 2 8194700

Company Telephone Number

Annual Corporate Governance Report

FORM TYPE

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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30 May 2017

The Securities and Exchange Commission  
SEC Building, EDSA  
City of Mandaluyong

Attention: Atty. Justina F. Callangan  
Director, Corporate Governance and Finance Department



**Re: Annual Corporate Governance Report of Grand Plaza Hotel Corporation ("Corporation")**

Dear Sirs:

We write in connection with the Securities and Exchange Commission ("SEC") Memorandum Circular No. 20, Series of 2016 ("MC 20-16").

We understand that under MC 20-16, the 2016 Annual Corporate Governance Reports ("ACGR") of listed companies must be submitted to the SEC on or before 30 May 2017. The same report shall also be posted on publicly-listed companies' websites within 5 days from submission.

In compliance with MC 20-16, the Corporation hereby submits its updated ACGR. We note that the Corporation has previously submitted its 2016 ACGR on 4 January 2017. Thus, the attached ACGR has been updated as of 15 May 2017, to include, among others, the matters taken up during the Corporation's annual stockholders' meeting and organizational board of directors' meeting held on 15 May 2017.

Furthermore, in compliance with SEC Memorandum Circular No. 19, Series of 2016, the updated ACGRs include discussions on the Corporation's compliance with the Code of Corporate Governance for Publicly-Listed Companies.

The changes to the ACGRs are, as follows:

1. Information on the Board of Directors on page 4;
2. Information on corporate governance policies adopted by the Board of Directors on pages 5 and 6;
3. Information on members of the Board of Directors who hold the office of director in other companies, in other listed companies and within its group on pages 6, 7, 8;
4. Guidelines on the limitation on the number of Board seat in other companies on page 8;
5. Updated list of directors who directly and indirectly own share in the Corporation on page 9;

**Partners**

RONALDO V. BERNAS  
DONEMARK JOSEPH L. CALIMON  
JULIUS A. CERVANTES  
KENNETH L. CHUA  
LOURDES E. DE LEON  
DENNIS G. DIMAGIBA  
MA. LUISA S. FERNANDEZ-GUINA  
MIGUEL ANTONIO H. GALVEZ  
DIVINA PASTORA V. ILA-PANGANIBAN  
MIA CARMELA T. IMPERIAL  
PEARL T. LIU  
MA. CHRISTINA J. MACASNET-ACABAH

BIENENIDO A. MARQUEZ III  
ELIZABETH B. OPEÑA  
RODRIGO LOPE S. QUIMBO  
DENNIS A. QUINTERO  
NORBERTO J. QUISUMBING (1919-1988)  
RAMON J. QUISUMBING  
VICENTE A. TORRES (1927-2014)  
GIL ROBERTO L. ZERRUDO  
ELISEO M. ZUÑIGA JR.

**Associates**

FELICISIMO F. AGAS III  
ERASTO MIGUEL G. AGUILA  
DRANYL JARED P. AMOROSO  
ROSALYN RUTH S. ANUNCIO  
RAMON MIGUEL E. BACANI  
DEODAR LUYELL C. BAUTISTA  
ANNA CARMIR R. CALSADO-AMOROSO  
ALEXANDRA C. CASTRO  
JOYCE AIZA Z. CHAN  
ALEXIS N. CIMAGALA  
INA ALEXANDRA A. DOMINGUEZ  
ANN N. EDILLON

CAMILLE BIANCA M. GATMAITAN  
MARIA ANA CAMILA C. JACINTO-LAGUSTAN  
FREDERICK AUGUST I. JOSE  
MARIANNE K-RYL C. KO  
GRACE ANN C. LAZARO  
LARA CAMILLE A. LEE  
MICHAEL T. MACAPAGAL  
CARMINA M. MANGALINDAN  
MICHAEL M. MANOTOC  
KATRINA ROSS P. MANZANO  
MARVIN V. MASANGKAY  
KRISTINE ANNE V. MERCADO-TAMAYO

REENA C. MITRA-VENTANILLA  
KRISTINA R. NAVARRO  
ALEXANDER O. NER  
JOSEPHINE GABRIELLE MELISSA L. OCAMPO  
NEONETTE E. PASCUAL  
JANNEFER JANNICIE G. PELAYO  
GASTON FRANCO V. PEREZ DE TAGLE  
PATRICK HENRY D. SALAZAR  
SABRINA GRETCHEN D. SALGADO-GO  
DIANE MAXIMA B. SINGAYAN-MALLILLIN  
ALAN CHARLES J. YELOSIO

6. Roles of Chairman of the Board of Directors and CEO on pages 9, 10, 11;
7. Adoption of succession planning program for directors, keys officers, and management on page 11;
8. Diversity of experience and background of directors in the board on pages 11, 12, 13, 14, 15;
9. Changes in the Board on page 16;
10. Procedure for the Permanent Disqualification, Temporary Disqualification, Removal, and Reinstatement of the members of the Board of Directors on pages 19, 20, 21, 22;
11. Voting results of the last Annual General Meeting on page 23;
12. Orientation and Education Program for new directors on page 23;
13. In-house training and external courses attended by Directors and Senior Management for the past three (3) years, and continuing education programs for directors: programs and seminars and roundtable attended during the tear on pages 23 and 24;
14. Dissemination of the Corporation's Code of Ethics on page 29;
15. Discussion on how the Corporation implements and monitors compliance with the code of ethics or conduct on page 29;
16. Policies and procedures for the review, approval or ratification, monitoring and recording of related transactions on page 30 and 31;
17. Description of the mechanism used to detect, determine and resolve any possible conflict of interest between the Corporation and/or its group and their directors, officer and significant shareholders on pages 31 and 32;
18. Attendance of Board of Directors from 16 May 2016 to 15 May 2017 on page 33;
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34. 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 on pages 50, 51, 52;
35. Risk Management Philosophy and Review on pages 52 and 53;
36. Control Mechanisms and Details of Functions of the Board of Directors, Audit and Risk Committee and Internal Auditor / CAE on page 64;
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38. Role, Scope and Internal Audit Function on pages 66 and 67;

39. Audit Control Policies and Procedures on pages 68 and 69;
40. Mechanisms and Safeguards established by the Corporation on page 69;
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48. Questions and answers during the annual stockholders' meeting on 15 May 2017 on pages 79 and 80;
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51. Definitive Informative Statements and Management Report on page 82;
52. Explanation of the dividend policy and amount payable for final dividends on page 83;
53. Investors Relations Program on page 84;
54. Process and Criteria on the assessment of the annual performance of the board and its committee on pages 86 and 87; and
55. Internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees on page 87.

For easy reference, the updates to the ACGR are marked-up as against the ACGR that was filed with the SEC on 4 January 2017.

The updated ACGR is also posted on the Corporation's website at [www.grandplazahotelcorp.com](http://www.grandplazahotelcorp.com).

Sincerely yours,

  
Alain Charles J. Veloso  
Assistant Corporate Secretary

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

1. Report is Filed for the Year .....~~2016~~2017
2. Exact Name of Registrant as Specified in its Charter ...GRAND PLAZA HOTEL CORPORATION
3. 10/F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Ext., Pasay City .....1300 .....  
Address of Principal Office Postal Code
4. SEC Identification Number 166878 ..... 5. ☐ (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number.....000-460-602-000.....
7. (632) 854-8838  
Issuer's Telephone number, including area code  
.....
8. Former name or former  
address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of years served as director
<del>Tse Sang</del> <del>Tan Kian</del> <del>Seng Aloysius Lee</del>	ED	The Philippine Fund Limited ("TPFL")	Open floor nomination	<del>15 May 2015</del> February 2017	<del>15 May 2016</del> 2017	Annual	<del>40</del>
Bryan Cockrell	NED	TPFL	Open floor nomination	15 May 1997	<del>15 May 2016</del> 2017	Annual	<del>19</del> 20
Antonio Rufino	NED	TPFL	Open floor nomination	15 May 2015	<del>15 May 2016</del> 2017	Annual	<del>12</del>
<del>Angelito Imperio</del> Rene Y. Soriano	ID	N.A.	Zatrio Pte. Ltd.; No relation	<del>5 August 1992</del> 15 May 2017	<del>15 May 2016</del> 2017; Served as ID 2001-2004, and 2008 from 15 May 2017 to present (8 years)	Annual	<del>22</del> 0
Eddie Yeo	ED	TPFL	Open floor nomination	13 Jan 2005	<del>15 May 2016</del> 2017	Annual	<del>11</del> 12
Eddie C. T. Lau	NED	TPFL	Open floor nomination	17 Jan 2005	<del>15 May 2016</del> 2017	Annual	<del>11</del> 12
Mia Gentugaya	ID	N.A.	The Philippine Fund Limited; No relation	5 Aug August 1992	<del>15 May 2016</del> 2017; Served as ID 2005 - present (14 years)	Annual	<del>14</del> 12



Under Section 2.2.1.6 of the Corporation's New Corporate Governance Manual adopted on 15 May 2017 ("Manual"), ~~expressly states that~~ in addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, ~~the additional qualifications for~~ membership in the Board is subject to ~~are~~ the following qualifications:

- College education or equivalent academic degree;
- Practical understanding of the business of the Corporation;
- Membership in good standing in relevant industry, business or professional organizations; and
- Previous business experience.

Section 2.2.2.3 of the Manual provides that the Nomination Committee may review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The current Board of Directors of the Corporation is composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector.

A non-executive director ("NED") is ~~defined as~~ a director who has no executive responsibility and does not perform any work related to the operations of the corporation. A majority of the Board is currently composed of NEDs.

Under Section 2.2.1.1 of the Manual, ~~expressly states that~~ a majority of the Board should be composed of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The Board has adopted the position that it is not necessary for the Corporation to have 3 independent directors because a majority of its members (i.e., 5 out of 7) are NEDs who can ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance. In addition, the Corporation is not a large corporation, its risk profile is not high, and its operations are not complex.

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

~~The On 15 May 2017, the Corporation has adopted its own Revised Corporate Governance the Manual ("CG Manual"), to incorporate the recommendations provided in SEC Memorandum Circular No. 19, series of 2016 or , which provides for the Code of Governance for Publicly-Listed Companies ("Code"). It, that~~ is aimed to ~~institutionalize~~promote the ~~principles~~development of ~~good~~a strong corporate governance ~~in the entire organization, culture, and keep abreast with the recent developments in corporate governance.~~ As a policy, the Board of Directors ("Board"), Management, employees and shareholders of the Corporation believe that good corporate governance is a necessary component of what constitutes sound strategic business management and undertakes to create and maintain awareness within the organization.

*Shareholders* - The ~~CG~~ Manual ensures that shareholders are afforded rights and that minority shareholders' interests are protected.

*Minority shareholders* - ~~The CG~~ Manual emphasizes that the minority shareholders should be allowed to participate in determination of corporate acts. Specifically, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The By-Laws of the Corporation provides that shareholders representing at last ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.

*Disclosure duties* - Under the ~~CG~~ Manual, the Corporation has adopted a policy that requires management to disclose related-party transactions. Also, item 5 of the ~~CG~~ Manual requires the disclosure of all material information about the Corporation which could adversely affect its viability or the interests of the stockholders. This includes:

- earnings results
- acquisition or disposition of assets
- remuneration

Section 5 of the Manual requires all directors and officers to disclose/report to the Corporation any dealings in the Corporation's shares within three business days, and requires the Board to fully disclose all relevant and material information on individual board members and key executives.

**Board Responsibilities** - It is the general responsibility of the Board to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

**Board Diversity Policy** - Section 2.2.1.1 of the Manual provides the following Board diversity policy: The Corporation sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the Board's composition, Board diversity may be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations and elections will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

**Remuneration Policy** - Section 2.2.1.10 of the Manual considers the following as expressly provides that—key considerations in determining proper compensation—shall include the following: (1) the level of remuneration must be commensurate to the responsibilities of the role, and to the performance of the relevant personnel; and (2) any remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

**Related Party Transactions Policy** - Section 7 of the Manual provides for the related party transactions policy of the Corporation, which is based on requirements under existing laws and regulations, and is consistent with the provisions of the Code.

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

The Corporation has no fixed period set for the Board's review of the vision and mission.

**Directorship in Other Companies**

**Directorship in the Corporation's Group**

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: <del>Director's Name</del> <u>director's name</u>	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<del>Tse Sang Aloysius Lee</del> <u>Tan Kian Seng</u>	<del>Millennium &amp; Copthorne Hotels plc Group</del> <u>CDL Entertainment &amp; Leisure Pte Ltd- (Singapore)</u>	<del>Director and Chief Executive Officer</del> <u>Director</u>
	<del>CDL Entertainment &amp; Leisure Pte Ltd</del> <u>CDL Investments New Zealand Limited (New Zealand)</u>	<del>Director</del> <u>Non-Executive Director</u>
	<del>CDL Hotels (Labuan) Limited</del> <u>City Century Pte. Ltd. (Singapore)</u>	<del>Director</del> <u>Director</u>
	<del>CDL Hotels Japan Pte. Ltd.</del> <u>First Sponsor Group Limited(Singapore)</u>	<del>Director</del> <u>Non-Executive Director</u>
	<del>Harbour Land Corporation</del> <u>Harbour Land Corporation- (Philippines)</u>	<del>Director</del> <u>Non-Executive Director</u>
	<del>CDL Investments New Zealand Limited</del> <u>Hong</u>	<del>Director</del> <u>Director</u>

	<a href="#">Leong Hotel Development Limited (Taiwan)</a>	
	<del>City Elite Pte Ltd</del> <a href="#">Millennium &amp; Copthorne Hotels New Zealand Limited (New Zealand)</a>	<del>Director</del> <a href="#">Non-Executive Director</a>
	<del>City Century Pte Ltd</del> <a href="#">Millennium &amp; Copthorne Hotels plc (United Kingdom)</a>	<del>Director</del> <a href="#">Interim Group Chief Executive Officer</a>
	<del>Fena Estate Company Limited</del> <a href="#">Millennium &amp; Copthorne International Limited (Singapore)</a>	<del>Director</del> <a href="#">Director</a>
	<del>First Sponsor Group Limited (f.k.a Idea Valley Investment Holdings Ltd</del> <a href="#">PT Millennium Hotels &amp; Resorts (Indonesia)</a>	<del>Non-Executive Director</del> <a href="#">President Commissioner</a>
	<del>Grand Plaza Hotel Corporation</del> <a href="#">Rogo Realty Corporation (Philippines)</a>	<del>Director/Chairman/President</del> <a href="#">Non-Executive Director</a>
	<a href="#">The Philippine Fund Limited (Bermuda)</a>	<a href="#">Director and President</a>
	<del>Hong Leong Hotel Development Limited</del>	<del>Director</del>
	<del>Harrow Entertainment Pte Ltd</del>	<del>Director</del>
	<del>Hospitality Holdings Pte. Ltd.</del>	<del>Director</del>
	<del>M&amp;C Hotel Investments Pte. Ltd.</del>	<del>Director</del>
	<del>M&amp;C Hotels Holdings Japan Pte. Ltd.</del>	<del>Director</del>
	<del>M&amp;C Hotels Japan Pte. Ltd.</del>	<del>Director</del>
	<del>Millennium &amp; Copthorne Hotels New Zealand Limited (f.k.a. CDL Hotels New Zealand Limited</del>	<del>Director/ Group CEO</del>
	<del>Millennium &amp; Copthorne Hotels plc</del>	<del>Director/CEO</del>
	<del>Millennium &amp; Copthorne International Limited</del>	<del>Director</del>
	<del>PT Millennium Hotels &amp; Resorts</del>	<del>President Commissioner</del>
	<del>Republic Iconic Hotel Pte. Ltd.</del>	<del>Director</del>
	<del>Rogo Realty Corporation</del>	<del>Director</del>
	<del>Tomorrow City (Singapore) Pte Ltd.</del>	
	<del>The Philippine Fund Limited</del>	<del>Director</del>
	<del>CDL Hotels (Korea) Ltd.</del>	<del>Director/ Representative Director</del>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group: None

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)

(iii) Relationship within the Company and its Group

Provide keen 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
<del>Tse Sang Aloysius Lee</del> <a href="#">Tse Sang Aloysius Lee</a> <a href="#">Tan Kian Seng</a>	TPFL	Principal-nominee
Bryan Cockrell	TPFL	Principal-nominee
Antonio Rufino	TPFL	Principal-nominee
Eddie Yeo	TPFL	Principal-nominee

Eddie C. T. Lau	TPFL	Principal-nominee
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- (iv) Has the company set limit on the number of Board Seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director of 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 Directorship in other companies
Executive Director	<del>According to</del> Section 2.2.1.8 of the <del>CG</del> -Manual, <u>provides that the Chief Executive Officer ("CEO") and other executive directors shall submit themselves to a reasonable number of directorships in other stock and non-stock corporations.</u>	The <del>CG</del> Manual does not provide a particular limit; however, it provides that executive directors shall submit themselves to a reasonable number of directorships in other companies and that in any case, the capacity of each director to diligently and efficiently perform his duties as board member shall not be compromised.
Non-Executive Director	<u>The same limitation shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to diligently and efficiently perform his duties and responsibilities to the boards they serve shall not be compromised.</u>	The <del>same limitation applies to independent,</del> non-executive directors <del>who of the Board may concurrently serve as full-time executives in other</del> <u>directors up to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.</u>
CEO	<p><u>The non-executive directors of the Board may concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.</u></p> <p><u>The Board shall consider the following guidelines <del>shall govern</del> in the determination of <u>the</u> number of directorships for the Board:</u></p> <ul style="list-style-type: none"> <li>• The nature of the business of the <del>corporations of</del> <u>Corporations</u> which he is a director;</li> <li>• Age of the director;</li> <li>• Number of directorships/-active memberships and official positions held <u>in</u> other corporations or organizations, provided that directorships in <u>corporations that are</u> affiliates, subsidiaries or <del>other corporations</del> <u>are otherwise</u> related to the Corporation shall not be counted <u>for purposes of determining the limitation on the number of directorships held by such director; and</u></li> <li>• Possible conflict of interest.</li> </ul>	<del>The same limitation applies.</del> <u>The Manual does not provide a particular limit; however, it provides that executive directors shall submit themselves to a reasonable number of directorships in other companies and that in any case, the capacity of each director to diligently and efficiently perform his duties as board member shall not be compromised.</u>

	<p>The optimum number shall be related to the capacity of a director to <u>diligently and</u> efficiently <del>and</del> <u>diligently</u> perform their duties <u>and responsibilities</u> to the boards they serve.</p> <p><u>A director should notify the Board before accepting a directorship in another company.</u></p>	
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## Shareholding in the Company

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

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<del>Tse Sang Aloysius Lee</del> <u>Tan Kian Seng</u>	1	0	Less than 1%
Bryan Cockrell	1	0	Less than 1%
<del>Antentio</del> <u>Antonio</u> Rufino	1	0	Less than 1%
<del>Angelito Imperio</del> <u>Rene Soriano</u>	1	0	Less than 1%
Eddie Yeo	1	0	Less than 1%
Eddie Lau	1	0	Less than 1%
Mia Gentugaya	1	0	Less than 1%
<b>Total</b>	<b>7</b>	<b>0</b>	<b>Less than 1%</b>

## 2) Chairman and CEO

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

Yes      No

The Board has adopted the position that the current set-up of the Corporation, whereby the Chairman and CEO is not a part of the local Hotel management team, already fosters an appropriate balance of power, increased accountability, and better capacity for independent decision-making.

Generally, the Board is the governing body of the Corporation, and all corporate acts are approved by the Board. There are adequate checks and balances in the corporate governance structure of the Corporation to ensure that there is an appropriate balance of power, increased —accountability and better capacity for independent decision-making by the Board (e.g. board review, internal control, and Audit and Risk Committee).

Firstly, there is a proper delineation of the functions of Chair and CEO provided by the Corporation's By-Laws:

- Article V, Section 6 - defines the position of Chairman of the Board
- Article V, Section 7 -defines the position of President/ CEO

Secondly, the ~~CG~~ Manual contains provisions to ensure that the Board has mechanisms to ensure proper checks and balances in the management and operation of the Corporation. These include:

- Sections 2.2.1.3 ~~(vi) to (ix)~~ and Section 2.2.1.4 ~~(iv)~~ - on the powers, duties and responsibilities of the Board and a director
- Section 2.2.2.1 - on the creation and functions of the Audit and Risk Committee

- Section 2.5 - which requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- Section 2.6 - requires the Management to provide adequate and timely information to the Board, acknowledges the Board's access to Management and the Corporate Secretary, and the Board's discretion to make further inquiries on Management action and not to rely solely in information provided by Management
- Section 7.9.4 - Board's self-rating system to assess Board and Management performance

~~Under Sec. 2.2.1 of the CG Manual of the Corporation, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.~~

- [Section 2.2.1.7 - which designates a lead director from among the independent directors](#)
- [Section 2.2.2.2 - which creates a Corporate Governance Committee tasked to assist the Board in ensuring compliance with and proper observance of corporate governance principles and practices](#)

Thirdly, the Corporation has an Audit [and Risk](#) Committee with its own Audit [and Risk](#) Committee Charter ("Charter"), which provides for the duties and responsibilities of the Audit [and Risk](#) Committee and lays down the rules and procedures that govern the conduct and performance of the duties of the Audit [and Risk](#) Committee. The powers, duties, and responsibilities of the Audit [and Risk](#) Committee include access to auditors and management, review of audit procedures, and oversight of financial management functions.

#### Identify the Chair and CEO:

Chairman of the Board	<del>Tse Sang Aloysius Lee</del> <a href="#">Tan Kian Seng</a>
CEO/ President	<del>Tse Sang Aloysius Lee</del> <a href="#">Tan Kian Seng</a>

#### (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
<b>Roles</b>	<p>According to the Corporation's By- Laws, the Chairman, if present, presides at all meetings of the stockholders and of the Board. The Chairman also performs all other duties as from time to time may be assigned to him by the Board.</p> <p><a href="#">Section 2.2.1.11 of the Manual provides that the roles and responsibilities of the Chairperson shall include the following:</a></p> <p><a href="#">(a) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;</a></p> <p><a href="#">(b) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;</a></p> <p><a href="#">(c) Facilitates discussions on key issues by fostering an environment conducive</a></p>	<p>The President Acts as the Chief Executive Officer of the Corporation. He presides over meetings in the absence of the Chairman. He also performs all duties incident to the office of the President and such other duties as may from time to time be assigned to him by the Board or as prescribed by the By-Laws.</p>

	<p><a href="#">for constructive debate and leveraging on the skills and expertise of individual directors;</a></p> <p><a href="#">(d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;</a></p> <p><a href="#">(e) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and</a></p> <p><a href="#">(f) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.</a></p>	
<b>Accountabilities</b>		He is responsible for the general care and supervision of the business and affairs of the Corporation. Corporate acts and contracts outside of day-to-day operations generally require Board approval.
<b>Deliverables</b>		He signs with the Corporate Secretary or Assistant Corporate Secretary certificates of stock of the Corporation. He also provides the stockholders and the Board such reports, memoranda, accounts and data which may be required of him. He also signs off on the periodic filings and reports of the Corporation (e.g., Annual Report, Information Statement, Financial Statements, etc.) submitted to regulatory agencies and the PSE.

**Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

The CEO/President and other key officers of the Corporation under its By-Laws, are elected every year in the organizational meeting of the Board. Except for the CEO/President of the Corporation (who is not covered by an employment contract with the Corporation), the key officers of the Corporation are also on two-year employment contracts that may be renewed for another two years upon mutual of the parties.

Furthermore, under Article VI, Section 2 of the Corporation's By-Laws, the Chairman, President, Vice-President(s), the General Manager, the Secretary, and Treasurer shall hold office until his successor is elected and qualified in his stead, or until he shall have resigned or shall have been removed in the manner as provided in the By-Laws.

[Section 2.2.1.3 \(i\) of the Manual also expressly includes the adoption of an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value, as among the duties and functions of the Board.](#)

### 3) 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.**

~~According to~~ Section 2.2.1.3<sup>31</sup> of the CG Manual, ~~it is a policy of the~~ [provides for the following Board Diversity Policy:](#)  
[The Corporation that sees increasing diversity at the Board has a duty to implement a process for the selection of Directors who can add value](#) level as an essential element in supporting the attainment of its strategic objectives and

~~contribute independent judgment~~its sustainable development. In determining the Board's composition, Board diversity may be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations and elections will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the formulation of sound corporate strategies and policiesbenefits of diversity on the Board.

~~Furthermore, 2 out of the 7 directors, or approximately 28.6%, are required to be independent directors as defined by the CG Manual.~~

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

Yes. According to the ~~CG~~-Manual, Sec. 2.2.1.56, in addition to the qualifications required by law for all directors, the Corporation also requires that the non-executive director be a member in good standing in a relevant industry, business, or professional organizations. More particularly, Section 2.2.1.1. of the ~~CG~~ Manual mandates that the non-executive director should possess such qualifications ~~and stature that would enable them to effectively participate in the deliberations of the Board, and exercise objective, independent judgment, on corporate affairs, and to substantiate proper checks and balances.~~

The ~~CG~~ Manual also provides that a director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. A director should have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

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

The Corporation's corporate governance documents do not expressly provide for the roles, accountabilities, and deliverables of the executive, non executive, and independent directors. However, the By-Laws and ~~CG~~-Manual of the Corporation provide for the powers, duties, and responsibilities of the Board and of each director of the Corporation.

	Executive	Non-Executive	Independent Director
Roles	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.  <u>Section 2.2.1.1 of the Manual provides that a majority of the Board should be composed of non-executive directors who possess the necessary qualifications to effectively participate, and exercise objective, independent judgment, on corporate affairs, and to substantiate proper checks and balances.</u>	Article IV, Section 1 of the By-Laws of the Corporation provides that unless otherwise provided by law, the powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board.



		<a href="#">The Audit and Risk Committee and the Corporate Governance Committee are composed of non-executive directors.</a>	
Accountabilities	<p>Under Sec. 2.2.1 of the <del>CG</del> Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the <del>CG</del> Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the <del>CG</del> Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also</p>	<p>Under Sec. 2.2.1 of the <del>CG</del> Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the <del>CG</del> Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the <del>CG</del> Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>	<p>Under Sec. 2.2.1 of the <del>CG</del> Manual, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.</p> <p>Under Sec. 2.2.1.2 of the <del>CG</del> Manual, it shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its shareholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Sec. 2.2.1.4 of the <del>CG</del> Manual provides that a director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p>

	exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.		
Deliverables	<p>Under Sec. 2.2.1.79 of the <del>CG</del> Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the <del>CG</del> Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>Under Sec. 2.2.1.79 of the <del>CG</del> Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the <del>CG</del> Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>	<p>Under Sec. 2.2.1.79 of the <del>CG</del> Manual, the members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.</p> <p>Sec. 2.5 of the <del>CG</del> Manual requires the Board to provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p> <p>Independent directors should always attend Board meetings. The Board may require the presence of at least one independent director in all Board meetings. However, the absence of an independent director will not affect the quorum requirement.</p>

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

The Corporation's Guidelines for Selection of Candidates for Independent Director ("Guidelines") provides the following definition:

*Definition of Independent Director* - An independent director is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a financial or other interest in the business of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. It refers to a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the corporation. It includes, among others, any person who:

- (i) Is not ~~a director~~, or has not been, a senior officer or ~~substantial stockholder~~ employee of the Corporation, unless there has been a change in the controlling ownership of the Corporation;
- (ii) Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or of its-related companies; or ~~any of its~~ a director, officer, employee of the Corporation's substantial shareholders ~~(other and its related companies)~~;

- (iii) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- ~~(i)(iv)~~ Is not an owner of more than ~~as an independent director of any of the foregoing~~ two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- ~~(ii)(v)~~ Is not a relative of ~~any~~ director, officer, or substantial shareholder of the Corporation, or any of its related companies, or of any of its substantial shareholders. ~~for~~For this purpose, relatives ~~includes~~include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- (vi) Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- (vii) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- ~~(iii)(viii)~~ Is not retained~~a~~, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of ~~the Corporation~~Management and free from any ~~of its related companies or by any of its substantial shareholders~~business or other relationship within the ~~last five~~three years; immediately preceding the date of his election;  
Has not been employed in any executive capacity ~~b~~ the Corporation, any of its related companies or by any of its substantial shareholders within the last five years.  
~~(iv)~~ Does
- ~~(v)~~ Is not retained as professional adviser by the Corporation, any of its related companies or any of its substantial shareholders within the last five years, either personally or through his firm;
- ~~(vi)(ix)~~ Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders or has not engaged, whether by himself or with any other persons or through a firm of which he is a partner ~~or a company of which he is a~~ director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions ~~which that~~ are conducted at ~~arms~~arm's length and ~~are immaterial or insignificant~~ could not materially interfere with or influence the exercise of his independent judgment;
- (x) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- (xi) Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

In compliance with this definition, only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination shall be eligible to be elected as independent directors.

~~As such, both~~ Atty. Gentugaya and Atty. Imperio Soriano, the incumbent independent directors, have no relation whatsoever to their nominators, TPFL and Zatrio Pte Ltd, respectively.

**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 Corporation complies with SEC Memorandum No. 9, Series of 2011 ("SEC-MC-9-11"), providing for term limits of independent directors to be reckoned from the terms commencing after 2 January 2013. Thus, the Corporation's independent directors can serve as such for five consecutive years. After the completion of the five-year service period, an independent director shall be ineligible for election as such, unless the independent director has undergone a "cooling-off" period of two years. After the "cooling-off" period, the independent director can serve for another five consecutive years. After serving as independent director for 10 years, the independent director shall be perpetually barred from being elected as such in the same company. All the previous terms served by existing independent directors shall not be included in the application of the term limits. Thus, the independent directors of the Corporation shall be eligible for reelection as independent directors for the next five consecutive years from 15 May 2012, subject to~~

~~the "cooling-off" period provided in SEC-MG-9-11.~~

Section 2.2.1.7 of the Manual provides that the Board's independent directors should serve for a maximum cumulative term of nine years, reckoned from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011, or the date that they were first elected, whichever comes later. After such term, the independent director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. If the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

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

##### (a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
<del>Aloysius Lee</del> <del>N.A.</del>	<u>Chairman / CEO</u>	<u>15 February 2017</u>	<u>Retirement</u>

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

Describe the procedures for the selection/appointment, re-election, disqualification, removal instatement 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	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>Annual meeting: held on the 15th of May every year</li> <li>If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>Notice: at least 15 days before the meeting</li> <li>Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>Nomination: Stockholders nominating candidates for election shall show proof that such candidates have all the qualifications and none of the disqualifications</li> <li>Deliberations of the Nomination Committee: At least a majority of the members of the Committee shall attend and they shall determine if one is qualified. Only</li> </ul>	<ul style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five years;</li> <li>iii. He shall possess integrity/probity;</li> <li>iv. He shall be at least 21 years old;</li> <li>v. He shall be assiduous;</li> <li>vi. He must have a college education or equivalent academic degree;</li> <li>vii. He must have a practical understanding of the business of the Corporation;</li> <li>viii. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>ix. He must possess previous business experience.</li> </ul>
(ii) Non-Executive Directors		

	<p>those qualified based on their determination may be elected.</p> <ul style="list-style-type: none"> <li>• Voting: cumulative voting</li> </ul>	
(iii) Independent Directors	<p>Under the Corporation's By-Laws, the Corporation shall elect such number of independent director/(s) as the relevant laws or regulations may require.</p> <p>At least three (3) months before the annual stockholders' meeting in which an independent director/(s) shall be elected, or at such time as the relevant law or regulation may from time to time prescribe, the incumbent Board shall meet to appoint a Nomination Committee.</p> <p>The Nomination Committee shall consist of at least three (3) members, one of whom shall be an incumbent independent director.</p> <p>The Nomination Committee shall prepare the list of candidates for independent director/(s) based upon qualified candidates nominated by the stockholders. The Nomination Committee, subject to the approval by the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria to govern the conduct of the nomination. No other nomination shall be entertained after the list of candidates has been finalized and submitted to the Chairman. No further nomination shall be entertained or allowed on the floor during the stockholders' meeting.</p> <p>The Chairman of the Board, or in his or her absence, the designated chairman of the stockholders' meeting, shall inform the stockholders attending the stockholders' meeting of the mandatory requirement of electing independent director/(s). In case of failure to elect an independent director, the Chairman shall call a separate election during the same meeting to fill the vacancy.</p>	<p>i. He shall have at least one share of stock of the Corporation;</p> <p>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</p> <p>iii. business of the corporation for at least five years;</p> <p>iv. He shall possess integrity/probity;</p> <p>v. He shall be at least 21 years old;</p> <p>vi. He shall be assiduous;</p> <p>vii. He must have a college education or equivalent academic degree;</p> <p>viii. He must have a practical understanding of the business of the Corporation;</p> <p>ix. He must be a member in good standing in relevant industry, business or professional</p> <p>x. organizations; and</p> <p>xi. He must possess previous business experience.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor</p>	<p>i. He shall have at least one share of stock of the Corporation;</p> <p>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</p>

	<p>shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul>	<ul style="list-style-type: none"> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>xi. He must possess previous business experience.</li> </ul>
(ii) Non-Executive Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be conveniently held</li> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul>	<ul style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing in relevant industry, business or professional organizations; and</li> <li>x. He must possess previous business experience.</li> </ul>
(iii) Independent Directors	<p>The By-Laws provide that all directors shall be elected annually and shall hold office until the annual meeting held next to his election and until his successor shall have been elected and shall have qualified, or until his death or until he shall resign or shall have been removed</p> <ul style="list-style-type: none"> <li>• Annual meeting: held on the 15th of May every year</li> <li>• If the election is not held on the annual meeting, then it shall be held at a special meeting as soon as thereafter as the same may be</li> </ul>	<ul style="list-style-type: none"> <li>i. He shall have at least one share of stock of the Corporation;</li> <li>ii. He shall be at least a college graduate or he shall have been engaged or exposed to the</li> <li>iii. business of the corporation for at least five years;</li> <li>iv. He shall possess integrity/probity;</li> <li>v. He shall be at least 21 years old;</li> <li>vi. He shall be assiduous;</li> <li>vii. He must have a college education or equivalent academic degree;</li> <li>viii. He must have a practical understanding of the business of the Corporation;</li> <li>ix. He must be a member in good standing</li> </ul>

	<p>conveniently held</p> <ul style="list-style-type: none"> <li>• Notice: at least 15 days before the meeting</li> <li>• Quorum: the holders of at least the majority of the outstanding capital stock entitled to vote should be present personally or by proxy</li> <li>• Voting: cumulative voting applies</li> </ul> <p><del>In compliance with MC 9-11, the</del>The Corporation's independent directors are <del>covered by</del>subject to a <u>maximum cumulative term limit of five consecutive</u><del>nine</del> years, <del>subject to the "cooling-off" period of two years as provided in MC 9-11. reckoned from 2012.</del></p>	<p>in relevant industry, business or professional organizations; and</p> <p>x. He must possess previous business experience.</p> <p>xi.</p>
<b>c. Permanent Disqualification</b>		
<p>(i) Executive Directors</p> <p>(ii) Non-Executive Directors</p> <p>(iii) Independent Directors</p>	<p>The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p>	<p>Furthermore, the <del>CG</del>Manual provides the following additional disqualifications:</p> <p><del>i.</del>(i) Any person <del>who has been finally</del> convicted by <u>final judgment or order by</u> a competent judicial or administrative body of <del>the following: (i) any crime involving that (a) involves the purchase or sale of securities, (ii) any crime arising as defined in the Securities Regulation Code; (b) arises</del> out of the person's conduct as an underwriter, broker, dealer, investment <del>company,</del> investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, <u>or</u> floor broker; <del>and (iii) any crime arising or (c) arises</del> out of his <u>fiduciary</u> relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; <del>i.</del></p> <p>(ii) Any person who, by reason of <del>any</del> misconduct, after hearing <del>or trial</del>, is permanently <del>or temporarily</del> enjoined by <del>order, a final judgment or decree of the SEC or any court or other order of the SEC or any court or</del> administrative body of competent jurisdiction from: <del>(i) a) acting as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company or an affiliated person of any of them; (iii) (c) engaging in or</del></p>

continuing any conduct or practice in ~~connection with any such activity or~~ any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws ~~governing that govern~~ securities, and banking activities. ~~Such~~

- ii- The disqualification shall also apply ~~when if~~ such person is currently the subject ~~to of~~ an ~~effective~~ order of the SEC or any court or ~~other~~ administrative body ~~refusing denying~~, revoking, or suspending any registration, license, or permit issued to him under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC ~~of the or~~ Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation ~~promulgated issued~~ by the SEC ~~efor~~ BSP, or has otherwise been restrained to engage in any activity involving securities and banking. ~~Such; or such~~ person is ~~also disqualified when he is~~ currently the subject ~~to of~~ an effective order of a self-regulatory organization suspending or expelling him from membership ~~or, participation or from~~ associating association with a member or participant of the organization.;
- iii- (iii) Any person ~~finally convicted judicially or administratively 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 ~~oath affirmation~~, perjury or other fraudulent ~~act or transgressions acts;~~
- iv- (iv) Any person ~~finally found who has been~~ adjudged by final judgment or order of the SEC ~~or a~~ court, or ~~other competent~~ administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of ~~any~~ provision of the Corporation Code, Securities Regulation code, the Corporation Code, or any other law administered by the SEC or BSP, or any ~~rule, regulation or order of the SEC or BSP,~~ or who has filed a materially false or misleading application, report or registration statement required by the SEC, or ~~any of its~~ rule, regulation or order ~~of the SEC;~~
- (v) Any person earlier elected as independent director who becomes an



		<p><u>officer, employee or consultant of the Corporation;</u></p> <p><del>vi.</del> (vi) Any person judicially declared <del>to be</del> <u>as</u> insolvent;</p> <p><del>vi.</del> (vii) Any person <del>finally</del> found guilty by <u>final judgment or order of</u> a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct <del>listed</del> <u>enumerated in sub-paragraphs (i) to (v) above;</u></p> <p><del>vii. Any affiliated person who is ineligible, by reason of paragraphs (i) to (v) above to serve or act in the capacities listed in these paragraphs</del></p> <p><u>Conviction</u></p> <p><del>viii.</del> (viii) Any person <del>convicted</del> by final judgment of an offense punishable by imprisonment for <del>a period exceeding</del> <u>more than six (6) years</u>, or a violation of the Corporation Code, committed within <u>five (5) years</u> prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	<p>Under the <del>CG</del> Manual, any of the following shall be a ground for temporary disqualification of a director:</p> <p>i. 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>ii. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>iii. Dismissal or termination for cause as director of any corporation covered by the Code. The 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>iv. If any of the judgments or orders cited in the grounds for permanent</p>
(ii) Non-Executive Directors		

		disqualification has not yet become final.
(iii) Independent Directors	<p>A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> <p>In compliance with MC 9-11, the Corporation's independent directors are covered by a term limit of five consecutive years, subject to the "cooling-off" period of two years as provided in MC 9-11.</p>	According to the <del>CG</del> Manual, in addition to the above-mentioned disqualifications, an independent director shall also be disqualified if his beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock. the disqualification shall be lifted or later complied with.
<b>e. Removal</b>		
(i) Executive Directors	<p>The By-Laws provide that any director may be removed, either with or without cause, at any time, by the affirmative vote of 2/3 of the outstanding capital stock entitled to vote at a regular meeting or at a special meeting called for the purpose and held after due notice. The vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting without further notice, or at any regular or special meeting called for the purpose after due notice.</p> <p>The Compliance Officer decides whether or not any violation of the <del>CG</del> Manual has been committed, and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.</p>	May be with or without cause. An example of a removal for cause is provided for by Section <u>810.1</u> the <del>CG</del> Manual, which mandates removal of the director for a third violation of the <del>CG</del> Manual.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-Instatement</b>		
(i) Executive Directors	<p>The By-Laws provide that any vacancy caused by disqualification may be filled by the majority vote of the remaining directors then in office, constituting a quorum, and each director so elected shall hold office for a term to expire at the next annual election of directors, and until his successors shall be duly elected and qualified, or until his death, until he shall resign or shall have been removed in the manner herein provided.</p>	Under Sec. 2.2.1. <u>56</u> of the <del>CG</del> Manual, a temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		

(i) Executive Directors	According to the <del>CG</del> Manual, the Compliance Officer decides whether or not any violation of the <del>CG</del> Manual has been committed, and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval by the Board. This is subject to the requirements of due process, notice and hearing.	A director shall be suspended from office for a second violation of the provisions of the <del>CG</del> Manual.
(ii) Non-Executive Directors		
(iii) Independent Directors		

### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
<del>Tse Sang Aloysius Lee</del> Tan Kian Seng	To facilitate the conduct of the proceedings of the annual stockholders' meeting, the stockholders adopted a system of voting whereby a motion to elect the directors was presented and the meeting was advised that if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination. Based on this system of voting, the five regular directors and the two independent directors, being the only nominees to the Board, were unanimously elected in the last annual stockholders' meeting.
Bryan Cockrell	
Eddie Lau	
Eddie Yeo	
Antonio Rufino	
<del>Angelito Imperio</del> Rene Soriano (Independent Director)	
Mia Gentugaya (Independent Director)	

### 5) Orientation And Education Program

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

~~A director, before assuming his role as such, is required to attend a seminar on corporate governance conducted by a duly recognized private or government institute. Furthermore, Under~~ Section 4.1 of the ~~CG~~ Manual, ~~allows provides that~~ directors and officers shall attend annual continuing training on corporate governance and other matters. The Corporation shall assess its own training and development needs in determining the Board to allocate funds for coverage of the purpose of conducting an orientation continuing training program or workshop with regard to the requirements of the CG Manual.

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

On 15 May 2017, Center for Training and Development, Inc. conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Tan Kian Seng (Director), Bryan Cockrell (Director), Antonio Rufino (Director), Rene Soriano (Independent Director), Mia Gentugaya (Independent Director and Chairman of the Audit and Risk Committee), Eddie Yeo (General Manager of the Hotel, Director, Management Committee member, Assistant Compliance Officer), Eddie Lau (Director), Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and Chief Audit Executive), Maria Christina J. Macasaet-Acaban (Corporate Secretary), and Alain Charles Veloso (Assistant Corporate Secretary).

On 16 May 2016, SyCip Gorres Velayo & Co. conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Antonio Rufino (Director), Angelito Imperio (Independent Director), Mia Gentugaya (Independent Director and Chairman of the Audit and Risk Committee), Eddie Yeo (General Manager of the Hotel, Director, Management Committee member, Assistant Compliance Officer), Eddie Lau (Director), Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and Chief Audit Executive), Maria Christina J. Macasaet-Acaban (Corporate Secretary), and Alain Charles Veloso (Assistant Corporate Secretary).

On 15 May 2015, SyCip Gorres Velayo & Co. conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Bryan Cockrell (Director), Antonio Rufino (Director), Angelito Imperio (Independent Director), Mia Gentugaya (Independent Director and Chairman of the Audit and Risk Committee), Eddie Yeo (General Manager of the

Hotel, Director, Management Committee member, Assistant Compliance Officer), Eddie Lau (Director), Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and ~~Chief~~risk Audit Executive), Arlene De Guzman (Treasurer), Maria Christina J. Macasaet-Acaban (Corporate Secretary), and Alain Charles Veloso (Assistant Corporate Secretary).

On July 20, 2015, the Institute of Corporate Directors conducted a corporate governance seminar which was ~~attended~~attended by Mr. Tse San Aloysius Lee (newly appointed Chairman and President of the corporation) and Antonio Rufino (newly appointed Director).

~~On 15 May 2014, SyCip Gorres Velayo & Co. conducted a corporate governance seminar at the Corporation's Boardroom, which was attended by Mr. Wong Hong Ren (Chairman and President/CEO), Bryan Cockrell (Director), Angelito Imperio (Independent Director), Eddie Yeo (General Manager of the Hotel, Director, Management Committee member, Assistant Compliance Officer), Eddie Lau (Director), Mr. Yam Kit Sung (General Manager, CFO, Compliance Officer, and Chief Audit Executive), and Alain Charles Veloso (Assistant Corporate Secretary).~~

~~On 21 October 2014, Mr. Maria Christina J. Macasat Acaban, the Corporate Secretary of the Corporation, attended the Securities and Exchange Commission Philippine Stock Exchange Corporate Governance Forum at the Rizal Ballroom of the Makati Shangri-La Hotel.~~

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

Name of Director/ Officer	Date of Training	Program	Name of Training Institution
<a href="#">Tan Kian Seng</a>	<a href="#">15 May 2017</a>	<a href="#">Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance Motivation</a>	<a href="#">Center for Training and Development, Inc.</a>
<a href="#">Bryan Cockrell</a>	<a href="#">15 May 2017</a>	<a href="#">Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance Motivation</a>	<a href="#">Center for Training and Development, Inc.</a>
Eddie Yeo	<del>46</del> <a href="#">15 May 2017</a>	<a href="#">Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance Motivation</a> <del>Updates on Philippine Practices on Corporate Governance and Introduction to Fraud Awareness.</del>	<a href="#">Center for Training and Development, Inc.</a> <del>SyCip Gorres Velayo &amp; Co.</del>
Eddie Lau	<del>46</del> <a href="#">15 May 2017</a>	<a href="#">Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance</a>	<a href="#">Center for Training and Development, Inc.</a> <del>SyCip Gorres Velayo &amp; Co.</del>

		<del>Motivation Updates on Philippine Practices on Corporate Governance and Introduction to Fraud Awareness</del>	
Angelito C. Imperio	<del>46</del> <sup>15</sup> May <del>2016</del> <sup>2017</sup>	Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance <del>Motivation Updates on Philippine Practices on Corporate Governance and Introduction to Fraud Awareness</del>	Center for Training and Development, Inc. <del>SyCip Gorres Velayo &amp; Co.</del>
Mia G. Gentugaya	<del>46</del> <sup>15</sup> May <del>2016</del> <sup>2017</sup>	Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance <del>Motivation Updates on Philippine Practices on Corporate Governance and Introduction to Fraud Awareness</del>	Center for Training and Development, Inc. <del>SyCip Gorres Velayo &amp; Co.</del>
Antonio Rufino	<del>46</del> <sup>15</sup> May <del>2016</del> <sup>2017</sup>	Labor Law; Fraud Awareness; How to Improve Score in the ASEAN Corporate Governance Scorecard; How to Conduct Board and Stockholders' Meeting; Higher Performance <del>Motivation Updates on Philippine Practices on Corporate Governance and Introduction to Fraud Awareness</del>	Center for Training and Development, Inc. <del>SyCip Gorres Velayo &amp; Co.</del>

## B. CODE OF BUSINESS CONDUCT & ETHICS

1. Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	He should avoid situations that may compromise his impartiality; requires full disclosure for any actual or potential conflict of interest, as well as inhibition from participating in decision-making. If there is a continuing material conflict of interest, he should seriously	The Corporation adheres to the policies of the Group (Millennium & Copthorne Hotels plc) which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting	Engaging in competitive business operation is considered a grave offense.

	consider resignation.	professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	
(b) Conduct of Business and Fair Dealings	The basic principle is that a director should not use his position to profit or gain some benefit or advantage for himself and/ or his related interests.	<p>The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.</p> <p>It is the Company's and the Group's policy to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship and to operate within such terms subject to satisfactory completion of the suppliers' obligations. It does not follow any particular guidelines established by third parties.</p>	<p>Engaging in competitive business operations with The Heritage Hotel ("Hotel") premises is a grave offense.</p> <p>Unauthorized foreign currency dealings is considered a grave offense</p> <p>Merchandising or engaging in any kind of personal business or activity during working hours or while inside the Hotel premises and/or anywhere within its vicinity is considered a minor offense.</p>
(c) Receipt of gifts from third parties	A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.	The Board of Directors has implemented an anti-bribery policy which prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	<p>Borrowing or receiving money commissions, promises or soliciting material favors or any other consideration from suppliers, customers or other persons with which the company has an existing business relationship for the purpose of personal gain or benefit is a grave offense.</p> <p>Soliciting and collection any form of contributions or donations for any purpose not authorized by the Management is a minor offense.</p>
(d) Compliance with Laws & Regulations	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.	<p>The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.</p> <p>The Board of Directors has implemented an anti-bribery policy which prohibits the</p>	<p>Engaging or conniving in any anomalous transactions not covered in any other rule of the Hotel Code of <a href="#">Business Conduct and Ethics</a> ("Code of Conduct") is a grave offense.</p> <p>Inducing, encouraging, or abetting any employee to engage in prohibited acts or/any practice in violation of company policies is a major offense.</p> <p>Criminal conviction in any court of law or commission of a crime</p>

		offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.	during working hours but within the Hotel's premises is a grave offense.
(e) Respect for Trade Secrets/Use of Non-public Information	A director is required to keep secure and confidential all non-public information that he may acquire or learn by reason of this position as director. He should not reveal confidential information to unauthorized persons without authority of the Board.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Leaking one's salary information or that of another is a major offense.  Leaking out Hotel Trade Secrets or confidential information to unauthorized persons is a grave offense
(f) Use of company Funds, Assets and Information	Except for reasonable per diems, directors are entitled only to the compensation as may be granted by them by the vote of majority of the stockholders representing at least a majority of the outstanding capital stock.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	A number of provisions in the Code of Conduct consider unauthorized use of company assets for one's benefit as a major offense. Moreover, unauthorized access to computer files by breaking passwords is a grave offense. Malversation of company funds also a grave offense.
(g) Employment & Labor Laws & Policies	A director is required to have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and regulatory requirements.	Inciting, instigating, provoking or participating in any riots, disorders, or any concerted activities as slow down or any other act that intends to sabotage the operations and business of the Hotel is a grave offense.
(h) Disciplinary action	For violations of the <del>CG</del> Manual: (1) First violation: reprimand (2) Second violation: suspension (3) Third violation: removal  Under the Corporation Code, and prevailing jurisprudence, a director of a corporation may be held liable for damages for the acts of the corporation, under the following circumstances:  (1) He willfully and knowingly vote for or assent to patently unlawful acts of the corporation; (2) He is guilty of gross negligence or bad faith in directing the affairs of the corporation; (3) He acquires any personal or	Any violation of the policies of the Group which outline the standards of behavior required of all employees may be a ground for disciplinary action (i.e., reprimand, suspension, or removal) of a senior management officer.	Issuing statements inimical to the reputation of the corporation is a major offense.  Minor Offenses <ul style="list-style-type: none"> <li>• 1st offense - Verbal Warning</li> <li>• 2nd - Written Warning</li> <li>• 3rd - 1 week suspension</li> <li>• 4th - dismissal</li> </ul> Major Offenses <ul style="list-style-type: none"> <li>• 1st - 1 week suspension</li> <li>• 2nd - 2 weeks suspension</li> <li>• 3rd - dismissal</li> </ul> Grave Offense <ul style="list-style-type: none"> <li>• 1st - dismissal</li> </ul>

	<p>pecuniary interest in conflict with their duty as such directors;</p> <p>(4) He consents to the issuance of watered stocks or who, having knowledge hereof, does not forthwith file with the corporate secretary his written objection thereto;</p> <p>(5) He agrees to hold himself personally and solidarily liable with the corporation; or</p> <p>(6) He is made, by a specific provision of law, to personally answer for his corporate action.</p>		
(i) Whistle Blower	<p>To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.</p> <p>Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.</p> <p>The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.</p> <p>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.</p>	Whistle-blowing procedures are in place to enable employees to raise concerns about any activity they consider to be unlawful, is a breach of authority, falls below accepted standards or practice, amounts to improper conduct or could damage the Group's reputation.	Refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights is considered a major offense.
(j) Conflict Resolution	It is the duty of the Board to establish and maintain an alternative dispute resolution to amicably settle conflicts between the Corporation and stockholders or third parties or regulatory authorities.	The Corporation adheres to the policies of the Group which outline the standards of behavior required of all employees when acting on the Group's behalf which include acting professionally, with honesty, integrity, objectivity and in compliance with all applicable legal and	<p>Disciplinary procedures are governed by the following steps:</p> <ol style="list-style-type: none"> <li>1. Submission of incident report</li> <li>2. Written explanation from offender</li> <li>3. Investigation by department head</li> <li>4. Accomplishment of Offense Subject to Corrective Action</li> </ol>



		regulatory requirements.	("OSCA") form 5. Submission of OSCA form to HR department 6. Disciplinary interview
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**2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

Yes. [The Corporation's Code of Conduct is also posted on the Corporation's website.](#)

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

**For Directors**

The ~~CG~~ Manual provides for the appointment of the Compliance Officer who is responsible for monitoring compliance with the provisions and requirements, as well as violations, of the ~~CG~~ Manual and the Revised Code of Corporate Governance, and issues a certification regarding the level of compliance of the Corporation.

The Corporation complies with the rules, regulations, and issuances issued by government authorities pertaining to corporate governance and is committed to adhering to good corporate governance principles.

Section ~~79.2~~ of the ~~CG~~ Manual provides that the ~~CG~~ Manual shall be reviewed quarterly unless the Board provides otherwise. Moreover, the Audit and Risk Committee of the Corporation reports regularly to the Board its quarterly review of the financial performance of the Corporation.

*Implementation of the Revised Code of Corporate Governance*

In compliance with ~~Article 9~~ [the requirements](#) of ~~the~~ SEC Memorandum Circular No. ~~6, Series 19, series~~ of ~~2009 or the Revised Code of Corporate Governance 2016~~, the Board, in a meeting held on ~~29 October 2009~~ [15 May 2017](#), approved the amendment of the ~~CG~~ Manual. The ~~amendment of the Corporation's Manual on Corporate Governance was made to establish and implement the Corporation's corporate governance rules~~ [adopts most of the recommendations provided in accordance with the Revised Code of Corporate Governance.](#) For the ~~year 2012, recommendations that were not incorporated in the Manual, the Board has adopted the position that these recommendations did not apply to the Corporation, in light of its directors, officers and employees substantially complied, and has taken reasonable action towards complying with~~ [size, risk profile, and complexity of operations.](#) Furthermore, the ~~leading practices and principles on good corporate governance as objectives embodied in the Corporation's Manual on Corporate Governance, and in the Revised Code of Corporate Governance.~~ [Code may be achieved through other measures.](#)

*Annual Corporate Governance Report for Listed Companies*

The Corporation annually updates its Annual Corporate Governance Report, which is posted on the Corporation's website.

**For Senior Management and other employees**

The Code of Conduct provides for penalties for any transgression of the Code of Conduct, ranging from verbal warning to dismissal. It is the immediate Supervisor/ Head who is duty-bound to inform the Corporation of such a transgression committed by his subordinate by filing an incident report to his Department head within 24 hours. The offender will then be required by the said department head to issue a written explanation. After investigation, the Department head accomplishes an OSCA report which contains his recommendation, and then submits it to the Human Resources Department for the implementation of the penalty.

**4. Related Party Transactions**

**Policies and Procedures**

**Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transaction 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 Transaction	Policies and Procedures
---------------------------	-------------------------

(1) Parent Company	<del>The Corporation's CG</del> <u>Section 7 of the</u> Manual <del>requires information including</del> <u>provides for the</u> related party transactions <del>policy of the Corporation.</del>
(2) Joint Ventures	<p><u>Related party transactions must</u> be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC.</p> <p>In compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code ("SRC Rules"), the Corporation must disclose the following details for a related party contract:</p> <ul style="list-style-type: none"> <li>a. the nature of the related party relationship;</li> <li>b. the type of transaction (e.g. supply or services contract, loans, guarantees);</li> <li>c. the total amounts payable and receivable in the transaction from or to the related party;</li> <li>d. the elements of the transaction necessary to understand the listed company's financial statements.</li> </ul> <p>The Corporation must also disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person's beneficial ownership of the counter party or share in the profits, bonus, or commissions out of the transaction.</p> <p>No disclosure is needed for any transaction where:</p> <ul style="list-style-type: none"> <li>a. The transaction involves services at rates or charges fixed by law or governmental authority;</li> <li>b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;</li> <li>c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or</li> <li>d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.</li> </ul> <p>In compliance with the provisions of the Corporation Code, a contract of the Corporation with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:</p> <ul style="list-style-type: none"> <li>a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>b. The vote of such director was not necessary for the approval of the contract.</li> </ul> <p>Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.</p> <p>Furthermore, the Corporation must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i ) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:</p> <ul style="list-style-type: none"> <li>a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.</li> <li>b. The vote of such director was not necessary for the approval of the contract.</li> </ul> <p>to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting</p>
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board	

and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

The Audit and Risk Committee shall review material related party transactions of the Corporation, to determine whether they occur at market prices and at arm's-length basis, under conditions that protect the rights of all stockholders, and may, on a case-to-case basis, recommend that these transactions be ratified by the stockholders, and occur at market prices and at arm's-length basis, under conditions that protect the rights of all shareholders.

## Conflict of Interest

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

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

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

### (ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Corporation	<p>The Corporation has adopted a policy that requires management to disclose related-party transactions. <del>Item 5 of the CG Manual requires the disclosure of all material information about the Corporation which could adversely affects its viability or the interests of the stockholders. This includes</del> <u>Section 5 of the Manual provides the following:</u></p> <ul style="list-style-type: none"> <li><del>earnings results</del></li> <li><del>acquisition or disposition of assets</del></li> <li><del>related party transactions</del></li> <li><del>remuneration</del></li> <li><u>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.</u></li> <li><u>All directors and officers must disclose/report to the Corporation any dealings in the Corporation's shares within three business days.</u></li> <li><u>The Board shall fully disclose all relevant and material information on individual Board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</u></li> </ul> <p><u>Section 2.2.1.4 of the Manual also provides that a director shall conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</u></p> <p><u>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. if an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing</u></p>

	<a href="#">material conflict of interest should seriously consider resigning from his position.</a>  <a href="#">A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.</a>
Group	Please see above.

## 5. Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family, 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
N.A.		

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

Names Related Significant Shareholders	Type of Relationship	Brief Description
Millennium & Copthorne Hotels plc	Indirect beneficial owner of more than 5% of the outstanding shares of the Corporation (through its indirect shareholdings in TPFL)	The Corporation has entered into a Management Agreement with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the Hotel's administrator. Under the terms of the agreement, the Corporation is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

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

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

## 6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	The <del>CG</del> Manual empowers the Board to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. The Board has yet to have the opportunity to adopt an alternative dispute resolution system.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

## C. BOARD MEETINGS & ATTENDANCE

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

Regular meetings of the Board are held at the end of each quarter, and at such times as the Board shall from time to time by resolution determine. Special meetings shall be held when called by the Chairman, the President, or by the Secretary at the request of any 1 of the directors.

### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year (i.e., from <del>4 January 2016</del> <u>16 May 2016</u> to <del>31 December 2016</del> <u>15 May 2017</u> )	No. Of Meetings Attended	%
Chairman	<del>Tse Sang Aloysius Lee</del> <u>Tan Kian Seng</u>	<del>16 May 2016</del> <u>2017</u>	<del>74</del> (Mr. Tan Kian Seng was first elected on 15 February 2017)	<del>43</del>	<del>57.44</del> <u>100</u> %
Member	Bryan Cockrell	<del>16 May 2016</del> <u>2017</u>	<del>78</del>	<del>34</del>	<del>42.85</del> <u>50</u> %
Member	Antonio Rufino	<del>16 May 2016</del> <u>2017</u>	<del>78</del>	<del>78</del>	100%
Member	Eddie Lau	<del>16 May 2016</del> <u>2017</u>	<del>78</del>	7	<del>400</del> <u>87.5</u> %
Member	Eddie Yeo	<del>16 May 2016</del> <u>2017</u>	<del>78</del>	<del>78</del>	100%
Independent	<del>Angelito Imperio</del> <u>Rene Soriano</u>	<del>16 May 2016</del> <u>2017</u>	<del>71</del> (Mr. Rene Soriano was first elected on 15 May 2017)	<del>71</del>	100%
Independent	Mia Gentugaya	<del>16 May 2016</del> <u>2017</u>	<del>78</del>	<del>78</del>	100%

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

~~No~~Yes. ~~The Board has adopted the position that such meetings are not necessary because the Audit and Risk Committee, headed by an independent director, and composed entirely of non-executive directors, already holds periodic meetings with the external auditor and the Chief Audit Executive to scrutinize Management's performance, particularly in meeting the Corporation's goals and objectives. Section 2.2.1.1 of the Manual also provides that the non-executive directors may have separate periodic meetings with the External Auditor, CAE, and Compliance Officer, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead independent director.~~

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

No. In line with the requirements of the Corporation Code, majority of the directors shall constitute a quorum for the transaction of business

#### 4) Access to Information

**(a) How many days in advance are Board papers for Board of Directors meetings provided to the Board?**

No particular period by which Board papers should be provided to the Board is required. Nonetheless, the ~~CG~~ Manual requires Management to provide the members of the Board with complete, adequate, and timely information about the matters to be discussed in the meetings. Usually, Board papers for Board meetings are provided to the Board at least a week before the date of the meeting.

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

Yes. The ~~CG~~ Manual expressly provides Management should provide the Board with complete, adequate and timely information, and that directors be given direct access to Management and the Corporate Secretary. It also provides that such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

**(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.**

Part of the duties of the Corporate Secretary, as provided for by the ~~CG~~ Manual, is to 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, and to inform all members of the Board of the agenda of meetings and to ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions. Furthermore, he is required by the ~~CG~~ Manual to be aware of the laws and regulations necessary in the performance of his duties and to use such knowledge to ensure that all Board procedures, rules and regulations are strictly followed by the members; and to ensure that all Board procedures, rules and regulations are strictly followed by the members.

~~The~~ Section 2.3 provides for the following roles and functions of the Corporate Secretary ~~is required to attend all of the Corporation:~~

- (a) Assists the Board and the Board committees in the conduct of their meetings, ~~unless~~ including preparing an annual schedule of Board and committee meetings and the annual Board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- (b) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- (c) Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- (d) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- (e) Advises on the establishment of Board committees and their terms of reference;
- (f) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (g) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so. ~~Moreover, the Corporation also has an Assistant Corporate Secretary who is required to attend such meetings in the absence or unavailability of the Corporate Secretary.~~  
As;
- (h) Performs required administrative functions;
- (i) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- (j) Performs such ~~the Board members have easy access to the services of the Corporate Secretary.~~ other duties and responsibilities as may be provided by the Board.

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

Yes. The Corporate Secretary, Ms. Christina Macasaet-Acaban is a partner of the law firm of Quisumbing Torres, specializing in corporate and commercial law. The Assistant Corporate Secretary, Mr. Alain Charles Veloso, is a senior associate also of the law firm Quisumbing Torres; he also specializes in corporate and commercial law, competition law, and ~~securities law~~ capital markets. In addition, Mr. Veloso is also a Certified Public Accountant.

Both Ms. Macasaet-Acaban and Mr. Veloso also serve as corporate secretary or assistant corporate secretary of various private companies.

**(e) Committee Procedures**

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

Yes

No

Committee	Details of the Procedures
Executive	N/A
Audit <a href="#">and Risk</a>	<p>The Charter requires the General Manager of the Corporation to render to the Audit <a href="#">and Risk</a> Committee an annual report on the activities, purpose, authority, responsibility, and performance of the internal audit department of the Corporation.</p> <p>The Audit <a href="#">and Risk</a> Committee shall have unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit <a href="#">and Risk</a> Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit <a href="#">and Risk</a> Committee as the Audit <a href="#">and Risk</a> Committee may require.</p> <p><del>Under the CG Manual, the</del> The Internal Auditor is <a href="#">also</a> required to submit to the Audit <a href="#">and Risk</a> Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit <a href="#">and Risk</a> Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.</p>
Nomination	The Nomination Committee, subject to the approval of the Board, shall promulgate the rules, guidelines and criteria to govern the conduct of the nomination. Only the candidates whose nominations are confirmed by the Nomination Committee to be in accordance with such rules, guidelines and criteria shall be eligible to be elected as independent directors.
Remuneration	The Hotel Management Executive Committee of the Corporation, which performs the functions of the Remuneration Committee, gathers and reviews market information on salary or compensation of other hotels in making its decisions and recommendations.
<a href="#">Corporate Governance</a>	<p><a href="#">The Corporate Governance Committee is tasked to assist the Board in ensuring compliance with and proper observance of corporate governance principles and practices. Its duties and functions, include, among others:</a></p> <ul style="list-style-type: none"> <li><a href="#">Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;</a></li> <li><a href="#">Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;</a></li> <li><a href="#">Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.</a></li> </ul>



	<p><u>Within a year from the adoption of the Manual, the Corporate Governance Committee shall assume the functions of the Nomination Committee and the Remuneration and Compensation Committee of the Corporation. The Nomination Committee and the Remuneration and Compensation Committee will thereafter be dissolved and the Corporate Governance Committee shall have the following additional duties and functions:</u></p> <p><u>(a) Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and</u></p> <p><u>(b) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.</u></p> <p><u>The Corporate Secretary assists the Corporate Governance Committee in gathering information and preparing for the meetings.</u></p>
Others(specify)	N.A.

In addition to the foregoing, the Secretary is required to 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.

Under the ~~CG~~ Manual, to enable the members of the Board to properly fulfill their duties and responsibilities, Management is required to provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation

## 5) External Advice

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

Procedures	Details
Management provides information to the Board	To enable the members of the Board to properly fulfill their duties and responsibilities, Management provides them with complete, adequate and timely information about the matters to be taken in their meetings.
The Board has access to independent professional advice	The members, either individually or as a Board, and in furtherance of their duties and responsibilities, has access to independent professional advice that directly relate to their functions and responsibilities as directors of the Corporation, at such reasonable cost to be borne by the Corporation.
Internal Auditor reports to the Audit <u>and Risk</u> Committee	The Audit <u>and Risk</u> Committee is required to establish and identify the reporting line of the Internal Auditor to enable him



	<p>to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit <a href="#">and Risk</a> Committee.</p> <p>The Audit <a href="#">and Risk</a> Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p>
Internal Auditor has access to information and personnel	Pursuant to the conduct of the internal audit, the internal auditors has free and full access to all relevant information, data, records, properties and personnel.
Audit <a href="#">and Risk</a> Committee has access to auditors and Management	The Audit <a href="#">and Risk</a> Committee has unlimited direct access to the internal and external auditors of the Corporation, as well as to the management and staff of the Corporation, particularly the Chief Executive Officer and the Chief Financial Officer. In this connection, the Audit <a href="#">and Risk</a> Committee may request the auditors and the management of the Corporation to be present at such meetings of the Audit <a href="#">and Risk</a> Committee as the Audit <a href="#">and Risk</a> Committee may require.

## 6) 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 change:

Existing Policies	Changes	Reason
<a href="#">Related Party Transaction Policy</a> <del>N/A</del>	<a href="#">For material related party transactions, the Audit and Risk Committee may, on a case-to-case basis, recommend that these transactions be ratified by the stockholders, and occur at market prices and at arm's-length basis, under conditions that protect the rights of all shareholders.</a>	<a href="#">To substantially comply with the recommendations in the Code, ensure integrity, fairness and transparency of significant related party transactions, and protect the rights of all shareholders.</a>

## D. REMUNERATION MATTERS

### 1) Remuneration Process

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.	Under the By-Laws, the Board fixes the salaries and bonuses of all officers of the Corporation.
(2) Variable remuneration	None	none
(3) Per diem allowance	None	none
(4) Bonus	Fixed by the Board as well.	Fixed by the Board as well.
(5) Stock Options and other financial instruments	none	none
(6) Others (specify)	None	none

**Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:** The Chairman and President/CEO does not receive remuneration from the Corporation. The remuneration of other executives / management officers are based on their employment contract and bonus are based on the Corporation's performance and their individual performance.

The ~~CG~~ Manual provides the following process and policy for the remuneration of directors and officers (including the CEO and Management officers):

~~The Board shall fix the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.~~

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. Key considerations in determining proper compensation shall include the following: (1) the level of remuneration must be commensurate to the responsibilities of the role, and to the performance of the relevant personnel; and (2) any remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

Except for reasonable per diems, directors shall be entitled only compensation as may be granted to them, as such, by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of stockholders. No director should participate in deciding on his remuneration.

In no case shall the total yearly compensation of directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Board shall fix the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.

The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

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

**Disclose the company's policy of remuneration and the ~~structured~~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
<b>Executive Directors</b>	The By- Laws/ <del>CG</del> Manual state that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.	The executive officers of the Corporation, as such, are paid a monthly fixed salary with variable bonus depending on performance.  In addition, they receive compensation as one-time director's fees in their capacity as directors.  In <del>2016</del> 2017, the executive directors were given the following per diem allowance for their attendance in meetings from <del>4516</del> May 20152016 to <del>28 April 2016</del> 3 May 2017: PhP15,000 per meeting of the Board; and PhP15,720000 per meeting of	Remuneration as executive directors: fixed and approved by the Board.  Remuneration as directors: the proposed remuneration will be presented to the stockholders for approval at the annual stockholder's meeting.

	In addition, the Board fixes the salaries and bonuses of all officers. The fact that an officer is also a director shall not preclude him from receiving a salary or bonus.	the Audit <a href="#">and Risk</a> Committee.	
<b>Non-Executive Directors</b>	The By- Laws/ <del>CG</del> Manual state that except for reasonable per diems, directors, as such, shall be entitled only to the compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding at a regular or special meeting. In no case shall the total yearly compensation of all directors, as such, exceed 10% of the net income before tax of the Corporation during the preceding year.	<p>The compensation of the directors are one-time director's fees and do not involve any other form of remuneration. There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation is to be compensated, directly or indirectly.</p> <p>There are no arrangements, such as compensatory plan or arrangement or consulting contracts, pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as director.</p> <p>In <del>2016</del><a href="#">2017</a>, the independent directors were given the following per diem allowance for their attendance in meetings from 16 May 2016 to <del>28 April 2016</del><a href="#">3 May 2017</a>:  <a href="#">PhP15,720 per meeting of the Board; and PhP15,000 per meeting of the Board and PhP15,720 per meeting of the Audit and Risk Committee.</a></p>	Remuneration as directors: the proposed remuneration will be presented to the stockholders for approval at the annual stockholder's 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 (3)three years.**

Yes. The Board presented the proposed remuneration of the board of directors to the stockholders for their approval at the annual stockholder's meeting.

Remuneration Scheme	Date of Stockholders Approval
Year <del>2015</del> —2016 - <a href="#">2017</a> - Per Diem	<del>16</del> <a href="#">15</a> May <del>2016</del> <a href="#">2017</a> (Board approval and notice to the stockholders)
Year <del>2014</del> —2015 - <a href="#">2016</a> - Per Diem	<del>15 May 2015</del> <a href="#">16 May 2016</a> (Board approval and notice to the stockholders)
Year <del>2013</del> —2014 - <del>Compensation</del> <a href="#">2015</a> - Per Diem	15 May <del>2014</del> <a href="#">2015</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			
(b) Variable Remuneration			
( c ) Per Diem Allowance	PhP15,000 per meeting of the Board of Directors during the period from <del>4516</del> May <del>20152016</del> to <del>28-April 2016</del> <u>3 May 2017</u> .	PhP15,000 per meeting of the Board of Directors during the period from <del>4516</del> May <del>20152016</del> to <del>28-April 2016</del> <u>3 May 2017</u> .  PhP15, <del>720000</del> per meeting of the Audit <u>and Risk</u> Committee during the period from <del>4516</del> May <del>2015 to 28 April</del> 2016 <u>to 3 May 2017</u> .	PhP15, <del>000720</del> per meeting of the Board of Directors during the period from <del>4516</del> May <del>20152016</del> to <del>28-April 2016</del> <u>3 May 2017</u> .  PhP15, <del>720000</del> per meeting of the Audit <u>and Risk</u> Committee during the period from <del>4516</del> May <del>2015 to 28 April</del> 2016 <u>to 3 May 2017</u> .
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Other (specify)			
Total	<del>PhP105</del> <u>PhP90</u> ,000	<del>PhP350,040</del> <u>PhP150,000</u>	<del>PhP272,880</del> <u>PhP154,320</u>

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
Total	0	0	0

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

(a) Board of Directors

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

Director's Name	Number of Direct Options/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of equivalent shares	Total % from Capital Stock
N.A.				

b) Amendments of Incentive Programs

Incentive Program	Amendments	Date of Stockholders Approval
N.A.		

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:

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
Eddie Yeo (General Manager of Hotel) Yam Kit Sung (General Manager of Corporation) Gigi Gaw (Director of Sales & Marketing) Ederlinda F. Decano(Director of Finance) Divina Gracia D. Delos Reyes (Director of Human Resources)	PhP18,972,522

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	
	ED	NED	ID					
Audit and Risk	0	2[A1]	1[A2]	Yes	CG-Manual: (1) Assists The Audit and Risk		-Charter: (1) Review and	(1) Unlimited direct access to

				<p><u>Committee is responsible for overseeing the Board senior management in oversight responsibility for the financial reporting process, system of establishing and maintaining an adequate, effective and efficient internal control, audit process, and framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring of compliance with applicable laws, rules and regulations;</u></p> <p><del>(2) Provide oversight over Management's activities in managing credit, market, liquidity and other risks</del></p> <p><del>(3) Oversight functions over the Corporation's and internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc. policies, efficiency and effectiveness of operations, and safeguarding of assets</del></p> <p><del>(4) Review the annual internal audit plan to ensure its conformity with the Corporation's objectives</del>  <u>The Audit and Risk Committee shall have the following duties and responsibilities:</u></p> <p><u>(i) Recommends the approval of the Internal Audit Charter ("IA Charter"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;</u>  <u>Through the Internal Auditor, monitors and evaluates</u></p> <p><del>(5) Prior to commencement of the audit, to discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity</del></p> <p><del>(6) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including integrity of financial reporting control, and security of physical and information technology security</del></p> <p><del>(7) Review the reports submitted by the internal and external auditors</del></p> <p><del>(8) Review the quarterly, half year and annual financial statements before</del></p>	<p>approve the scope and frequency of the audit <u>Unlimited direct access to the internal and external auditors</u> of the Corporation and the annual internal audit plan that, as well as to the management shall propose and staff, particularly the CEO and CFO</p> <p><del>(2) Review May require the progress auditors and status of all internal audit and external audit recommendations and their implementation</del></p> <p><del>(3) Monitor and evaluate the adequacy effectiveness management to be present in meetings of the Corporation's internal control system Audit and Risk Committee</del></p> <p><del>(3) Free full and access to all relevant information, data, records, properties and personnel</del></p> <p><del>(4) The Audit and Risk Committee shall recommend to the stockholders who shall act as the external auditor of the Corporation</del></p> <p><del>(5) (4) Check all financial reports with respect to the proper compliance of the financial management</del></p>	<p>the internal and external auditors of the Corporation, as well as to the management and staff, particularly the CEO and CFO</p> <p><del>(2) May require the auditors and the management to be present in meetings of the Audit Committee</del></p> <p><del>(3) Free full and access to all relevant information, data, records, properties and personnel</del></p> <p><del>(4) The Audit Committee shall recommend to the stockholders who shall act as the external auditor of the Corporation</del></p>
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				<p>their submission to the Board</p> <p>(ii) <del>(9) Coordinate, monitor and facilitate compliance with laws, rules</del> <u>assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;</u></p> <p><del>(10) Evaluate and determine the non-audit work, if any, of the external auditor</del></p> <p>(iii) <del>(11) Establish and identify</del> <u>Oversees the Internal Auditor, and recommends the appointment and/or grounds for approval of the Internal Auditor or Chief Audit Executive ("CAE"). The Audit and Risk Committee shall also approve the terms and conditions for outsourcing internal audit services;</u></p> <p>(iv) <u>Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit and Risk Committee;</u></p> <p><del>(12) Ensure that in the performance of the work of the Internal Auditor, he shall be free from any interference from outside parties</del></p> <p><del>(13) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</del></p> <p>(v) <u>Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;</u></p> <p>(vi) <u>Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one</u></p>	<p>handbook and pertinent accounting standards and regulatory requirements.</p> <p><del>(5) Review the Financial Management Handbook and perform oversight financial management functions, particularly in areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, as well as crisis management.</del></p> <p><del>(6) Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation. The Audit Committee shall determine whether the accounting system of the Corporation is fully compliant with International Accounting Standards. If the Audit Committee determines that is not fully compliant, the Audit Committee shall provide for an accountability statement that shall specifically identify the officers and personnel responsible for the different tasks required to raise to International Accounting Standards the accounting system of the Corporation. The Audit Committee shall also provide for a definite timetable within which the</del></p>
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				<p>audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>(vii) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence . The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;</p> <p>(viii) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Areas where a significant amount of judgment has been exercised</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements</li> </ul> <p>(ix) Reviews the disposition of the recommendations in the External Auditor's management letter;</p> <p>(x) Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>(xi) Coordinates, monitors and</p>	<p>accounting system shall become fully compliant with International Accounting Standards. The Audit and Risk Committee shall meet with the Board at least every quarter ideally without the presence of the CEO or other Management team members, and shall periodically meet with the External Auditor, the Internal Auditor / CAE, as well as other key officers of the Corporation without any executive directors present .</p>	
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					<a href="#">facilitates compliance with laws, rules and regulations;</a> <a href="#">(xii) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and</a> <a href="#">(xiii) Perform the functions of the Board Risk Oversight Committee and Related Party Transactions Committee as provided in the Code.</a>	
Nomination	1	3	1	None	<p>The Nomination Committee prepares the list of candidates for independent directors based upon qualified candidates nominated by the stockholders.</p> <p>It also promulgates rules, guidelines and criteria to govern the conduct of nomination, subject to the approval of the Board.</p> <p>In addition, the Nomination Committee may also review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval .</p>	
Remuneration and Compensation		1		None	<p>The Hotel Management Executive Committee is appointed annually by the Board to perform the functions of the Remuneration and Compensation Committee, which is to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.</p>	
<a href="#">Corporate Governance</a>		<a href="#">1</a>	<a href="#">2</a>	<a href="#">None</a>	<p><a href="#">The Corporate Governance Committee is tasked to assist the Board in ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:</a></p> <p><a href="#">(i) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;</a></p> <p><a href="#">(ii) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;</a></p> <p><a href="#">(iii) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;</a></p> <p><a href="#">(iv) Recommends continuing education/training programs for directors, assignment of tasks/projects to Board committees, and succession plan for the Board members and senior officers;</a></p> <p><a href="#">(v) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance; and</a></p>	

					<p>(vi) <u>Proposes and plans relevant trainings for the members of the Board.</u></p> <p><u>Within a year from the adoption of the Manual, the Corporate Governance Committee shall assume the functions of the Nomination Committee and the Remuneration and Compensation Committee of the Corporation. The Nomination Committee and the Remuneration and Compensation Committee will thereafter be dissolved and the Corporate Governance Committee shall have the following additional duties and functions:</u></p> <p>(a) <u>Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and</u></p> <p>(b) <u>Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.</u></p>		
Others (specify)							

## 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
N.A.						

### b) Audit and Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held ( <del>4</del> <u>January 16</u> <u>May 2016</u> <u>to 34</u> <u>December 2016</u> <u>3</u> <u>May 2017</u> )	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Mia Gentugaya	<del>16</del> <u>15</u> <u>May 2016</u> <u>2017</u>	4	4	100%	<del>42</del> <u>13</u> years
Member (NED)	Bryan Cockrell	<del>16</del> <u>15</u> <u>May 2016</u> <u>2017</u>	4	<del>3</del> <u>2</u>	<del>75</del> <u>50</u> %	<del>44</del> <u>15</u> years
Member (NED)	Antonio Rufino	<del>16</del> <u>15</u> <u>May 2016</u> <u>2017</u>	4	4	100%	1 year

### c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held ( <del>4</del> <u>January 16</u> <u>May 2016</u> <u>to</u>	No. of Meetings Attended	%	Length of Service in the Committee
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			<del>34</del> <del>December</del> <del>2016</del> <u>3 May 2017</u>			
Chairman	<del>Tse Sang Aloysius Lee</del> <u>Tan Kian Seng</u>	<del>16 May 2016</del> <u>15 May 2017</u>	2	<del>4</del> <u>2</u>	<del>50</del> <u>100</u> %	<del>4-year</del> <u>0</u> (Mr. Tan was first elected on 15 February 2017)
Member (NED)	Bryan Cockrell	<del>16 May 2016</del> <u>15 May 2017</u>	2	1	50%	<del>44</del> <u>15</u> years
Member (NED)	Antonio Rufino	<del>16 May 2016</del> <u>15 May 2017</u>	2	2	100%	<del>42</del> <u>year</u>
Member (ID)	<del>Angelito Imperio</del> <u>Rene Soriano</u>	<del>16 May 2016</del> <u>15 May 2017</u>	<del>2</del> <u>N.A.</u> (Mr. Soriano was first elected on 15 May 2017)	<del>N.A.</del> <u>2</u>	<del>N.A.</del> <u>100</u> %	<del>43-years</del> <u>0</u>
Member (NED)	Eddie Lau	<del>16 May 2016</del> <u>15 May 2017</u>	2	1	50%	<del>44</del> <u>12</u> years

**d) Remuneration and Compensation Committee** (this function is performed by The Hotel Management Executive Committee)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Yam Kit Sung	<del>16 May 2016</del> <u>15 May 2017</u>	0	N.A.	N.A.	<del>44</del> <u>15</u> years
Member (ED)	Eddie Yeo	<del>16 May 2016</del> <u>15 May 2017</u>	0	N.A.	N.A.	<del>44</del> <u>15</u> years
Member	Geraldine Nono Gaw	<del>16 May 2016</del> <u>15 May 2017</u>	0	N.A.	N.A.	<del>7</del> <u>8</u> years
Member	<del>Divina-Gracia Deles Reyes</del> <u>Juancho Baltazar</u>	<del>16 May 2016</del> <u>15 May 2017</u>	0	N.A.	N.A.	<del>less than 4-year</del> <u>0</u> (Mr. Baltazar was first appointed on 15 May 2017)
Member	Ederlina Decano	<del>16 May 2016</del> <u>15 May 2017</u>	0	N.A.	N.A.	<del>less than 1 year</del>

**e) Others (Specify)**

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

Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman <u>(ID)</u>	<del>N.A.</del> <u>Mia Gentugaya</u>	<del>N.A.</del> <u>15 May 2017</u>	N.A.	N.A.	N.A.	<del>N.A.</del> <u>less than 1 year</u>
Member <u>(ED ID)</u>	<del>N.A.</del> <u>Rene Soriano</u>	<del>N.A.</del> <u>15 May 2017</u>	N.A.	N.A.	N.A.	<del>N.A.</del> <u>less than 1 year</u>
Member (NED)	<del>N.A.</del> <u>Antonio Rufino</u>	<del>N.A.</del> <u>15 May 2017</u>	N.A.	N.A.	N.A.	<del>N.A.</del> <u>less than 1 year</u>
<del>Member (ID)</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>
<del>Member</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>	<del>N.A.</del>

### 3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	N.A.	N.A.
Audit	N.A.	N.A.
Nomination	<a href="#">Mr. Tan Kian Seng replaced Mr. Aloysius Lee</a> <del>N.A.</del>	<del>N.A.</del> <a href="#">Mr. Aloysius Lee retired effective 15 February 2017, and was replaced by Mr. Tan Kian Seng</a>
Remuneration	N.A.	N.A.
Others (specify)	N.A.	N.A.

### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	N.A.	N.A.
Audit	<p>The Audit <a href="#">and Risk</a> Committee performed the following functions:</p> <p>(1) Assisted the Board in oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>(2) Provided oversight over Management's activities in managing credit, market, liquidity and other risks</p> <p>(3) Performed oversight functions over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records, etc.</p> <p>(4) Reviewed the annual audit plan to ensure its conformity with the Corporation's objectives</p> <p>(5) Prior to commencement of the audit, discussed with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity</p> <p>(6) Monitored and evaluated the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology</p>	<p>The Audit <a href="#">and Risk</a> Committee was able to address the following issues, among others:</p> <p>(1) Reviewed the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>Any change/s in accounting policies and practices</li> <li>Major judgmental areas</li> <li>Significant adjustments resulting from the audit</li> <li>Going concern assumptions</li> <li>Compliance with accounting standards</li> <li>Compliance with tax, legal and regulatory requirements.</li> </ul> <p>(2) Ensured that the performance of the work of the auditors are free from any interference from outside parties</p> <p>(3) Laid down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p> <p>(4) Identified areas of improvement in the practices of the Audit <a href="#">and Risk</a> Committee, in relation to the best practices and standards</p>

	<p>security</p> <p>(7) Reviewed the reports submitted by the internal and external auditors</p> <p>(8) Reviewed the quarterly, half year and annual financial statements before their submission to the Board</p> <p>(9) Coordinated, monitored and facilitated compliance with laws, rules and regulations</p> <p>(10) Evaluated and determined the non-audit work, if any, of the external auditor</p> <p>(11) Conducted a self-assessment of the practices of the Audit <a href="#">and Risk</a> Committee, in relation to the best practices and standards.</p>	
Nomination	<p>The Nomination Committee performed the following functions:</p> <p>(1) Promulgated rules, guidelines and criteria to govern the conduct of nomination of independent directors, subject to the approval of the Board</p> <p>(2) Prepared the list of candidates for independent directors based upon qualified candidates nominated by the stockholders</p> <p>(3) Reviewed and evaluated the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	The Nomination Committee was able to review and evaluate the qualifications of nominees for independent directors and persons nominated to the Board and other appointments that require Board approval.
Remuneration and Compensation Committee	The Hotel Management Executive Committee, acting as the Remuneration and Compensation Committee, recommended the remuneration of the regular directors and the independent directors of the Corporation.	The Remuneration and Compensation Committee was able to ensure that the compensation of the directors is consistent with the Corporation's culture, strategy and the business environment in which it operates.
<a href="#">Corporate Governance Committee</a>	<a href="#">N.A. (The Corporate Governance Committee was only established on 15 May 2017)</a>	<a href="#">N.A. (The Corporate Governance Committee was only established on 15 May 2017)</a>
Others (specify)	N.A.	N.A.

#### 5) Committee Program

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

Name of Committee	Planned Program	Issues to be Addressed
Executive	N.A.	N.A.
Audit	<p>The Audit <del>and Risk</del> Committee plans to <del>continue performing</del> <u>perform</u> its <u>expanded</u> functions and responsibilities, <del>as provided in its Charter and Section 2.2.2.1 of the CG Manual</del>, <u>as follows</u>:</p> <p><u>The Audit and Risk Committee shall have the following duties and responsibilities:</u></p> <ul style="list-style-type: none"> <li><u>(i) Recommend the approval of the IA Charter, which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;</u></li> <li><u>(ii) Through the Internal Auditor, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets;</u></li> <li><u>(iii) Oversee the Internal Auditor, and recommend the appointment and/or grounds for approval of the Internal Auditor or CAE. The Audit and Risk Committee shall also approve the terms and conditions for outsourcing internal audit services;</u></li> <li><u>(iv) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities;</u></li> <li><u>(v) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;</u></li> <li><u>(vi) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</u></li> <li><u>(vii) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;</u></li> <li><u>(viii) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:</u> <ul style="list-style-type: none"> <li><u>• Any change/s in accounting policies and practices</u></li> <li><u>• Areas where a significant amount of judgment has been exercised</u></li> <li><u>• Significant adjustments resulting from the audit</u></li> <li><u>• Going concern assumptions</u></li> <li><u>• Compliance with accounting standards</u></li> <li><u>• Compliance with tax, legal and regulatory requirements</u></li> </ul> </li> <li><u>(ix) Review the disposition of the recommendations in the External Auditor's management letter;</u></li> <li><u>(x) Perform oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</u></li> <li><u>(xi) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</u></li> <li><u>(xii) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the</u></li> </ul>	<p>The Audit <del>and Risk</del> Committee will continue to address the following issues, among others:</p> <ul style="list-style-type: none"> <li>(1) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul> </li> <li>(2) Oversight for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</li> <li>(3) Oversight over Management's activities in managing credit, market, liquidity and other risks</li> <li>(4) Oversight over the Corporation's internal and external auditors; to ensure that such auditors act independently from each other and that both auditors are given unrestricted access to all records</li> </ul>

	<p><u>SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and</u></p> <p><u>(xiii) Perform the functions of the Board Risk Oversight Committee and Related Party Transactions Committee as provided in the Code.</u></p>	<p>(5) Ensure that the performance of the work of the auditors are free from any interference from outside parties</p> <p>(6) Lay down the proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives</p> <p>(7) Identify areas of improvement in the practices of the Audit and Risk Committee, in relation to the best practices and standards</p> <p><u>(8) Perform the functions of the Board Risk Oversight Committee and Related Party Transactions Committee as provided in the Code</u></p>
Nomination	<p><u>The Corporate Governance Committee is intended to eventually perform the functions of the Nomination Committee.</u> The Nomination Committee plans to continue performing its functions and responsibilities, as provided in the <del>CG Manual</del> Manual, until the Corporate Governance Committee is able to perform the functions of the Nomination Committee.</p>	<p><del>The Nomination Committee will continue to review and evaluate the qualifications of nominees for independent directors and persons nominated to the Board and other appointments that require Board approval.</del></p>
Remuneration	<p><u>The Corporate Governance Committee is intended to eventually perform the functions of the Remuneration Committee. The Remuneration Committee plans to continue performing its functions and responsibilities, as provided in the Manual, until the Corporate Governance Committee is able to perform the functions of the Remuneration Committee.</u></p>	
<del>Remuneration</del> Corporate Governance	<p>The <del>Remuneration and Compensation</del>Corporate Governance Committee plans to <del>continue performing its</del> assist the Board in ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions <del>and responsibilities</del>, among others:</p> <p>(i) <u>Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as provided in the CG Manual, well as its business and regulatory environments;</u></p> <p>(ii) <u>Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;</u></p> <p>(iii) <u>Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and</u></p>	<p>The <del>Remuneration and Compensation</del>Corporate Governance Committee <del>will continue</del>plans to ensure that the compensation of the directors is consistent with <del>improve</del> the Corporation's <del>culture, strategy</del>compliance with, and proper observance of, corporate governance principles and practices.</p> <p><u>The Corporate Governance Committee</u></p>

	<p><u>implemented to address the identified areas for improvement;</u></p> <p><u>(iv) Recommends continuing education/training programs for directors, assignment of tasks/projects to Board committees, and succession plan for the Board members and senior officers;</u></p> <p><u>(v) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance; and</u></p> <p><u>(vi) Proposes and plans relevant trainings for the members of the Board.</u></p> <p><del>The Corporate Governance Committee is intended to eventually perform the functions of the Nomination and Remuneration Committees.</del></p> <p><u>Within a year from the adoption of the Manual, the Corporate Governance Committee shall assume the functions of the Nomination Committee and the Remuneration and Compensation Committee of the Corporation. The Nomination Committee and the Remuneration and Compensation Committee will thereafter be dissolved and the Corporate Governance Committee shall have the following additional duties and functions:</u></p> <p><u>(a) Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and</u></p> <p><u>(b) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.</u></p>	<p><u>will also oversee the implementation of the performance evaluation of the <del>business</del> environment in which it operates Board, its Chairman, and its committees.</u></p> <p><u>The Corporate Governance Committee will also eventually perform the functions of the Nomination and Remuneration Committees within the year.</u></p>
Others (specify)	N.A.	N.A.

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered for the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

#### Overall Risk Management Philosophy and Review

The ~~CG~~ Manual provides that it is the duty of the Board to identify key risk areas and to monitor this factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

These risks have been identified as: liquidity risk, credit risk, and market risk.

The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. All risks faced by the Corporation are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Corporation's operations and detriment forecasted results. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and



constructive control environment in which all employees understand their roles and obligations.

The Board constituted the Corporation's Audit and Risk Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit and Risk Committee shall also prepare the reports required to be included in the Corporation's annual report.

## 2) Risk Policy

### (a) Corporation

**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 policy), along with the objective behind the policy for each kind of risk:**

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Credit risk represents the risk of loss the Corporation would incur if credit customers and counterparties fail to perform their contractual obligations. The Corporation's credit risk arises principally from the Corporation's trade receivables.	The investment of the Corporation's cash resources is managed so as to minimize risk while seeking to enhance yield.
Liquidity Risk	Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility.	Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.
Market Risk	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Corporation's income or the value of its holdings of financial instruments.  The Corporation is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.	The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### (b) Group

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

Risk Exposure	Risk Management Policy	Objective
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<b>Events that adversely impact domestic or international travel</b>	<p>Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.</p> <p>The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.</p>	Contingency and recovery plans are put in place to enable the Group to respond to major incidents or crises.
<b>Political and economic developments</b>	<p>Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.</p> <p>Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.</p>	Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.
<b>The hotel industry supply and demand cycle</b>	<p>The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.</p> <p>The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.</p>	Management systems put in place are designed to create flexibility in the operating cost base so as to optimize operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.
<b>Human resources</b>	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the	The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor

	<p>appropriate skills, experience and aptitude.</p> <p>The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.</p>	<p>relations are actively managed on a regional and local basis.</p>
<b>Management agreements</b>	<p>An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.</p>	<p>The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.</p>
<b>Joint ventures and subsidiaries with minority shareholders</b>	<p>The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.</p> <p>For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.</p>	<p>Manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.</p>
<b>Treasury risk</b>	<p>The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.</p> <p>Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage</p>	<p>Manage foreign currency transactions exposure , interest rate risk, and credit risk.</p>

	<p>interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.</p>	
<b>Tax risk</b>	<p>The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximize tax receipts.</p> <p>The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.</p>	Minimize tax risk.
<b>Compliance and litigation</b>	<p>The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.</p> <p>The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate</p>	Monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships.

	<p>compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.</p>	
<b>Safety, health and environment</b>	<p>As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.</p> <p>The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system.</p>	<p>Work to the highest standards of health and safety and to an internationally accredited system.</p>
<b>Intellectual property rights and brands</b>	<p>Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.</p> <p>Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.</p>	<p>Protect the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection and ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.</p>
<b>Property ownership</b>	<p>The Group's strategy is to be both owner and manager of hotel properties. Growth</p>	<p>The Group continues to develop property specific asset management plans which</p>

	<p>of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.</p>	<p>focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.</p>
<b>Insurance</b>	<p>Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.</p> <p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.</p>	<p>The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile.</p> <p>Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers.</p>
<b>Information Technology systems and infrastructure</b>	<p>In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.</p>	<p>The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and</p>

		improvements.
<b>Data privacy</b>	A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.	During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.

**(c) Minority Shareholders**

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

<b>Risk to Minority Shareholders</b>
Although there are certain corporate governance measures in place, the combined shareholdings of the principal stockholders will be able to elect a majority of the directors, control the management and policies through the Board and effect corporate transactions without the concurrence of the minority stockholders, except in limited circumstances provide in the Corporation's Articles of Incorporation or, By-Laws, and <del>CG</del> Manual pursuant to laws requiring minority shareholder approval for certain transactions.

**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 Control (Structures, Procedures, Actions Taken)</b>
Credit Risk	Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts.  Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization.  Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.	The Corporation's holding of cash and money market placements expose the Corporation to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Corporation consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and management annually reviews the exposure limits and credit ratings of the counterparties.  Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.
Liquidity Risk		Management closely monitors the Corporation's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

Market Risk	<p><i>(1) Room Rates</i> The risk from room rate changes relates to the Corporation's ability to recover higher operating costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine hotel industry and the willingness of customers to avail of hotel rooms at higher prices.</p> <p><i>(2) Interest Rate Risk</i> The Corporation has no interest-bearing debt obligations to third parties. As such, the Corporation has minimal interest rate risk.</p> <p><i>(3) Foreign Currency Risk</i> Financial assets and financing facilities extended to the Corporation were mainly denominated in Philippine peso and have minimal transactions in foreign currency. As such, the Corporation's foreign currency risk is minimal.</p>	<p><i>(1) Room Rates</i> The Corporation minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Corporation the flexibility to adjust its <i>room rates in accordance to market conditions. Also, there are minimal changes in room rates in the hotel industry.</i></p> <p><i>(2) Interest Rate Risk</i> The Corporation has no interest-bearing debt obligations to third parties.</p> <p><i>(3) Foreign Currency Risk</i> The Corporation's foreign currency risk is minimal.</p>
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**(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 Control (Structures, Procedures, Actions Taken)</b>
<b>Events that adversely impact domestic or international travel</b>	Sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, epidemics, natural disasters, increased cost of travel and industrial action. These events may be localized to a particular country, region or could have a wider international perspective, especially where a large airport, for example, is a major hub for worldwide travel. Reduced demand will impact on revenues and operational profitability.	The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises.
<b>Political and economic developments</b>	Major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenues, operating costs and profitability. Political risks include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets.	Many of these risks are beyond the control of the Group and the time-frames for developing appropriate risk management approaches can often be very short. Management is continually vigilant to political and economic developments and seeks to identify emerging risks at the earliest opportunity. The Group implements ownership structures, internal controls and takes such steps available to it to minimize these exposures to the greatest extent possible.
<b>The hotel industry supply and demand cycle</b>	The hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in	The Group has management systems in place designed to create flexibility in the operating cost base so as to optimize



	market room supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance.	operating profits in volatile trading conditions, such as the profit protection plans initiated during previous market down-turns.
<b>Human resources</b>	Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.	The Group has a strong service culture supported by recognition systems, compensation and benefits arrangements, training and development programmes. The Group has appropriate systems for recruitment, reward and compensation and performance management. Labor relations are actively managed on a regional and local basis.
<b>Management agreements</b>	An element of the Group's strategy is to selectively increase the number of management contracts to operate hotels owned by third-parties, primarily focusing on the Middle East region. In this regard, the Group faces competition from established global and regional brands. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward.	The Group has developed a management team in the Middle East region that has the necessary skills and resources to pursue this element of the Group's strategy. A structured process for acquiring new contracts has been implemented and a priority is to ensure that the critical roles are filled and operational management is integrated into the Group system.
<b>Joint ventures and subsidiaries with minority shareholders</b>	The Group has entered into a number of joint ventures in certain markets and is therefore subject to the risk of non-performance on the part of the minority partners especially when the strategic objectives of the partners are not fully aligned.	For these joint ventures, the Group has appointed representatives who are assigned responsibilities to manage the relationship with the joint venture partners in order to enhance the alignment of business objectives.
<b>Treasury risk</b>	The Group trades in numerous international currencies but reports its financial results in sterling. Fluctuations in currency exchange rates may either be accretive or dilutive to the Group's reported trading results and the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance. Credit risk arises from the risk of financial loss if a financial counterparty fails to meet its contractual obligations in respect of its deposits or short-term investments.	Foreign currency transactions exposure is primarily managed through funding of purchases from operating income streams arising in the same currency. Interest rate hedges are used to manage interest rate risk to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings. The Group actively monitors the need and timing of such hedges. Investments in short-term instruments are with counterparties approved by the Board taking into account the counterparty's credit rating and a maximum limit as to the amount that may be deposited.
<b>Tax risk</b>	The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences on the Group's profits. Similarly the Group's interpretation and application of various tax laws may be challenged. Tax authorities in many jurisdictions are increasing their focus on corporate tax affairs in order to maximize tax receipts.	The Group seeks to minimize tax risk by ensuring that appropriate accounting systems, processes and internal controls are in place to ensure that taxes are calculated accurately and paid on a timely basis, in compliance with tax legislation. A co-operative approach is undertaken in respect of provision of information to tax authorities during tax audits and investigations, and external tax advisors are engaged in each tax jurisdiction where necessary to advise on such matters, and to give guidance

		on the implementation of any changes in tax legislation. Full review of tax implications is carried out prior to undertaking any transactions involving new activities or structural changes, and external tax planning advice is obtained where appropriate. The Board and Audit Committee receive regular updates on tax management issues.
<b>Compliance and litigation</b>	The Group operates in many jurisdictions and is exposed to the risk of non-compliance with increasingly complex statutory and regulatory requirements. In addition the Group may be at risk of litigation from various parties with which it interacts, either through direct contractual arrangements or from the provision of services. In certain countries where the Group operates, particularly in emerging markets, local practices and the legal environment may be such that it is sometimes difficult for the Group to enforce its legal rights.	The Group continues to monitor changes in the regulatory environment in which it operates, identify its compliance obligations and implement appropriate compliance programmes and has processes in place to manage the risks associated with its various contractual relationships. These include comprehensive policies for ethics and business conduct, anti-corruption and bribery, gifts and hospitality and charitable donations. There is training for relevant staff.
<b>Safety, health and environment</b>	As a significant property owner and operator of hotels in multiple jurisdictions, the Group is exposed to a wide range of regulatory requirements and obligations concerning the health and safety of employees, visitors and guests. Failure to implement and maintain sufficient controls regarding health and safety issues could expose the Group to significant sanctions, both civil and criminal, financial penalties and reputational damage.	The Group has established and maintains health and safety and environmental management systems that are aligned with the requirements of ISO 14001 and OHSAS 18001. By working to British standards, the Group is committed to working to the highest standards of health and safety and to an internationally accredited system. Details of progress made in improving the Group's management systems are contained in the Corporate Social Responsibility report on pages 29 to 31.
<b>Intellectual property rights and brands</b>	Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties which it owns. The trend towards managing third-party properties, primarily in the Middle East region increases the risk that product quality may not be delivered in accordance with the Group's standards. This may increase the Group's exposure to litigation, increase risks to reputation, reduce revenues and become an inhibiting factor on ongoing development.	Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Management seeks to ensure maintenance of standards by developing strong working relationships with hotel owners and undertaking regular monitoring of service delivery.
<b>Property ownership</b>	The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property	The Group continues to develop property specific asset management plans which focus on the capital requirements of each property in terms of regular maintenance and product enhancement. The Group has rigorous management systems to monitor major capital projects to ensure they are properly managed and delivered on time and within budgeted parameters.

	ownership requires ongoing investment in the form of preventative maintenance, refurbishment, significant capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.	
<b>Insurance</b>	Not all risks are insured, either because the cover is not available in the market or that cover is not available on commercially viable terms. The Group is exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the market's underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants.	The Group's insurance requirements are regularly reviewed to ensure that the cover obtained is appropriate to its risk profile and after taking into account the level of retained risk the Board considers to be appropriate, relative to the cost of cover available in the market place. Insurance covers are arranged with a variety of insurers to ensure that arrangements are not overly concentrated on a limited number of carriers. Choice of insurance carriers is dependent on satisfaction of a number of relevant factors including a review of the insurers' security ratings.
<b>Information Technology systems and infrastructure</b>	In order to maintain its competitiveness within the market place the Group will need to ensure its IT systems deliver the necessary trading platforms and provide management with accurate and timely information.	The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. Crisis management and disaster recovery plans are in place for business critical systems. Management regularly reviews IT requirements and risks to prioritize implementation of changes and improvements.
<b>Data privacy</b>	A significant proportion of the Group's operating revenue is received from customers through credit card transactions and the Group has an obligation to keep secure customers' credit card and other personal details. Non-compliance with data privacy regulations, which differ by jurisdiction, could result in fines and/or other damages being incurred. Additionally, the payment card industry requires the Group to comply with data security standards (PCI-DSS) as a condition in credit card merchant agreements. Failure to comply with these standards could result in contractual penalties and withdrawal of credit card payment facilities.	During the last year the Group has committed significant resources to achievement and maintenance of the necessary IT infrastructure, operating controls and training associated with data privacy and PCI-DSS.

**(c) Committee**

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

Committee/Unit	Control Mechanism	Details of its Function
Board of Directors	<p>The <del>CG</del> Manual provides that it is the duty of the Board to identify key risk areas and <del>to</del><u>performance indicators and</u> monitor <del>this</del><u>these</u> factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability. <u>The Board should oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks.</u></p> <p>These risks have been identified as: liquidity risk, credit risk, and market risk.</p> <p>The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board is responsible for developing and monitoring the Corporation's risk management policies. The Board identifies all issues affecting the operations of the Corporation.</p>	<p>The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. All risks faced by the Corporation are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Corporation's operations and detriment forecasted results. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.</p>
Audit <u>and Risk</u> Committee	<p>The Board constituted the Corporation's Audit <u>and Risk</u> Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process, including evaluation of management's process to assess and manage the Corporation's enterprise risk issues.</p>	<p>The Board constituted the Corporation's Audit <u>and Risk</u> Committee to assist the Board in fulfilling its oversight responsibility for the Corporation's corporate governance process relating to the: a) quality and integrity of the Corporation's financial statements and financial reporting process and the Corporation's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Corporation's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Corporation with legal and regulatory requirements, including the Corporation's disclosure control and procedures; e) evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the Board. The Audit <u>and Risk</u> Committee shall also prepare the reports required to be included in the Corporation's annual report.</p>
<u>Internal Auditor / CAE</u>	<p><u>Section 2.5 of the Manual establishes an internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations.</u></p>	<p><u>The internal auditor, headed by the CAE, provides an independent risk-based assurance service to the Board, Audit and Risk Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management</u></p>

		<a href="#">and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management. The internal auditor also performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;</a>
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## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

For the Corporation, internal control means having an effective system of control -that will ensure the integrity of the financial reports and protection of the assets of the Corporations. According to the ~~CG~~ Manual, this is one of the duties of the Management, which, in turn, is under the supervision of the Audit [and Risk](#) Committee. The Audit [and Risk](#) Committee, in turn, evaluates the adequacy and effectiveness of the Corporation's internal control system as formulated by the Management.

The following are the factors to be considered, for the organizational and procedural controls of the Corporation, are the following:

- a. nature and complexity of the business and the business culture
- b. volume, size and complexity of transactions
- c. degree of risk
- d. degree of centralization and delegation of authority
- e. the extent of effectiveness of information technology
- f. the extent of regulatory compliance

Moreover, the Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

Under the ~~CG~~-Manual, Management should formulate, under the supervision of the Audit [and Risk](#) Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

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

- The Internal Auditor should submit to the Audit [and Risk](#) Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit [and Risk](#) Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

The minimum internal control mechanisms for management operational responsibility shall center on the on the CEO, being ultimately accountable for the organizational and procedural controls of the Corporation. On the basis of approved audit plans, the internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations.

The Group's Internal Auditor conducts an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit [and Risk](#) Committee and to the Board. Based on the result of the internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.

## 2) Internal Audit

### Role, Scope and Internal Audit Function

**Give a general description of the role, scope of the 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
An internal auditor or a group of internal auditors, through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The internal audit activities shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing.	The scope of the internal audit shall at least cover the following: <ol style="list-style-type: none"> <li>(1) an evaluation of the adequacy and effectiveness of controls pertaining to the governance, operations and information systems of the Corporation, including the reliability and integrity of financial and operational information,</li> <li>(2) effectiveness and efficiency of operations,</li> <li>(3) safeguarding of assets; and</li> <li>(4) compliance with contracts, laws, rules and, regulations.</li> </ol>	In-house. The Board annually appoints a Chief Audit Executive who oversees the internal audit of the Corporation.	The internal audit function of the Corporation is currently being performed by Millennium & Copthorne International Limited ("MCI"), which is based in Singapore, although MCI is not engaged directly by the Corporation. Mr. Yam Kit Sung, the Chief Finance Officer ("CFO") and Compliance Officer has been designated as the Chief Audit Executive of the Corporation, and is responsible for overseeing the service contract with MCI (as Internal Auditor), and the overall quality assurance of the internal audit activities, reporting to	The Charter requires the Internal Auditor to submit status reports which summarizes the recommendations of the internal auditor, the officers responsible for the implementation of the recommendations, and the dates when such recommendations shall be implemented and accomplished.  In addition, the <del>GG</del> Manual requires the Internal Auditor to submit to the Audit <a href="#">and Risk</a> Committee and Management and annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit <a href="#">and Risk</a> Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by

			senior management and the Board regarding internal audit activities, and follow-up of engagement results.	the Board and Management.  The Internal Auditor should certify that he conducts his activities in accordance with the International standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
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**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?**

No. It is the Board which appoints the Chief Audit Executive who oversees the internal audit function of the Corporation. The appointment and/or removal of the Chief Audit Executive or the accounting/auditing firm or corporation to which the internal audit function is outsourced does not require the approval of the audit committee.

#### **Discuss the internal auditor's reporting relationship**

~~Under the CG Manual, the~~ The Chief Audit Executive ~~should submit~~ submits to the Audit and Risk Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies, as approved by the Audit and Risk Committee.

In addition, the Charter requires the internal auditor to submit status reports which summarizes the recommendations of the internal auditor. The internal audit function is outsourced to MCI. The internal audit examinations cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations.

#### **Resignation, Re-assignment and Reasons**

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

Name of Audit Staff	Reason
N.A.	

Other than the Chief Audit Executive, the Corporation does not have its own internal audit staff, as the internal audit function is outsourced to MCI.

#### **Progress against Plans, Issues, Findings, and Examination Trends**

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

Progress against Plans	Internal audit work is carried out on an annual basis by the Group Internal Audit from Millennium & Copthorne Hotels International Limited.
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Issues	No significant issues have been identified.
Findings	No significant findings such as fraud.
Examination Trends	Internal audit carried out full audit cycle which covered cash, sales, purchases, health and safety and others.

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

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

#### **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 column 'implementation.'**

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<p>The Charter mandates that the Corporation shall have in place an internal audit function which shall be performed by an internal auditor through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.</p> <p>Under the <del>CG</del> Manual, Management should formulate, under the supervision of the Audit <a href="#">and Risk</a> Committee, the rules. and procedures on financial reporting and internal control in accordance with the following guidelines:</p> <p>(1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;</p> <p>(2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;</p> <p>(3) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations;</p> <p>(4) The Corporation should consistently comply with the financial reporting requirements of the SEC;</p>	<p>The Group's Internal Auditors, supervised by the Chief Audit Executive, conduct an internal audit review of the Corporation annually. The formal audit report is submitted to the Audit <a href="#">and Risk</a> Committee and to the Board. Based on the result of the internal audit review, key controls and management environment are effective. Audit findings are few and indicate low risks to the business overall.</p>



(5) The Internal Auditor should submit to the Audit [and Risk](#) Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit [and Risk](#) Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

#### **Mechanism and Safeguards**

**State the mechanism established by the company to safeguard the independence of the auditors, financial analyst, investment banks and rating agencies (example, restriction 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 in the company);**

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<p>(1) The Audit <a href="#">and Risk</a> Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;</p> <p>(2) The Audit <a href="#">and Risk</a> Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p> <p>(3) The Board, after consultations with the Audit <a href="#">and Risk</a> Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.</p> <p>(4) If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.</p> <p>(5) If the external auditor believes that any statement made</p>	N.A.	N.A.	N.A.

in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.			
(6) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.			

**(h) State the officers (preferably the Chairman & CEO) who will have to attest to the company's full compliances with the SEC Code of Corporate Governance. Such confirmation must state 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 ~~CG~~ Manual ~~provide~~provides that the Board shall appoint a Compliance Officer and an Assistant Compliance Officer who shall report directly to the Board. The Compliance Officer, or in his absence, the Assistant Compliance Officer, shall perform the following duties:

- a. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others):
- b. Monitor-, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the ~~CG Manual~~, relevant laws, the Code of Corporate Governance, Securities Regulation Code, Corporation Code, and other applicable, as may be amended from time to time, rules and regulations;~~and if any and all governance issuances of regulatory agencies;~~
- ~~(1)c. Report violations are found, to report the matter~~ to the Board and recommend the imposition of the proper penalty appropriate disciplinary action;
- d. Ensure the integrity and accuracy of all documentary submissions to regulators;
- ~~(2)e. Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance;~~
- ~~(3) Issue a certification that every January 30th of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation;~~
- f. Collaborate with other departments to properly address compliance issues, which may or may not be subject to investigation;
- g. Identify possible areas of compliance issues, and work towards the resolution of the same;
- h. Ensure the attendance of board members and key officers to relevant trainings; and
- i. Perform such other duties and responsibilities as may be provided by the SEC.

The ~~CG~~ Manual also provides that the reports or disclosures required under the ~~CG~~ Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer, Assistant Compliance Officer, or Corporate Secretary.

## ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' Welfare	To offer quality and innovative products, unsurpassed service and value for money.	The Corporation continues to improve the services, products, and facilities that it offers to its customers.  The Corporation established a team of trained employees to respond to possible disasters like fire, earthquakes and other accidents our guests and employees might experience during their stay in the

		Hotel. Instructors from Philippine National Red Cross trained the Hotel staff with basic first aid management and CPR (cardio-pulmonary resuscitation) while a team from the local fire department taught the employees with procedures in emergency rescue transfer and use of fire fighting equipment.
Supplier/contractor selection practice	To select based on quality of work and their ability to complement our commitment to environment, health and safety.	The Hotel purchases its raw material for food and beverage from both local and foreign suppliers.
Environmentally friendly value-chain	To continually seek ways to ensure a better quality of life for the community and environment where we live, work and play.	<p><i>(1) Energy and water conservation</i></p> <p>The reduction of working days for administrative personnel or offices aims not only to achieve work life balance but also to reduce the hotel's energy consumption. A Hotel wide campaign on the best cost management practices of departments educates and inspires associates to conserve and preserve supplies and resources. Engineering Department helps in devising ways to improve electricity consumption by using halogen and fluorescent lights. Room guests are also encouraged to save water and laundry detergent consumption by re-using bed linens and towels when possible. Scraps and old newspapers are recycled into flowers and pots to decorate our restaurants and other sections of the hotel.</p> <p><i>(2) Earth Hour</i></p> <p>The Hotel actively participates in the annual Earth Hour, a worldwide campaign of turning off the lights for an hour in efforts to increase awareness on energy consumption and climate change.</p> <p>This event is spearheaded by the World Wildlife Fund (WWF), an international environmental advancement group and reported to have remarkable drop in energy usage in key cities of participating countries.</p>
Community interaction	To serve the community we operate in so as to create a better place for all, especially caring for the less fortunate, enhancing youth development, promoting the arts and conserving the environment.	<p><i>(1) Blood letting</i></p> <p>The Hotel is a consistent recipient of the Philippine National Red Cross Meritorious Service Award for its continuous participation in blood letting activities. The Corporation has organized eight blood donation activities since 2008.</p> <p><i>(2) Readiness for career</i></p> <p>The Hotel offers educational experiences and hotel-life skills training for students interested to have careers in hospitality industry. As contribution to the industry, the Corporation helps prepare future hoteliers with the competencies and attitudes to make them confident and fit to explore their lot in the marketplace. Students from various universities and training centers across the metro and provinces have seen and experienced the Hotel standards in terms of cleanliness and service and end the year-2012 with 47 graduating students fully equipped the 5 star way.</p>

		<p><i>(3) Job opportunities</i> The Hotel is a long-standing figure of stability providing career opportunities for professionals and people recently graduated from school. We have provided employment security Pasay City and other neighboring cities and provinces thus providing their families and communities decent way of living.</p> <p><i>(4) Funds for charitable institutions</i> The Hotel capitalizes on accumulating funds to support our beneficiaries during Christmas season and Chinese New Year. A wishing well is placed at the Hotel lobby where guests and employees can share their piece of good fortune to scholars and less privileged families of Pasay City through "Our Lady of Sorrows Outreach Foundation". A total of PhP30,000.00 was forwarded to the foundation from the proceeds of the Christmas wishing well.</p> <p>Pangarap Foundation, a shelter for street children and out of school youth of Pasay City is a donee institution of the Hotel through its donation box placed at Front Desk where guests can donate upon check-in and out.</p>
Anti-corruption programs and procedures <sup>2</sup>	As a responsible corporation, it is our goal to be transparent and accountable to our stakeholders who have an interest in our operations.	The Chairman's Statement in the Annual Report and the discussion in the Information Statement on the general and business information provides a summary and/or a simple presentation of the company's financial, operational and legal highlights to allow the ordinary shareholder or stakeholder to be fully aware of the company's status.
Safeguarding creditors' rights	It is its recognized policy in favor of its investors "To maintain profitability and achieve optimum returns on their investments."	<p>The Corporation's website discloses up to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of Annual Stockholders' Meetings, and contact details for investor relations.</p> <p>Furthermore, The Corporation explicitly mentions its obligations to its creditors including honoring debt agreement(s) and timely payment of debt obligations in its Notes to Financial Statements attached to SEC Form 17-A and Information Statements.</p>

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

Yes. Corporate Social Responsibility has been an integral part of the Corporation's vision and mission. Founded on this commitment, the Corporation takes into consideration the interests of society on key stakeholders such as our investors, customers, employees, contractors and suppliers as well as the community.

The Corporate Social Responsibility report/section in the ACGR is incorporated by reference to the Information Statement and Annual Report of the Corporation.

**3) Performance-enhancing mechanisms for employee participation.**

- a) What are the company's policy for its employees' safety, health and welfare?
- b) Show data relating to health, safety and welfare of its employees.

- c) State the company's training and development programmes for its employees. Show the data.  
d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

#### Development Opportunities for Employees

Initiative	Beneficiary
<b>Monthly Staff Tea Party and Annual Sports Fest</b>	
The Heritage Hotel Manila employees meet up every month for Tea party to celebrate the achievements and birthdays of colleagues, enjoy fun games and get recharged and inspired through inspirational messages from the General Manager.	Employees
<b>Internal Movement and Succession</b>	
The Heritage Hotel Manila provides opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.	Employees

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

The Corporation has not adopted procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior. However, the Code of [Business Conduct and Ethics](#) provides that refusal to answer inquiries or participate in any investigation authorized by the Hotel, provided such answers or participation will not violate constitutional rights, is considered a major offense. Thus, employees are enjoined to participate in investigations of the Hotel, which may include illegal (including corruption) and unethical behavior.

#### DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure  
(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent (Exclude treasury shares)	Beneficial Owner
The Philippine Fund Limited	28,655,932	53.34%	TPFL is owned by: (1) Hong Leong Hotels Pte. Ltd. - 60% (2) Pacific Far East (PFE) Holdings Corp. - 20% (3) Robina Manila Hotel Limited -20%
Zatrio Pte. Ltd.	17,727,149	33.00%	Republic Hotels & Resorts Limited,, which wholly owns Zatrio Pte. Ltd as its subsidiary.

Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/ Through (name of record owner)	% of Capital Stock
Yam Kit Sung	2,998	0	less than 1%
Eddie Yeo	1,000	0	less than 1%

Arlene de Guzman	1,000	0	less than 1%
<b>Total</b>	4,998		Less tan 1%

**2) Does the Annual Report disclose the following:**

Key Risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-Financial performance indicators	Yes
Dividend Policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualification, date of first employment, relevant, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each directors/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

**3) External Auditor's fee**

Name of Auditor	Audit fee	Non-Audit fee
KPMG R. G. Manabat & Co.	<del>PhP670,600</del> <u>PhP690,000</u> for the year <del>2015</del> <u>2016</u>	none

**4) Medium of Communication**

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

- Corporation has its own website: [www.grandplazahotelcorp.com](http://www.grandplazahotelcorp.com)
- As a listed company, its reports and documents are also available at the Philippine Stock Exchange Website
- Also, the ~~CG~~ Manual provide for the following :
  - The Shareholders shall be furnished, upon request, with the reports filed by the Corporation with the SEC pertaining to information about the directors/ officers
  - The minority shareholders (representing at least 10%) have a right to propose the holding of a meeting.
  - The minority shareholders has access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request
- The Corporation also sends out copies of its Information Statement to its stockholders
- Annual Meetings - held on the 15th of May every year
- Special Meetings - may be called at any time by resolution of the Board or by order of the Chairman or the President or upon written request of stockholders representing at least 10% of the total outstanding stock entitled to vote.

**5) Date of release of audited financial report:**

The Corporation's audited financial statements for the year ended 31 December ~~2015~~ and 2016 and other information related to the Corporation's financial statements are contained in the Corporation's SEC Form 17-A for the year ended 31 December ~~2015~~ 2016, which was filed by the Corporation with the Philippine Stock Exchange on ~~18~~ 17 February ~~2016~~ 2017 and with the SEC on the same date.

**6) Company Website**

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

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

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

**7) Disclosure of RPT**

The Company in the normal course of business has entered into transactions with its related parties, principally consisting of cash advances. These advances are shown as "Due to related company", "Due to immediate holding company", and "Due to intermediate holding company" in the balance sheets.

The Company also leases its hotel site from a related company. The lease contract on the hotel site requires the Company to deposit PhP78 million to answer for any and all unpaid obligations that the Company may have under said contract.

On 11 August 2014, the Company and the related company, Harbour Land Corp (HLC), agreed to amend the Lease Contract to increase the rent from PhP10,678,560 to PhP17,797,608 effective 1 January 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of rent for the first 5 years but on the 6<sup>th</sup> year, HLC will propose a revision depending on the market condition.

The Company has entered into a Management Contract with Elite Hotel Management Services Pte. Ltd.'s Philippines Branch for the latter to act as the hotel's administrator. Under the terms of the agreement, the Company is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit. [The Management Agreement has been renewed for another 5 year period, from 1 January 2017 to 31 December 2021.](#)

**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?**

The Corporation's ~~CG~~ Manual requires information including related party transactions to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC.

In compliance with the SRC Rules, the Corporation is required to disclose the following details for a related party contract:

- the nature of the related party relationship;
- the type of transaction (e.g. supply or services contract, loans, guarantees);
- the total amounts payable and receivable in the transaction from or to the related party;
- the elements of the transaction necessary to understand the listed company's financial statements.

The Corporation is also required to disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person's beneficial ownership of the counter party or share in the profits, bonus, or commissions out of the transaction.

No disclosure is needed for any transaction where:

- The transaction involves services at rates or charges fixed by law or governmental authority;
- The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or
- The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

In compliance with the provisions of the Corporation Code, a contract of the Corporation with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:

- a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.
- b. The vote of such director was not necessary for the approval of the contract.

Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.

Furthermore, the Corporation must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i ) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:

- a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting
- b. The vote of such director was not necessary for the approval of the contract

to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

In accordance with the Corporation Code, management contracts entered into by the Corporation with another corporation must be approved by the Board and by stockholders owning at least the majority of the outstanding capital stock, of both the managing and the managed corporation, at a meeting duly called for the purpose. Where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own and control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or where a majority of the members of the Board of the managing corporation also constitute a majority of the members of the Board of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote. Furthermore, no management contract shall be entered into for a period longer than five years for any one term.

The Audit and Risk Committee shall review material related party transactions of the Corporation, to determine whether they occur at market prices and at arm's-length basis, under conditions that protect the rights of all stockholders, and may, on a case-to-case basis, recommend that these transactions be ratified by the stockholders.

## H. 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>	The holders of a majority of the outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, save in those instances where the Corporation Code requires a greater proportion.
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts

<b>System Used</b>	Modified viva voce
<b>Description</b>	In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a



proposed resolution regarding , it will be understood that the stockholders present or represented in today's meeting vote in favor of the resolution.

**(c) Stockholders' Rights**

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

<b>Stockholders' Rights under the Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
Appraisal Right	Each share of stock is given equal rights to dividends
Right to vote <ul style="list-style-type: none"> <li>• right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code</li> <li>• Cumulative Voting</li> <li>• A director shall not be removed without cause if it will deny minority shareholders representation in the Board</li> </ul>	Shareholders are equally treated in share buy-back offers.  The Corporation has only one class of shares and each share is entitled to one vote.
Pre-emptive right	Shares of stock are not subject to any restrictions on transfer, mortgage or encumbrances on these shares.
Power of Inspection	The Corporation is committed to respect and promote shareholders' rights
Right to Information	<p>(1) The shareholders shall be provided, upon request, with the reports filed by the Corporation with SEC that disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>(2) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at last ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholders' meeting.</p> <p>(3) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.</p> <p>(4) If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, such item in the agenda will be considered as being within the definition of "legitimate purposes".</p>
Right to Dividends	The Corporation is required to declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution

or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

## Dividends

Declaration Date	Record Date	Payment Date
15 May 2012	29 May 2012	On or before 22 June 2012

### (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
Minority shareholders may recommend candidates to the Nomination Committee and may cumulate their votes for election of directors.	The Nomination Committee sends out notices to all stockholders that the Nomination Committee is accepting recommendations for nominees. Then, the Stockholders will submit their recommended candidates by accomplish the Recommendation Form attached as Annex 1 to the notice to the stock holders and sent back the same to the Nomination Committee.
Minority shareholders, representing at least 10% of the outstanding capital stock entitled to vote, have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	By written request. Such request shall state the purpose or purposes of the proposed meeting.
During the annual stockholders' meeting, stockholders are given the opportunity to raise questions and directly address the Chairman of the Board, the individual directors, and the Board committees.	The Chairman invites the stockholders to raise their questions or air their comments during the annual stockholders' meeting. There is also a question and answer portion during which the floor is opened to allow stockholders to raise questions and directly address the Chairman of the Board, the individual directors, the Board committees, and the officers of the Corporation.

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

Authorization of additional shares, and transfer of all or substantially all assets of the corporation are subject to the ratification of stockholders representing at least 2/3 of the outstanding capital stock, as provided in the Corporation Code.

- 9) Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
- Date of sending out notices: ~~22~~21 April ~~2016~~2017
  - Date of Annual/Special Stockholders Meeting: ~~46~~15 May ~~2016~~2017

Yes. As a matter of practice, the Corporation distributes the notice of the meeting at least 21 days (or 15 business days)

before the AGM. According to its By-Laws, except as otherwise provided by law, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered shall be transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address, at least 15 days before the date of the meeting, in case of an Annual Meeting, or at least 7 days before the date of the hearing, if a special meeting.

The Corporation also subscribes to the requirement under the SRC Rules, to file the Preliminary SEC Form 20-IS with the SEC at least 10 business days prior to the date definitive copies of the information statement ("Definitive SEC Form 20-IS") are first sent or given to stockholders. The Corporation distributes the Definitive SEC Form 20-IS to security holders at least 15 business days from the date of the annual stockholders' meeting.

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

In the annual stockholders' meeting of the Corporation held on ~~46~~<sup>15</sup> May ~~2016~~<sup>2017</sup>, Mr. ~~Gill-Guillermo~~<sup>Edgar Ngo</sup>, a stockholder of the Corporation, inquired ~~as to about~~ the ~~status~~<sup>occupancy rate</sup> of the ~~pending tax case of~~ Hotel in 2016. ~~Mr. Yeo mentioned that for 2016, the Corporation (i.e., in relation to) Hotel had an occupancy rate of 48.6%, which was the tax deficiency assessment in relation to year 2008. The Chair gave~~ Hotel's lowest occupancy rate. He attributed this to external factors that limit the floor to Mr. Yam (General Manager, CFO, Compliance Officer, and Chief Audit Executive), who that, as disclosed arrivals of visitors in Manila, such as, the security situation in the Corporation's SEC Form 20-IS, the Corporation filed a Petition for Review with Philippines, and the CTA lack of airport infrastructure in 2015 to invalidate NAIA that limits its capacity to handle passengers arriving in Manila. Mr. Yeo also cited the ~~collection proceedings of~~ tremendous growth of other casino and hotel businesses, specifically in the BIR. ~~The case is still pending~~ Manila Bay area, which compete with the CTA, and the Corporation is awaiting the CTA's resolution on the matter. ~~Hotel in attracting guests.~~

Mr. Ngo also asked about the plans of the Corporation with regard to the space previously occupied by PAGCOR. In response, Mr. Cockrell mentioned that PAGCOR is currently in the process of divesting its casino business, and focus on regulating the gaming industry in the Philippines. Thus, PAGCOR will no longer be a potential tenant of the Hotel. The Board and Management is seriously negotiating with several parties for the lease of the space previously occupied by PAGCOR. As the negotiations are not definite yet, the Corporation cannot disclose details of the lease. However, the Corporation is fairly confident that the space will be occupied before the next annual stockholders' meeting.

Mr. Ngo asked whether the Corporation has any plans of relocating or expanding to other areas in the country, like Boracay, or the Manila Bay area in Pasay City. In response, the Chairman mentioned that expansion and diversification of the Corporation's operations in the Philippines will require several considerations. According to the Chairman, one of the positive developments for the Philippines is the establishment of a more positive relationship with China as the hotel and casino industry in the Philippines will benefit from the influx of more Chinese tourists in the Philippines. Management will ensure that the Hotel will take advantage of this development. The Chairman is also optimistic about the prospects of the Hotel for the next few months.

Finally, Mr. Ngo asked about the performance of the Corporation for the 1st quarter of 2017. In response, Mr. Yam mentioned that for the 1st quarter of 2017, the Corporation has incurred a loss of PhP8 million. However, the performance of the Corporation has improved in April and May of 2017, and Mr. Yam believes that the results for the second quarter of 2017 may offset the 1st quarter performance of the Corporation.

Another stockholder, Mr. Romeo Quachon, introduced himself as among the stockholders who received their shares in the Corporation as a result of the liquidation of APEC Plans. Mr. Quachon asked what he is supposed to do with his shares in the Corporation, i.e., whether he should continue to hold on to his shares or sell the same. Mr. Quachon also mentioned that he has no idea about the Corporation, the number of his shares in the Corporation, and his rights as a stockholder.

According to the Chairman, stockholders of the Corporation should make their own decision with regard to what to do with their shares in the Corporation, and the Corporation is not in the position to advise the stockholders on what to do with their shares. The Chairman mentioned that Mr. Quachon may want to consult his own investment adviser in regard to this matter. ~~Ms.~~

~~Mr. Guillermo also mentioned the adverse impact of the cessation of PAGCOR's casino operations in the Hotel on the Corporation's annual income, and inquired about the Corporation's plans to address this. The Chair replied that the Corporation has actively been looking at all available opportunities for the use of the vacant space, such as negotiating with a potential casino investor. However, the potential casino investor was unable to obtain a license from PAGCOR. The Chair assured the stockholders that the Management continues to looking into the possible use for the vacant space. Mr. Yam also added that the Management is in discussion with real estate brokers in looking at other commercial options available for the vacant space such as leasing the space for use as restaurants, supermarket, etc.. However, the rental rates for the other activities are relatively lower than the potential rental for a casino. The improve its profitability, the Corporation is looking at diversifying its markets, improving its products, and work on lowering its costs, etc.~~

Macasaet-Acaban also mentioned that with respect to the number of shares held by each stockholder, this information will

[be found on the stock certificates issued to the stockholders. In the absence of such stock certificate, the stockholders may also inquire about their shareholdings with STSI, the Corporation's stock transfer agent.](#)

[Ms. Gentugaya also added that, as a listed company, the Corporation is required to disclose its performance and other material information to the SEC and the PSE, and these information may be accessed through the Corporation's website. Thus, stockholders may want to inform themselves about the Corporation by accessing its website, and other publicly-available information about the Corporation.](#)

~~Another stockholder, Mr. Jose Avecilla inquired about the latest stock price of the Corporation. Mr. Yam replied that the Corporation's latest stock price is PhP23.50 per share.~~

## 11) Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
(1) Approval of the Corporation's <del>2015</del> 2016 annual report and audited financial statements	all	none	none
(2) Approval and ratification of the Minutes of the Annual Stockholders' Meetings of the Corporation held on <del>15</del> 16 May <del>2015</del> 2016	all	none	none
(3) Ratification of the Renewal of the Management Agreement between Elite Hotel Management Services Pte Ltd (as Manager) and the Corporation (as Owner) for a period of 5 years	<a href="#">all</a>	<a href="#">none</a>	<a href="#">none</a>
<del>(3)</del> Approval and ratification of all the acts, decisions, contracts and proceedings done, taken and effected by the Board, as well as resolutions issued by the Board, acting within the scope of its delegated authority, during the year <del>2015</del> -2016- <del>2017</del>	all	none	none
<del>(4)</del> Election of the Board	all	none	none
<del>(5)</del> Election of external auditor and authority of the Board to fix the auditor's remuneration	all	none	none

## 12) Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The result of votes taken during the most recent annual stockholders' meeting for all resolutions was announced by the Chairman immediately after the votes were taken for each resolution during the meeting, using the modified system of voting adopted by the stockholders of the Corporation (i.e., if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination).

### (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:

### (f) Stockholders Attendance

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

Type of Meeting	Name of Board Members/ Officers present	Date of Meeting	Voting procedure (by poll, show of hands, etc)	% of SH in Proxy	Total % of SH attendance
Annual	<a href="#">Tan Kian Seng</a> <a href="#">Bryan Cockrell</a> Eddie Yeo  Eddie Lau Antonio Rufino, <del>Angelito C. Imperio</del>	<del>16</del> 15 May <del>2016</del> 2017	Modified viva voce.  In the system of voting adopted by the stockholders of the Corporation, in	86.36%	86.36%

	<a href="#">Rene Soriano</a> Mia G. Gentugaya Yam Kit Sung Maria Christina Macasaet-Acaban Alain Charles J. Veloso		order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.		
Special	N.A.				

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

No. Voting and counting of votes are done by modified *viva voce*. In the system of voting adopted by the stockholders of the Corporation, in order to facilitate the conduct of the proceedings of the stockholders' meeting, if there is no objection to a nomination or motion to approve a proposed resolution regarding the nomination, it will be understood that the stockholders present or represented in today's meeting vote in favor of the nomination.

**(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 share.**

Yes. At every stockholders' meeting, the By-Laws provide that each stockholder shall be entitled to one vote in person or by proxy, and he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation.

**(g) Proxy Voting Policies**

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

	<b>Corporation's Policies</b>
Execution and acceptance of proxies	Proxy voting is facilitated by the fact that proxies are presumed regular and accepted in the absence of a timely and valid challenge.
Notary	Not required. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Submission of Proxy	All proxies must be in the hand of the Corporate Secretary before the time set for the meeting.
Several Proxies	The Corporation subscribes to SEC Memorandum Circular No. 5, Series of 1996, with regard to several proxies. If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.

Validity of Proxy	The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Such proxies filed with the Corporate Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting, or by their personal presence at the meeting.
Validation of Proxy	Unless the notice of meeting provides an earlier period, all proxies may be validated on the date, and at the place and before time of the regular or special meeting of the stockholders.
Violation of Proxy	As provided in the Corporation Code and SRC.

#### (h) Sending of Notices

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

<b>Policies</b>	<b>Procedure</b>
<p>Notice for Annual Stockholders' Meeting:</p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 15 days before the date of the meeting</p>
<p>Notice for Special Stockholders' Meetings</p> <p>Written or printed notice, stating the place and time of the meeting, and if necessary, the general nature of the business to be considered, shall be transmitted to each stockholder of record.</p>	<p><i>How transmitted:</i> the notice is transmitted by personal delivery, mail, facsimile, telex, telegraph or cable to each stockholder of record entitled to vote to his last known address</p> <p><i>When transmitted:</i> at least 7 days before the date of the hearing</p>

#### (i) Definitive Informative Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<del>6,393</del> 14,485
<b>Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<del>22</del> 21 April <del>2016</del> 2017
<b>Date of Actual Distribution of Definitive Information Statements and Management Report and Other Materials held by stockholders</b>	<del>22</del> 21 April <del>2016</del> 2017
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes.

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

Each resolution to be taken up deals with only one item.	Yes.
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Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes. Individual profile of directors and Board meeting attendance and performance are publicly disclosed and presented to the shareholders in the Information Statement and during the Annual Stockholders' Meeting.
The auditors to be appointed or re-appointed.	Yes. Adequate information on the external auditor including the name of the handling partner, their fees and other engagements with the company (tax, consulting, etc.) are publicly disclosed.
An explanation of the dividend policy, if any dividend is to be declared.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its <del>CG</del> Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up capital stock.
The amount payable for final dividends.	Yes. Dividends are declared by the Board based on results of operations and the balance of the unrestricted retained earnings. In Item 6.1.5 of its <del>CG</del> Manual, the Corporation is required to declare dividends when its unrestricted retained earnings exceed 100% of its paid-up capital stock.
Documents required for proxy vote.	Yes. The Corporation adopts a presumption of regularity in the execution of proxies and the same shall be accepted in the absence of a timely and valid challenge.

**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.**

<b>Policies</b>	<b>Implementation</b>
Minority shareholders are given full nomination and voting rights	Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.  Cumulative voting shall be used in the election of directors.  A director shall not be removed without cause if it will deny minority shareholders representation in the Board
Minority shareholders have the right to participate in corporate governance	The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The By-Laws of the Corporation provides that shareholders representing at last ten percent (10%) of the outstanding capital stock of the Corporation may request the holding of a special shareholding's meeting.
Minority shareholders have the right to information	The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and which concerns the stockholders making the request, provided that such right shall be subject to existing law and contract. A report on the information pertaining to such matters may be included in the agenda of any meeting of the shareholders.  If such not included in the agenda, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholder's meeting, such item in the agenda will be considered as being within the

	definition of “legitimate purposes”.
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**b) Do minority stockholders have a right to nominate candidates for board of directors?**

Yes. The Rules and Procedure of the Nomination Committee provide for such a procedure.

**I. 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 committee.**

Under the ~~CG~~ Manual, one of the Board's functions is to establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's chief financial officer or such other officer as may be designated by the Board shall exercise oversight responsibility over this program.

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

	Details
(1) Objectives	To keep the stockholders informed of important developments in the Corporation.
(2) Principles	<p>The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.</p> <p>All material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, and related party transactions. All such information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p> <p>Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.</p> <p>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.</p>
(3) Modes of Communication	<p>All material information should be disclosed through the appropriate PSE mechanisms and submissions to the SEC.</p> <p>The Corporation's website also discloses up-to-date information on business operation, financial statements, press releases, shareholding structure, organization structure, SEC Forms 17-A, Notice of ASM, and contact details for investor relations.</p> <p>The Corporation's website indicates the telephone number/ fax number and email address of the Corporation's investor relations officer.</p>
(4) Investors Relations Officer	Yam Kit Sung, Chief Financial Officer of the Corporation

**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**

Other than what is provided under the law and the applicable rules and regulations, the Corporation has not adopted any 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. Considering that the Corporation does not regularly enter into the foregoing transactions, the Board has not appointed any independent party to evaluate the fairness of the transaction price.

## **J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

<b>Initiative</b>	<b>Beneficiary</b>
<b>Wishing Well Proceeds for Our Lady of Sorrows Foundation</b>	
The Heritage Hotel Manila has donated a total of Php 30,000 cash donation from the proceeds of the Wishing Well stationed at the hotel's lobby to Our Lady of Sorrows Outreach Foundation.	Out-of-school youth and less privileged community
<b>Blood Letting Activities</b>	
Twice a year, the Heritage Hotel Manila conducts bloodletting activity, which is usually scheduled on August and December.	Community
<b>On-the-Job Training for Students</b>	
The Heritage Hotel Manila has become a premier platform to acquire knowledge, skills and confidence of future hoteliers as students from various universities take their on-the-job training and familiarization workshops in the hotel. A total of 48 students had their first hand experience of the hotel life and had also opened opportunity for employment in the hotel.	Students
<b>Annual Fire Drill</b>	
The Heritage Hotel Manila team demonstrated 100% readiness to rapidly respond to fire emergencies and checked the good working condition of the hotel's fire detection and alarm system during our Annual Fire Drill and Disaster Preparedness Program. For year 2015, the fire drill was conducted 24 July.	Guests and employees
<b>Appointment of Safety Officer</b>	
The Heritage Hotel Manila puts premium on maintaining the health and safety of its guests and employees by appointing a Safety Officer to come up with programs suitable in the operations.	Guests and employees
<b>Earth Hour</b>	

For the eighth year in a row, The Heritage Hotel Manila participated in the Earth Hour. Through this participation, the hotel had switched off its interior and exterior lights as well as applied the use of candles at the Riviera Cafe for one hour. This participation corresponded to the call for the international community to mobilize action against global warming and climate change.	Environment
<b>Coastal Clean up Day</b>	
Heritage Hotel Manila showed its commitment to the environment when staff and management joined in the Annual 2015 International Coastal Cleanup to clean litter and trash along the Manila Bay coastline. International Coastal Cleanup is a global event initiated by Ocean Conservancy since 1986 to involve people in the removing of trash and debris from beaches, coastal regions and surrounding areas throughout the world, identify the sources of debris, and change behavioral patterns that contribute to pollution. Led by General Manager Mr. Eddie Yeo, the Heritage Hotel Manila team picked up trash and various litter along the Manila Bay Coastline.	Environment
<b>Green Practices</b>	
The hotel always see to incorporates daily green practices such as recycling, digitization of paper documents, and use of LED lights to reduce carbon footprint.	Environment
<b>Monthly Staff Tea Party and Annual Sports Fest</b>	
The Heritage Hotel Manila employees meet up every month for Tea party to celebrate the achievements and birthdays of colleagues, enjoy fun games and get recharged and inspired through inspirational messages from the General Manager.	Employees
<b>Internal Movement and Succession</b>	
The Heritage Hotel Manila provides opportunities for employees to manage their career path through an open and spontaneous performance review. Department Heads are encouraged to train their staff in all scopes of their jobs, multi-tasking and taking accountabilities to prepare them for greater responsibility. Internal movement or promotion within department is put on public knowledge through bulletin boards and e-mails and their colleagues celebrate and congratulate them for their achievements.	Employees

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

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

	Process	Criteria
<b>Board of Directors</b>	N.A.	N.A.
<b>Board of Committees</b>	N.A.	N.A.
<b>Individual Directors</b>	N.A.	N.A.
<b>CEO/President</b>	N.A.	N.A.

~~Except for the~~ Section 9.4 of the Manual states that the Board shall conduct an annual self-assessment ~~conducted by the Audit Committee, the Corporation does not assess the annual of its performance of, including the board~~ Chairman and its committees, individual director, and the CEO/President members of the committees. Every three years, the assessment

[should be supported by an external facilitator.](#)

In accordance with the SEC's Guidelines for the Assessment of the Performance of Audit [and Risk](#) Committees of Companies Listed on the Exchange ("Guidelines"), the Audit [and Risk](#) Committee conducts an annual assessment of its practices in relation to the best practices and standards provided in the Guidelines ("Assessment"). The Assessment process is documented and forms part of the records of the Corporation. For 2016, the Assessment was held on ~~28~~[26](#) July 2016.

#### L. 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
Violation of the provisions of the <del>CG</del> Manual and the Revised CG Code	<p>In case of first violation, the subject person shall be reprimanded.</p> <p>Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation by any member of the Board shall be a sufficient cause for removal as director.</p> <p>The Compliance Officer shall recommend to the Board the procedure for determining whether violations have been committed. Such procedure must observe the principle of due process, particularly the requirements of prior notice and hearing.</p> <p>The Compliance Officer shall decide whether any violation of the <del>CG</del> Manual has been committed and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval by the Board.</p>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

## **SIGNATURES**

TAN KIAN SENG  
Chairman of the Board / Chief Executive Officer

RENE Y. SORIANO  
Independent Director

MIA G. GENTUGAYA  
Independent Director

YAM KIT SUNG  
Compliance Officer

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

NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

**NOTARY PUBLIC**