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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) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
1. Antonio M. Garcia	NED			**	23 June 2011	ASM*	**
2. Jesus N. Alcordo	NED	Chemholdings Corporation	Chemholdings Corporation	**	23 June 2011	ASM*	**
3. Ramon M. Garcia	NED	Chemphil Export & Import Corp.	Chemphil Export & Import Corp.	1997	23 June 2011	ASM*	**
4. Paulino C. Alvaro	NED	Philippine Indochem Corporation	Philippine Indochem Corporation	8 Oct 2009	23 June 2011	ASM*	3
5. Ana Maria G. Ordoveza	ED	Philippine Indochem Corporation	Philippine Indochem Corporation	**	23 June 2011	ASM*	**
6. Augusto P. Nilo	ID		Antonio M. Garcia (no relation)	2006	23 June 2011 (6 yrs ID)	ASM*	6***
7. Manuel M. Gamboa	ID		Antonio M. Garcia (no relation)	2009	23 June 2011 (3 yrs ID)	ASM*	3

\*No Annual Stockholders' Meeting (ASM) was held in 2012.

\*\*Records show that these directors have been serving as Board of Directors for more than 10 years.

\*\*\* 6<sup>th</sup> year was held in a hold-over capacity due to the non-holding of the Annual Stockholders Meeting for the year 2012.

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

The Board of directors, management, officers, employees and shareholders of Chemical Industries of the Phils., Inc. (the "Company") believe that corporate governance must underlie sound business management and the strategic optimization of corporate resources towards growth. The Company adheres to the principles and best practices of corporate governance as embodied in its Manual on Corporate Governance ("Manual") which details the standards by which the Company conducts good corporate governance that is coherent and consistent with relevant laws and regulations, and constantly strives to create value for its stockholders.

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

### **Treatment of all shareholders**

The Board shall ensure high standard of best practices for the Corporation and its stakeholders. Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings. The shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporate Code.

### **Respect for the rights of minority shareholders and of other stakeholders**

The Board shall ensure that all rights of stockholders as mandated and set forth in the Corporation Code of the Philippines, Articles of Incorporation and By Laws of the Company shall be respected. Among these rights of stockholders are: right to vote on all matters that require their consent or approval; right to inspect corporate books and records; right to information; right to dividends; and appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meeting of the company.

### **Disclosure Duties**

The Board is fully aware that they should act in a manner characterized by transparency, accountability and fairness. All material information about the company which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed through the submissions and filings made to the SEC and the PSE.

### **Board Responsibilities**

The Board fully recognizes that compliance with the principles of good corporate governance shall be enforced and they shall take it upon themselves to lead by example. Its duties and responsibilities as defined in the Corporate Governance Manual include: (1) Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives; (2) Confirm that the Corporation complies with all relevant laws and regulations; (3) Make sure that a system of internal checks and balances is always in place; Identify key risk areas and key performance indicators and monitor these factors with due diligence; and to pursue best business practices; (4) Properly discharge Board functions and, subject to and conditioned upon the presence of a quorum, ensure that meetings are held regularly; giving due consideration to independent views during Board meetings and all discussions and dissenting views shall be duly minuted; and; (5) Maintain Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-laws and in existing laws, rules and regulations.

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

The Company's vision and mission statements are reviewed as needed. The Board still considers the existing vision and mission relevant.

#### **(d) Directorship in Other Companies**

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

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

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Antonio M. Garcia	LMG Chemicals Corp. CAWC, Inc.,	Non-Executive, Chairman Non-Executive, Chairman

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

	Chemphil Manufacturing Corp. Kemwater Phil. Corp.	Non-Executive, Chairman Non-Executive, Chairman
Ana Maria G. Ordoveza	LMG Chemicals Corp. CAWC, Inc., Chemphil Manufacturing Corp. Kemwater Phil. Corp.	Executive Executive Executive Executive
Jesus N. Alcordo	LMG Chemicals Corp. Kemwater Phil. Corp. Chemphil Manufacturing Corp. CAWC, Inc.	Non-Executive Non-Executive Non-Executive Non-Executive
Ramon M. Garcia	LMG Chemicals Corp. Kemwater Phil. Corp. Chemphil Manufacturing Corp. CAWC, Inc.	Non-Executive Non-Executive Non-Executive Non-Executive
Augusto P. Nilo	LMG Chemicals Corp. Chemphil Manufacturing Corp. CAWC, Inc.	Independent Independent Independent
Paulino C. Alvaro	LMG Chemicals Corp. Chemphil Manufacturing Corp.	Non-Executive Non-Executive

**(ii) Directorship in Other Listed Companies**

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Not Applicable		

**(iii) Relationship within the Company and its Group**

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Antonio M. Garcia	Chemholdings Corporation	They are siblings and therefore related to each other within the 2 <sup>nd</sup> degree of consanguinity.
Ramon M. Garcia	Chemphil Export & Import Corp.	
Ana Maria M. Garcia	Phil Indochem Corp.	

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

The Company has not expressly set a limit on the number of board seats in other companies (publicly-listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously. Also, the Company does not expressly impose and observe the limit of five (5) board seats in other publicly listed companies.

At present, no director in the current composition of the Board is serving on more than five publicly listed companies. Thus, the capacity of directors to serve with diligence is not compromised.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Not Applicable	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Antonio M. Garcia	501	NA	0.00487%
Ana Maria G. Ordoveza	1	-	0.0001%
Jesus N. Alcordo	1		
Ramon M. Garcia	5	58,401/ Chemphil Export Import Corp	0.0005%
Paulino C. Alvaro	1	NA	0.0001%
Augusto P. Nilo	1	NA	0.0001%
Roberto A. Silva	1	NA	0.0001%
<b>TOTAL</b>	<b>511</b>		<b>0.00496%</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 benefit of independent views.

Yes  No

Identify the Chair and CEO:

Chairman of the Board	Mr. Antonio M. Garcia
CEO/President	Ms. Ana Maria G. Ordoveza

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role		
Accountabilities	<ul style="list-style-type: none"> <li>Ensure that the meetings of the Board are held in accordance with the Corporation's By-Laws or as the Chair may deem necessary;</li> </ul>	<ul style="list-style-type: none"> <li>See to it that all orders and resolutions of the Board of Directors are carried into effect;</li> </ul>
Deliverables		

	<ul style="list-style-type: none"> <li>• Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and</li> <li>• Maintain qualitative and timely lines of communication and information between the Board and Management.</li> <li>• Preside in all the meetings of the Stockholders and of the Board of Directors;</li> <li>• Exercise such powers which are given him by the company's By-Laws and exercises such other functions and responsibilities as the Board of directors may assign to him;</li> <li>• Ensure that the Board is effective in its tasks of setting and implementing the company's direction and strategy; and</li> <li>• Act in an advisory capacity to the President /CEO and to other officers in all matters concerning the interests and management of the Company and, in consultation with the CEO, plays a role in the Company's external relationships.</li> </ul>	<ul style="list-style-type: none"> <li>• As authorized by the Board of Directors, execute bonds, mortgages and other contracts requiring the seal of the corporation;</li> <li>• Have general superintendence and direction of all other offices of the corporation and of the employees and shall see to it that their respective duties are properly performed;</li> <li>• Operate and conduct the business and affairs of the corporation according to the policies and resolution of the Board of Directors, and according to his own discretion, whenever and wherever the same is not expressly limited by such policies and resolutions;</li> <li>• Make and sign all appointments of personnel for positions provided in the budget or in an independent resolution of the Board; provided that appointment and removal of officials whose compensation is in excess of P6,000 per annum are subject to the approval of the Board;</li> <li>• Have the power to remove, as the circumstances may justify, any subordinate official or employee whose appointment is vested in him and;</li> <li>• Submit a report of the operation of the corporation to the Directors at the regular monthly meeting and an annual report thereof to the stockholders at the annual meeting.</li> </ul>
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**3) Explain how the board of directors' plan for the succession of the CEO/Managing Director/President and the top key management positions?**

As stated in our By-Laws, 'If the office of the president, Vice President, Secretary, General Manager, and/or Treasurer becomes vacant by reason of death, resignation, disqualification, or otherwise, the Board of Directors, by a majority vote may choose a successor who shall hold office for the unexpired term or for such term as may be fixed by the said Board of Directors.'

The Board also ensures that the Company is properly and effectively managed and supervised. The Board has assigned its CEO and COO in choosing a suitable replacement for any of its top officers occupying key



management positions. Vacancy is filled up smoothly through internal promotion but in cases where no insider is qualified, external candidates are considered.

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

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

YES. As stated in the Corporate Governance Manual, Section 2.2.5, ‘the criteria for the election of a director shall include his capacity, capability, time and attention to discharge his duties and responsibilities’.

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

YES. While the Board does not have a strict policy on this, the Company follows the standing practice of electing Board of directors who have proven expertise in the industry. In fact, the majority of its current directors have practical knowledge and/or have extensive work experience in the chemical industry.

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	<p>General superintendence and direction of all other offices of the corporation and of the employees and shall see to it that their respective duties are properly performed.</p> <p>Exercise all powers delegated by the Board.</p> <p>Serve as a bridge between the management and the board of directors.</p>	<p>Performs oversight, control and approval functions as delegated to them.</p>	<p>Independent Directors essentially have the same general and basic role as Non-executive Directors.</p>
<b>Accountabilities</b>	<p>Observe the following norms of conduct:</p> <ul style="list-style-type: none"> <li>• Conduct fair business transactions with the Company and ensure that personal interest does not prejudice Board decisions;</li> <li>• Exercise independent judgment;</li> <li>• Act judiciously;</li> <li>• Have working knowledge of the statutory and regulatory requirements affecting the Corporation,</li> </ul>	<p>Same</p>	<p>Same</p> <p><i>Additional:</i> Should be present in all BOD meetings.</p>

	<p>including the contents of its Articles of Incorporation, By-laws, the requirements of SEC, and where applicable, the requirements of other regulatory agencies;</p> <ul style="list-style-type: none"> <li>• Observe confidentiality;</li> <li>• Ensure the continuing soundness, effectiveness and adequacy of the Company's management control system and its internal control practices.</li> </ul>		
<b>Deliverables</b>	<p>Regular operational and financial reports to the board of directors and shareholders</p> <p>Effective risk management system to manage the risk exposures.</p> <p>Company's vision and mission statements, strategic objectives, policies and procedures that shall guide its activities.</p>	Same	Same

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

**"Independence" in relation to an Independent Director** refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that except for his entitlement to a director's fees and a nominal qualifying directorial share, he should have no other financial or non-financial compensation or any vested interest in the corporation. He shall be self-determining. He shall be free from any influence by or pressure from those parties with vested interests in the corporation. He must have no business or other relationship with the corporate owners, directors nor employees, which could materially interfere with the exercise of his objective judgment.

With our incumbent independent directors, Messrs Augusto N. Nilo and Manuel M. Gamboa, the Company is fully compliant with the above definition.

**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.**

Currently, the term limit of the independent directors is not explicitly written in the Corporate Governance Manual but the Company will comply with the term limit set by the SEC in its Memo Circular No. 9 Series of 2011.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
There were no changes in the composition of the board of directors brought about by resignation, death or removal of a director during the period.			

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<b>(i) Executive Directors</b>	As provided under the Company's amended By-laws, the members of the Board of directors are elected at the annual Stockholders' meeting.  In the event of vacancy, it may be filled by the vote of majority of the remaining directors if still constituting a quorum.  The qualifications of nominees are submitted for pre-screening in accordance with the provisions set forth in the Corporate Governance Manual.	The criteria for selection/ appointment of Executive and Non-executive directors shall include the capacity, capability, time and attention to discharge duties and responsibilities.
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		The criteria for the selection /appointment of Independent Directors are the same as the criteria for the selection/ appointment of Executive and Non-executive Directors.  In addition to such criteria, Independent Directors must fulfil the definition of independence under the Corporate Governance Manual and such other qualifications and criteria as prescribed under relevant laws, rules and regulations.
<b>b. Re-appointment</b>		
<b>(i) Executive Directors</b>	The process for selection/ appointment is likewise adopted for re-appointment.	Same criteria provided above for Executive and Non-executive directors.
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		Same criteria provided above for Independent directors.

c. Permanent Disqualification		
<b>(i) Executive Directors</b>	The Company follows the grounds for the permanent disqualification set forth in the SEC Revised Code of Corporate Governance.	<p>The following shall be the grounds:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or <i>Bangko Sentral ng Pilipinas</i> (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any</p>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		

		<p>activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
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d. Temporary Disqualification		
<b>(i) Executive Directors</b>		<p>The Company follows the grounds for the permanent disqualification set forth in the SEC Revised Code of Corporate Governance.</p>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		
		<p>Any of the following shall be ground for temporary disqualification:</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 this 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 the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>

e. Removal		
(i) Executive Directors	The removal of directors shall be in accordance with applicable laws, rules and regulations.	The grounds for permanent and temporary disqualification of directors are the criteria for removal of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The practice of the company is to implement reinstatement upon the lifting of the grounds of temporary disqualification or termination of the period of temporary disqualification.	Capacity and fitness to dispense his duties and responsibilities for the remainder of his/her term.
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The Company has yet to formalize/formulate a written policy on suspension of Director.	In the event that a suspension of a director is deemed necessary, it shall be in accordance with applicable laws, rules and regulations.
(ii) Non-Executive Directors		
(iii) Independent Directors		

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

Name of Director	Votes Received
Antonio M. Garcia	Elected by at least a majority vote of all stockholders and without opposition.
Ana Maria G. Ordoveza	- same -
Jesus N. Alcordo	- same -
Ramon M. Garcia	- same -
Paulino C. Alvaro	- same -
Augusto P. Nilo	- same -
Roberto A. Silva	- same -

#### 6) Orientation and Education Program

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

The company does not have a formal orientation program however, new directors are provided with reference reading materials such as Audited Financial Statements, Annual Report, Minutes of Annual Stockholders' meeting, and other relevant reports and references to assist them in understanding better the business and operations of the Company.

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

In our records, there are no entries stating any in-house training and external courses attended by Directors and Senior Management for the past three (3) years.

**(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
The directors did not attend continuing education programs during the year.			

**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
<b>(a) Conflict of Interest</b>	Directors, Senior management, officers and employees shall avoid any activity and interest that could significantly affect the objective or effective performance of duties and responsibilities in the company including existing business interests, activities outside of their employment with the Company, and all other situations that may give rise to potential conflict of interests.		
<b>(b) Conduct of Business and Fair Dealings</b>	<p>The Company should maintain a reputation for fairness and integrity in dealings with legitimate and reliable firms and promote sound relationships with such firms. Hence, Directors, Senior management, officers and employees involved in the purchasing function shall:</p> <ul style="list-style-type: none"> <li>• maximize competition among reputable firms;</li> <li>• conduct impartial selection of qualified sources of goods and services, and maintain high ethical standards;</li> <li>• Deal fairly by not divulging information obtained from suppliers and contractors, in recognition of the competitive environment among them.</li> </ul>		
<b>(c) Receipt of gifts from third parties</b>	<p>The policy of the Company is to avoid the receipt of gifts, in cash or in kind, commissions, share in profits, loans or advances, materials and services at reasonably low prices, excessive or extravagant entertainment, paid travel from any firm doing or seeking to do business with the Company; except those which are customarily accepted in usual course of business and allowed by Management.</p> <p>If Employee is uncertain about what constitutes nominal or reasonable gift or</p>		

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



	"lunch", the employee should discuss the matter with his/her immediate superior.	
<b>(d) Compliance with Laws &amp; Regulations</b>	One of the Board's functions is to ensure that the Company complies with all relevant laws, regulations and best business practices. The should have working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of SEC, and where applicable, the requirements of other regulatory agencies.	The policy of the Company is to comply with all governmental laws, environmental laws, rules and regulations applicable to the business.
<b>(e) Respect for Trade Secrets/Use of Non-public Information</b>	<p>Directors, Senior Management/Officers and Employees shall maintain and safeguard the confidentiality of information entrusted by the Company, customers, business partners or other parties with whom the Company relates, except when disclosure is authorized or legally mandated.</p> <p>Officers and employees are enjoined to avoid using, divulging or releasing to anyone, any data or information which could adversely affect the Company in any way right then and there, or in the future; or whether or not it is for personal gain or any gratification, material or otherwise (e.g. to do a favor to another).</p> <p>The Company also enters into confidentiality agreements with third parties.</p>	
<b>(f) Use of Company Funds, Assets and Information</b>	<p><b>Use of company funds</b></p> <p>The Company thru its Corporate Finance and Treasury Dept (CFTSD) shall ensure at all times that all its business activities are in conformity with the provisions of the Company's Anti- Money Laundering Operating Manual.</p> <p><b>Use of company assets</b></p> <p>To be in step with the rest of the local business community as well as for survival in this global economy - the Company has invested heavily in communications and computer systems &amp; facilities.</p> <ul style="list-style-type: none"> <li>• These facilities are made available to specific officers and employees primarily for <u>official business use</u> i.e. to enhance their effectiveness and efficiency in the performance of their respective functions in this age of technology.</li> <li>• Our major and primary concern therefore is that these systems and facilities be used – first and foremost - to the greatest business advantage of the Company.</li> </ul> <p><b>Use of information</b></p> <p>The Company policy requires that all employees should protect the integrity of the company's proprietary and confidential information as well as the proprietary and confidential information of others.</p> <ul style="list-style-type: none"> <li>• Officers and employees must exercise a greater degree of caution in transmitting company trade secrets or other confidential information on the electronic media and related communications facilities because of the reduced effort required to redistribute such information.</li> </ul>	

	<ul style="list-style-type: none"> <li>Electronic transmission of confidential information should be avoided or minimized.</li> </ul>	
<b>(g) Employment &amp; Labor Laws &amp; Policies</b>	The Company has a Personnel Policies and Procedure Manual, a compilation of all current practices concerning personnel matters, which are consistent with and in accordance with relevant provisions of the Labor Code.	
<b>(h) Disciplinary action</b>	Any officer or employee who commits a violation of the Code of Conduct, Organizational Discipline and Ethics (CCODE) shall be subject to disciplinary action. In the implementation of its disciplinary policy, the Company shall be fair, consistent and reasonable.	
<b>(i) Whistle Blower</b>	The Company has no written policy but employees and officers are expected to report promptly to management suspected violations of law, the Company's policies, internal controls, so that management can take appropriate corrective action and at the same time protect those who raise concerns from reprisals.	
<b>(j) Conflict Resolution</b>	The company encourages alternative dispute resolution, which can amicably settle conflicts or differences between the Corporation and its directors / stockholders.	<p>In case of conflict, an employee/officer will discuss matters with his/her immediate superior.</p> <p>If the employee/officer is dissatisfied with the review done by his/her immediate superior, the employee is encouraged to request further review by top management to resolve the issue.</p>

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

YES, the company's Code of Conduct, Organizational Discipline, and Ethics (CCODE) has been disseminated to all directors, senior management and employees.

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

Officers and employees are provided a copy of the CCODE for strict compliance. A reorientation program is conducted yearly/as needed. The enforcement of discipline is a line function. The immediate superior is responsible in instilling discipline and maintaining order in his work unit. Generally, HR shall be responsible for Company-wide implementation and monitoring of compliance.

4) **Related Party Transactions**

(a) **Policies and Procedures**

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	No specific policy or procedure established except those provided by law.
(2) Joint Ventures	- same -
(3) Subsidiaries	- same -
(4) Entities Under Common Control	- same -
(5) Substantial Stockholders	- same -
(6) Officers including spouse/children/siblings/parents	- same -
(7) Directors including spouse/children/siblings/parents	- same -
(8) Interlocking director relationship of Board of Directors	- same -

**(b) Conflict of Interest**

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None of its Directors, Officers, and Significant Shareholders are involved in any or probable conflict of interest.
Name of Officer/s	
Name of Significant Shareholders	

**(ii) Mechanism**

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

	Directors/Officers/Significant Shareholders
Company	<p>In holding the trust and confidence of Management, all officers are expected to be honest, objective and diligent in the performance of their duties and responsibilities. Policies on the following are strictly observed:</p> <ol style="list-style-type: none"> <li><u>Competitive Bidding</u>. All officers are required to put the Company's interest first and foremost. Competitive bidding should therefore be held in the procurement of materials, equipment, supplies or services.</li> <li><u>Independence</u>. Officers are obliged to refrain from entering into any activity which may be in conflict with the interest of the Company and its affiliates.</li> <li><u>Conflict of Interest Declaration and Disclosure Statement (CIDDS)</u>. The Company requires the officers to inform the Management of all its existing business interests, activities outside of their employment with the Company and all situations that may give</li> </ol>

<b>Group</b>	<p>rise to potential conflict of interests. Annually, the disclosure statement is signed and submitted.</p> <p>In case there is a report of possible conflict of interest, the Compliance Management Committee shall conduct investigation and may recommend creation of Fact Finding Committee (FFC). The outcome of the investigation shall be the basis of the prescription of penalty, which may include termination of employment. A report will be submitted to the Senior Management Committee (SMC) and/or Board Audit Committee.</p> <p>There is no formal mechanism laid down to detect, determine and resolve any possible conflict of interest between the Company and/or Group and our directors and significant shareholders. However, should there be possible conflicts of interest; such matters may be raised by the Corp Secretary during ASM/Special Board meetings for more in-depth discussion.</p>
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**5) Family, Commercial and Contractual Relations**

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Not Applicable		

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Not Applicable		

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Not Applicable		

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

6) **Alternative Dispute Resolution**

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

	Alternative Dispute Resolution System
<b>Corporation &amp; Stockholders</b>	None but we subscribe to Alternative Dispute Resolution (ADR) law
<b>Corporation &amp; Third Parties</b>	For its alternative dispute resolution system, the company adopts the provisions of applicable laws on dispute resolution e.g. Republic Act No. 9285, in all its dealings and contracts with third parties.
<b>Corporation &amp; Regulatory Authorities</b>	We assign concerned personnel/officers to make initiatives to resolve conflicts or differences.

**C. BOARD MEETINGS & ATTENDANCE**

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

Annual Stockholders Meeting is held every 3<sup>rd</sup> Thursday of September of each calendar year, if not a legal holiday, and if a legal holiday then on the next regular day following. Regular meetings are scheduled every first Wednesday of each month. Special meetings are set as needed.

2) **Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
<b>Chairman</b>	Antonio M. Garcia	*	2	2	100
<b>Member</b>	Jesus N. Alcordo	*	2	2	100
<b>Member</b>	Ramon M. Garcia	*	2	1	50
<b>Member</b>	Ana Maria G. Ordoveza	*	2	2	100
<b>Member</b>	Paulino C. Alvaro	*	2	2	100
<b>Independent</b>	Manuel M. Gamboa	*	2	2	100
<b>Independent</b>	Augusto P. Nilo	*	2	2	100

*\*No election was held in 2012. Date of last election was in 06/23/2011.*

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

Non-executive directors did not have separate meeting during the year without the presence of any executive director.

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.** NO. The Company's amended By-Laws state under Article XV, Quorum. 'At any meeting of the Directors shall consist of a majority of the entire membership of the Board. A majority of such quorum shall decide any question that may come before the meeting, save and except any such matters in which the laws require the affirmative vote of a greater proportion of the members.'

**5) Access to Information**

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

The company complies with SEC regulations on the matter including the dissemination of board papers at least twenty one (21) business days prior to organizational BOD meetings.

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

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

**(c) State the policy of the role of the company secretary.**

The Corporate Secretary shall be elected by the Board and may or may not be elected from the members thereof. He shall hold office during the pleasure of the Board, or until the same or an ensuing Board has elected or appointed his successor. He shall be secretary of the Board of Directors. He shall attend all meetings of the Board and of the Stockholders and keep full minutes of the said meetings. He shall give or cause to be given, notices of all meetings of the stockholders and of the Board of Directors. He shall take charge of the Corporate Books and sign with the President certificates or shares of stock. He shall have custody of the seal of the corporation and shall affix the same to all documents required in the ordinary conduct of the business of the corporation.

**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?**

YES, the Corporate Secretary performs the said roles except facilitating training of directors.

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

**(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
<b>Executive</b>	<p><b>Audit Committee:</b> Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings and information.</p> <p>Notice of both regular and special meetings shall be made or served by the Secretary to each member of the Board not less than two (2) days before any such meeting, and notices of special meetings shall state the object and purpose thereof.</p> <p><i>Note:</i> The Company does not have Executive, Nomination and Remuneration committees.</p>
<b>Audit</b>	
<b>Nomination</b>	
<b>Remuneration</b>	
<b>Others (specify)</b>	

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

6) External Advice

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

Procedures	Details
	<p><u>Legal counsel/opinion</u></p> <ul style="list-style-type: none"> <li>Refers its directors to external legal counsel for advice and guidance on possible legality or implications.</li> </ul> <p><u>Independent opinion on financial matters and related regulatory concerns.</u></p> <ul style="list-style-type: none"> <li>Refers it directors to external auditor for proper guidance on the correct accounting treatment and other financial statement disclosure requirements.</li> </ul>

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
NOT APPLICABLE		

D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Company Salary Structure; salary adjustments based on performance and changes in responsibilities and authorities.	
(2) Variable remuneration	None	
(3) Per diem allowance	None	
(4) Bonus	Management approved bonus	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
<b>Executive Directors</b>	Follows Company's salary structure and benefit package and Board-approved rate/package	Compensation/ salary package is composed of basic monthly pay structure and benefit package and Board-approved rate/package	Basic monthly salary is multiplied by 12 then divided by 262 for daily rate factor, which is used in computing other benefits (e.g. sick leave, vacation leave, etc.)
<b>Non-Executive Directors</b>	<p>As stated in the By-Laws, the Stockholders shall have the power to fix the compensation of the members of the Board for every regular or special meeting attended by each member plus travel allowances and subsistence when attending meetings outside of the city of Manila.</p> <p>Directors present during board meetings receive a per diem of P5,000.00 for every meeting attended. Members of the Board Audit Committee receive a per diem of P5,000.00 for every meeting attended.</p>		

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

Remuneration Scheme	Date of Stockholders' Approval
No change from the policy and scheme mentioned above and the same have been approved during the respective annual stockholders' meeting.	For the year 2012, no ASM was held.
	June 23, 2011
	September 27, 2010



### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php2,367,802*	None	
(b) Variable Remuneration	None		
(c) Per diem Allowance	None	Php35,000	Php30,000
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments	None		
(f) Others (Specify)			
<b>Total</b>			

\*for the CEO and COO

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

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not Applicable				

**(b) Amendments of Incentive Programs**

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

Incentive Program	Amendments	Date of Stockholders' Approval
Not Applicable		

**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
Maureen T. Cabanban/SVP Corp. Finance	Php 2,253,053
Elenita A. Calar/VP CAMRI	

**E. BOARD COMMITTEES**

**1) Number of Members, Functions and Responsibilities**

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
<b>Executive</b>	Not Applicable						
<b>Audit</b>		3	1	Committee Charter is to be formulated	The following are functions, key responsibilities and power of Audit Committee: (1) To coordinate and hold meetings annually or occasionally as needed with the internal control functionary of the Company and its external		

					<p>auditors. To ensure sound accounting and auditing practices, the implementation of generally accepted accounting principles as promulgated by the Philippine Accounting Standards Council; and to foster where practicable – the adherence to international accounting standards and auditing processes, practices and methodologies.</p> <p>(2) T o secure a transparent financial management system that will safeguard the integrity of the internal control of the organization. To require the accomplishment report of the Internal Auditor on tasks relating to internal controls; and that of the Compliance Management Committee on Corporate Governance on matters that have been reported to and the dispositions of such matters by the Senior Management Committee;</p> <p>(3) T o issue an accountability statement signed by the Chairman of the Board of Audit Committee that it had fulfilled substantially and to the best of its capabilities – the foregoing responsibilities.</p>
<b>Nomination</b>					Not Applicable
<b>Remuneration</b>					
<b>Others (specify)</b>					

## 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
<b>Chairman</b>	The Company has no Executive Committee.					
<b>Member (ED)</b>						
<b>Member (NED)</b>						
<b>Member (ID)</b>						
<b>Member</b>						

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Augusto P. Nilo	06.23.11	1	1	100	6 years
Member (ED)						
Member (NED)	Jesus N. Alcordo	06.23.11	1	1	100	6 years
Member (ID)	Manuel M. Gamboa	06.23.11	1	1	100	3 years

Member						
Member	Jose Ricardo C. Garcia	06.23.11	1	0	0	3 years

**Disclose the profile or qualifications of the Audit Committee members.**

The Company's Audit Committee has the following members:

- 1) **Augusto P. Nilo:** Effective June 2013, Mr. Nilo has resigned as Director of the Company.
- 2) **Jesus N. Alcordo:** Mr. Alcordo is a Filipino, born on 25 December 1936.

Education:

B.S. in Chemical Engineering	1961	University of San Carlos
Doctor of Technology in Energy Management, Honoris Causa	2011	University of San Carlos

Professional Training

Executive Program in Business Administration	1975	Columbia University, New York, USA
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Current Positions:

President and CEO	FDC Utilities, Inc.
Director	Filinvest Development Corp.
Chairman	Communicate Technologies, Inc.
	Herradura Resources, Inc.
	MR Serve Corporation
	Sinag Energy Corp.
	Enerplus, Inc.
	Bonafide Energeia Technology Corp.
Director	Chemical Industries of the Philippines, Inc.

Previous Affiliations:

Director and Fellow - Institute of Corporate Directors (a non-government organization dedicated to promote good governance in public and private institutions.  
Member, Board of Advisors – University of the Philippines, Cebu Chapter  
Member, Board of Trustees – Cebu Arts Council  
President and Member of the Board of Directors – Global Business Power Corporation (GBPC)  
President and Director – Cebu Energy Development Corporation  
President and Director – Panay Energy Development Corporation  
Director - Toledo Power Company (one of the older power plants built by GBPC)

Chairman of the Board of Trustees	2001 – Sept 2010	University of San Carlos
Commissioner	Oct 2003-July 2006	Energy Regulatory Commission
Special Advisor	Feb 2002- Nov 2002	Department of Energy
President	Feb 2001-Jan 2002	National Power Corporation
President and CEO	July 1999–Dec 2000	East Asia Power Resources Corp
President and CEO	July 1998-July 1999	WG&A Shipping Lines
Chairman and CEO	Jan 1995–May 1998	East Asia Power Resources Corp
Chairman of the Board	1992-1996	Pilipino Telephone Corp (PILTEL)
President and CEO	Jan 1990-Dec 1994	Reynolds Aluminum Corp.
Managing Director	1986-1989	PT Aribhawana Utama, Indonesia
President/Director	1984-1985	Union Carbide, Indonesia
President and General Manager	1980-1983	Union Carbide, Costa Rica
General Manager	1978-1980	Union Carbide, Philippines

Manufacturing Director	1976-1978	Union Carbide, Indonesia
Plant Manager	1974-1975	Union Carbide, Mandaluyong
Plant Manager	1972-1974	Union Carbide, Cebu City
Personnel Manager	1970	Weyerhaeuser Phils., Inc. Cotabato
Associate Consultant	1969-1970	Economic Dev Foundation
Shipping Manager	1969	Reynolds Phils. Corp.
Manager	1966	P&G, Tacloban, Leyte
Production Manager, HOD	1962-1965	P&G, Tondo, Metro Manila
Job Study Engineer	1961	P&G, Tondo, Metro Manila

- c) **Manuel M. Gamboa:** Mr Gamboa is Filipino, born on 24 November 1943. He is a licensed Geologist having passed the Board of Examiners for Geologist in December 1970.

Education:

B.S in Geology	1965	University of the Philippines
Management Dev. Program	1986	Asian Institute of Management
Strategic Management Course	1988	Wharton School of Economics

Career history:

Exploration Geologist	1965-66	Iligan Integrated Steel Mills
Supervising Geologist	1966-75	A. Soriano Corporation
Project Manager & Chief Geologist	1976-79	San Miguel Corp.
Business Manager, Mining Operation	1979-86	San Miguel Corp.
Asst. Vice-President and Bus. Manager, Mining Operation	1986-91	San Miguel Corp.
Sr. Executive Asst to the President, Packaging Products	1991-99	San Miguel Corp.
Consultant to the Presidential Commission on Flagship Program and Projects	1997-98	Office of the President Republic of the Philippines

Organizations

UP Geological Society	1962	President
Association of Filipino Amateur Geologist	1962	Founding Member
Upsilon Sigma Phi Fraternity	1962	Member
Geological Society of the Phils.	1986	President
The Hanapbuhay Foundation	2000	Chairman
Sand Burst Phils, Inc.	1999	President and CEO
Phil. Chamber of Commerce and Industries (PCCI)	1991-98	Vice-chair, SME Committee
APEC Philippine Commission	1996	SME Shepherd
Federation of Phil. Industries	1991-98	Working Representative
UP Alumni Association		Member

- d) **JOSE RICARDO C. GARCIA** – Mr. Garcia is a Filipino born on 23 April 1970.

Education:

B.S. Business Management	1986-90	Ateneo de Manila University
High School	1984-86	Ateneo de Manila High School

1982-84

La Salle Military Academy, Long Island,  
NY, USA

**Work Experience**

Executive Vice-President	Sept 1999-Dec 2007	Diversified Plastic Film System, Inc.
President	July 1999-Dec 2007	Diversified Securities, Inc.
Exec Asst. to Chairman & Director	Oct 1999-Sept 1999	Diversified Plastic Film Systems, Inc.
Executive Vice-President	Jun 1996- June 1999	Diversified Securities Inc.
Sr. Manager	June 1994-May 1996	Diversified Securities, Inc.
Financial Analyst	Aug 1991-May 1994	San Miguel Corporation
Financial Analyst	Oct 1990-April 1991	AB Capital & Investment Corp.
Exec. Asst. & Trainee	April 1990-Sept 1990	Chemical Inds. of the Phils. Inc

**Directorships**

Diversified Plastic Film Systems, Inc.  
 Diversified Securities, Inc.  
 Diversified Technology Systems, Inc.  
 Diversified Technology Systems International, Inc.  
 Diversified Ecozone Corporation  
 Modern Packaging Films, Inc.  
 Cuyapo Rural Bank  
 Chemical Industries of the Phils. Inc.  
 LMG Chemicals Inc.  
 CAWC, Inc.  
 Visions Insurance & Brokerage Inc.  
 RG Holdings, Inc.  
 Overseas Chemical & Machinery Corp.  
 Ferro-Chemicals Inc.  
 Philippine Minerals & Alloy Corp.  
 Seminars Attended/Accreditations  
 SEC-licensed broker & salesman  
 Seminar on Good Governance for the Banking Sector  
 University of OPP – flexible Packaging Seminar

**Organizations/Clubs:**

Member Philippine-Japan Society  
 Wack-Wack Golf & Country Club  
 Alabang Country Club

**Describe the Audit Committee’s responsibility relative to the external auditor.**

The Board Audit Committee through the Chief Financial Officer/Controller selects the external auditor. The Company maintains a Board Audit Committee’s Approval Policies and Procedures for the selection of external auditor.

**(c) Nomination Committee**

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

Member (NED)	The Company has no Nomination Committee.
Member (ID)	
Member	

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	The Company has no Remuneration Committee.					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(e) Others (Specify)

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Not Applicable					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	There were no changes in Audit Committee membership that occurred during the year.	
Audit		
Nomination		
Remuneration		
Others (specify)		
	The Company has no Executive, Nomination and Remuneration Committees.	

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	Not Applicable	
Audit	Reviewed the 2011 audited financial statements prepared by the external auditor.	Significant adjustments resulting from the audit; major judgmental areas; compliance with accounting standards.
Nomination	Not Applicable	
Remuneration		
Others (specify)		

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not Applicable	
Audit	None	
Nomination	Not Applicable	
Remuneration		
Others (specify)		

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Company believes that risk management is an integral part of its business strategy and good corporate governance.

Risk management is defined as the process of identifying risks and assessing it in terms of frequency and severity, controlling risks by the application of practices and procedures for avoiding or reducing them, and financing those that cannot be avoided or reduced by the most logical and cost effective program.

Risk Management, therefore seeks to avoid, eliminate or reduce losses that can impair the operational capability and financial stability of the company, and transferring or financing those losses by insurance, self-insurance and other means.

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

For the year 2012, there was no statement that the directors have reviewed the effectiveness of the risk management system since there were no Annual Stockholders' Meeting and regular meetings held. It was not also tackled in their special meetings.



**(c) Period covered by the review;**

Not applicable in 2012.

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

The Board reviews the risk management system as needed. The criteria are as follows: (a) nature and extent of risks, either avoidable or unavoidable should be acceptable and bearable to the company; (b) the company should be able to minimize the probability and impact of the risks; (c) the costs and benefits of the risk and control activity should be undertaken; (d) risk management process should be effective; and (e) should take into consideration the risk implications of their decisions.

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

As discussed above, the Board did not conduct the review since there were no Annual Stockholders' Meeting and regular meetings held in 2012.

**2) Risk Policy**

**(a) Company**

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<b>Operational</b>  • Supply Chain risk Risks that may occur when purchasing its raw materials as the Company's products are dependent on the raw materials availability and prices. Major disruption of its supplies could impact on its production and its ability to supply the products to the customers. Foreign exchange fluctuations also have effect on the production cost.	 It is the policy of the company to determine the optimal minimum and maximum inventory level of raw materials. Inventory levels should be reviewed and adjusted, as necessary. Alternative supplier program is also implemented  When planning the purchase, the quantity should be that which results in the lowest total cost to the Company, including the cost of carrying the raw material in stock as well as its procurement costs.	 To ensure adequate supply of raw materials to support production requirements.  To optimize operational efficiency.
<b>Financial</b>  • Credit risk Risk that the company will incur a loss because its customers, clients or counterparties failed to discharge their contractual	 It is the policy of the Company that all customers that wish to trade on credit terms are subject to credit verification procedures.	 To strengthens management of funds and assets.

obligations. <ul style="list-style-type: none"> <li>Liquidity risk Risk that the company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.</li> </ul>	It is the policy of the Company to use diversified funding sources.	To improve cash flow to generate more investible funds.  To meet commitment to clients, and to judiciously settle all valid claims.
<b>Hazard/Compliance</b> <ul style="list-style-type: none"> <li>Properties Risk Fire Explosion Machinery breakdown</li> <li>Natural Events Risk Flooding Typhoon Earthquake</li> <li>Environmental Risk</li> </ul>	The Company maintains systematic and total approach to the management of these risks which include risk control or loss prevention and risk finance or risk transfer.  The Company ensures compliance with environmental laws and Regulations.	To minimize losses or prevent damage to finished products and properties.  To ensure business continuity and protect company image.

**(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
As parent company, the major risks of its subsidiaries are obviously its primary risks as well. The Group's risk management policy generally tracks the Company's risk management policy as stated above.		

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
The principal risk of the exercise of controlling shareholders' voting power is that the minority shareholders' concerns and interests may not be prioritised. Also, minority shareholders could be voted out on major corporate actions. By virtue of the one share, one vote principle, corporate actions are carried out by the exercise of the controlling shareholders' voting power.  However, the Board in its commitment to practice good governance is committed to respect the rights of the minority shareholders as provided for in the Corporate Code.

**3) Control System Set Up**

**(a) Company**

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><b>Operational Risk</b></p> <ul style="list-style-type: none"> <li>• Supply Chain Risk</li>   <li>• Social risk Theft/fraud/ Negligence</li> </ul>		<p>Management continually exerts all efforts to prevent any major disruptions in its operations</p> <p>Suppliers of raw materials and products are accredited or pre-qualified prior to the start of any business relationship of the Company with them. Suppliers are selected and approved based on their ability to provide materials at low cost, high quality, according to schedule and other factors considered reasonable.</p> <p>Regular audits of the accounting and finance departments, constant training of the security personnel.</p>
<p><b>Financial Risks</b></p> <ul style="list-style-type: none"> <li>• Credit Risk</li>   <li>• Liquidity Risk</li> </ul>		<p>Credit risk is minimized and monitored by limiting the Company's associations to business parties with high creditworthiness.</p> <p>With respect to cash in banks and other banking transactions, the Company deals only with financial institutions duly evaluated and approved by the Board.</p> <p>Receivables are monitored on an ongoing basis through the Company's management reporting procedures.</p> <p>To limit liquidity risk, Management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.</p> <p>The Company's exposure to liquidity risk is managed by using internally-generated funds and proceeds from loans.</p> <p>The Company also maintains open credit lines with local banks in order to review and revolve maturing short-term loans.</p>
<p><b>Hazard/Compliance</b></p> <ul style="list-style-type: none"> <li>• Properties Risk Fire</li>   <li>Explosion</li>   <li>Machinery breakdown</li> </ul>		<p>The Company constantly improves its fire protection systems. Regular and periodic inspection and maintenance of all plant facilities are done.</p> <p>Operator monitors constantly the panel to check any abnormality in the system. Emergency manual shut off button is provided. The production equipments have an interlocking mechanism.</p> <p>Machinery and equipment are subject to regular maintenance aside from the annual general check-up. Implementation of safety and maintenance practices. The Company has its own maintenance department and refers to safety and maintenance manuals for proper courses of action to be taken.</p>

<ul style="list-style-type: none"> <li>• Natural Events Risk Flooding Typhoon Earthquake</li>   <li>• Environmental Risk</li> </ul>	<p>The Company has rehabilitated the perimeter walls around the plant. Big capacity floodwater pumps (flood control system) are in place and regularly maintained to prevent the rise of floodwater.</p> <p>It also analyzes the frequency and severity of these natural risks that the organization maybe exposed to and ensures that the structures of its building and facilities are sturdy enough to withstand effects of typhoon and earthquake.</p> <p>The Company complies with all the requirements of Department of Environment and Natural resources (DENR) and Laguna Lake Development Authority so as not to cause any environmental impairment.</p> <p><i>Generally, the Company avails of risk financing which aims to minimize risk costs by transferring the risk through the purchase of insurance or building up a contingency fund to which losses can be charged.</i></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:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p>The Group's control system set up generally follows the Company's control system set up as stated above.</p>		

**(c) Committee**

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

Committee/Unit	Control Mechanism	Details of its Functions
<p>Safety Committee</p>	<p>Implementation and compliance with the Company's Safety Program to effectively reduce accidents, injuries, death and property loss, thereby reducing the expenditure of company funds.</p>	<ul style="list-style-type: none"> <li>• Encourage compliance with the Company's Safety program by fellow employees and</li> <li>• Meet regularly and conduct safety inspections of operations and facilities, review accidents and recommend corrective measures.</li> </ul>
<p>Risk Management Dept</p>	<p>Regular review and approval of the Company's risk management program</p>	<ul style="list-style-type: none"> <li>• Conduct risk assessment, analysis and evaluation.</li> <li>• Develop risk management process/policies.</li> </ul>

		<ul style="list-style-type: none"> <li>• Administration of risk management programs.</li> <li>• Assist other departments and affiliates in proper instruction in safe practices, regular review of work practices and supervision of work performance</li> </ul>
Senior Management Committee (SMC)	As this Committee is comprised of CEO, COO and Heads of Support Units, it allows for more coordinated and integrated resolution and monitoring of business and operational issues.	<ul style="list-style-type: none"> <li>• Identify and manage all risk issues affecting the operations of the Company and reports regularly to the Board on its activities.</li> <li>• Monitor and review the Company's risk management policies/process.</li> </ul>

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

Internal control is a system designed to give management reasonable assurance that assets are safeguarded from unauthorized use or disposition and that financial records are sufficient for the preparation of financial statements.

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

No assessment/review had been made.

**(c) Period covered by the review;**

No assessment/review had been made.

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

The Board Audit Committee (BAC) reviews the internal controls of the Company only as the need arises. In the assessment, BAC determines the adequacy and integrity of the system of internal control.

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

There was no review conducted during the year since there were no staff/personnel in the Internal Audit department who could prepare an evaluation of the internal controls which should be presented to the Board Audit Committee. The positions of Chief Internal Auditor and support staff have been vacant since mid-2011.

While the position of the Internal Auditor is vacant, the company ensures that each department/support unit complies with all the company's policies and procedures. Accordingly, required internal controls are observed and check-and-balance mechanisms are in place in and among departments/support units. Unit/Department Heads are tasked to implement and monitor compliance to the established internal controls, policies and procedures. Any observed seemingly questionable action/s may trigger a request

for further explanation or investigation by the department/support unit tasked to do the function. Any violation will be reported to Management for investigation/disciplinary actions.

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Examination and evaluation of the adequacy and effectiveness of the system of internal control	Internal control audit	In-house	Vacant in 2012  <i>Note:</i> <i>In July 2011, upon the resignation of the Group Controller at that time, the Internal Auditor was named the Group Controller of the Chemphil Group. Since then, the Management of the Company decided that having the services of an External Auditing Firm, i.e., SGV, is sufficient with the audit requirements of the Company and therefore does not need to maintain a separate Internal Auditor. This is also a cost conservation measure of the Company.</i>	The Chief Internal Auditor reports functionally to the Board Audit Committee and administratively to senior management.
Appraisal of the quality of performance in carrying out assigned responsibilities of the various organizational components	Operations audit	In-house	-same-	-same-
Follow-up review, asset verification/confirmation	Routine/Mandatory audit	In-house	-same-	-same-

Loss/fraud investigation	Special audit	In-house	-same-	-same-

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? NO.

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

The internal auditor is functionally responsible to the audit committee. Yes, the internal auditor has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Not applicable – There were no resignation or re-assignment in 2012.	

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

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

Progress Against Plans	Not applicable – There were no internal audit reports prepared in 2012.
Issues <sup>6</sup>	
Findings <sup>7</sup>	
Examination Trends	

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

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

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company

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

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

and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal Audit Policies and Procedures	A policy and procedure has been established and implemented for the internal audit's conduct of examination based on the audit plan.

**(g) Mechanisms and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>The internal auditor reports functionally to the Board Audit Committee and administratively to the President/CEO. This would allow him to work without being affected by influences that would compromise his professional judgment, can act with integrity and exercise objectivity.</p> <p>The external auditor shall not be allowed to perform non-audit work that will be in conflict with its work as an independent external auditor.</p>	Not Applicable	<p>The Company, through its Board of directors, as recommended by management, engages only those investment banks which are of proven competence, integrity and independence.</p> <p>Company also complies with such accreditation requirements and other applicable restrictions as to the scope and conduct of their services, and content of reports to ensure independence.</p> <p>Further, the Company is guided by its policies on business and fair dealings, and receipt of gifts from third parties in its transactions with these institutions and</p>	Not Applicable



		entities	
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**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

Under the SEC rules and regulations, every January 30<sup>th</sup> of the year, the Compliance Officer issues a certification on the extent of the Company's compliance with the Corporate Governance Manual, explaining the reasons, if any, on deviations from the same. The certification is countersigned by the CEO/President and COO or Head of BAC.

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
<b>Customers' welfare</b>	<p>The Company's priority is to provide competitively priced products and impeccable services to our customers. (source: Vision Statement).</p> <p>The Company believes in its mission to supply quality products and services to meet the needs of all. (source: Corporate Credo)</p>	<ul style="list-style-type: none"> <li>• The Company strictly implements procedures in its manufacturing plants to ensure that the plants produce products that conform to the quality standards and specifications.</li> <li>• Compliance with the specific requirements of customers</li> </ul>
<b>Supplier/contractor selection practice</b>	<p><b>1. Accreditation</b> The company prescribes policy/procedural guidelines for the accreditation of suppliers/contractors to ensure that they are selected for their ability to serve its requirements in the most economical and efficient manner possible on a continuing basis.</p> <ul style="list-style-type: none"> <li>• An Accreditation Team led by the Purchasing Department should accredit prospective suppliers and service providers or contractors.</li> <li>• All purchases should be made from accredited suppliers and contractors.</li> <li>• Records should be maintained of suppliers' and contractors'</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of suppliers and contractors.</li> <li>• Maintenance of List of accredited suppliers / Contractors.</li> <li>• Annual review of performance.</li> </ul>

	<p>performance.</p> <p><b>2. Bidding</b></p> <p>The Company prescribe policy/ procedural guidelines in preparing bid invitations, accepting, opening, and evaluating bids and award of contract to ensure that the bidding process is carried out in an objective manner and the necessary services are obtained at the lowest cost possible consistent with the quality required to maintain efficient operations.</p>	<ul style="list-style-type: none"> <li>• Invitation To Bid</li> <li>• Minimum Notice and Number of Bids</li> <li>• Bid Opening, Revision and Rejection</li> <li>• Bid Evaluation and Award of Contract</li> </ul>
<b>Environmentally friendly value-chain</b>	<p>No written policy but the company complies with/subscribes to relevant statutory and regulatory laws.</p>	<ul style="list-style-type: none"> <li>• Responsible management of waste materials (recycling, waste segregation, proper disposal)</li> </ul>
<b>Community interaction</b>	<p>The company recognizes its social responsibility not only to the family of its employees but also to the community, as well as the neighboring communities in which the plant stations are located. It aims to practice corporate citizenship with the end view of contributing to the social and economic well-being of concerned communities, and the protection of the environment. The company is committed to a policy of fair dealings, unity, caring concern for others, openness to helpful suggestions and respect for the environment.</p>	<ul style="list-style-type: none"> <li>• Dialogue with barangay officials/ representatives including barangay visits and courtesy calls</li> <li>• Support the Multipartite Monitoring Team (MMT) who is tasked to handle environmental concerns and issues</li> <li>• Provide free clinic: medical and dental</li> <li>• Sponsor livelihood seminars and medical lectures</li> <li>• Book donations</li> <li>• Community activity sponsorships (e.g., sports, barangay fiesta, parish anniversary celebrations)</li> <li>• Christmas gift-giving</li> </ul>
<b>Anti-corruption programmes and procedures?</b>	<p>The company has a Code of Conduct Organizational Discipline and Ethics (CCODE) which aims to guide the employees to conduct themselves with a high sense of responsibility as well as prudence. Employees are expected to conform to the ideals proposed in the Code. They are to maintain at all times the organizational behavior that upholds the Chemphil corporate culture and</p>	<ul style="list-style-type: none"> <li>• Re-orientation of employees on the Company policies, rules, regulations and procedures.</li> </ul>

	organizational prestige.  Chemphil's disciplinary policy is primarily corrective in nature and in the implementation of its disciplinary policy; the Company shall be fair, consistent and reasonable.	
<b>Safeguarding creditors' rights</b>	The Company honors its obligations to creditors and suppliers.	<ul style="list-style-type: none"> <li>• Adoption of a system to ensure proper management of company funds.</li> </ul>

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

YES. The corporate social responsibility (CSR) report of the Company is included in the Annual Report of Chemphil Employees Livelihood Foundation, Inc. (CELF, Inc.), the Company's CSR implementing arm.

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

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

It is the policy of the company to protect its employees by providing the safest possible work environment, the safest work tools, the proper personal protective equipment and prompt first aid and medical treatment in the event of an injury.

The company complies with statutory and regulatory requirements pertaining to employee safety and health (e.g. pre-employment, annual and separation from employment medical examinations, provision of medical and dental services and facilities, among others).

Other employee health and welfare programs are administered to help ensure the physical and mental well-being of its employees.

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

<b>Programs</b>	<b>Details</b>
Annual Physical Examination (APE)	Based on anniversary date / all employees
Drug Tests	May 2012 / All employees
Flu Vaccination/Administration	July 2012 / all employees
Lecture/Seminars <ul style="list-style-type: none"> <li>• Lecture on Prostate Cancer, Breast Cancer, Smoking/ PTB</li> <li>• First Aid Refresher Course on Burns/ Fatigue</li> </ul>	February 29, 2012 May 11, 2013 October 26, 2012 August 17, 2013
Christmas Get-Together	December 16, 2012

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

Employees are scheduled from time to time to attend in-house programs and/or are sent to outside programs to further improve their knowledge, skills, or their work attitude and for values formation. The following are the trainings attended/conducted in 2012:

Trainings	Dates
Internal FSMS Audit Training Workshop	January 24-25, 2012
Chemical Spills Training	January 31, 2012
Training Workshop on Root Cause Analysis & Formulating Corrective and Preventive Actions	February 8, 2012
Safety First, Last and Always	February 16, 2012
Fire, Earthquake and Disaster Management Training Workshop/ Drill	February 17, 2012
Pest Control Awareness Seminar	February 20, 2012
Strategic Warehousing and Inventory Management	February 29, 2012
Lecture on Prostate Cancer/BPH	February 29, 2012
ISO 22000:2005 FSMS Internal Audit Course	April 23-24, 2012
Lecture on Breast Cancer	May 11, 2013
Lead Auditor Training Course	May 14-18, 2012
Emergency Preparedness at Production and Warehouse Areas	May 30, 2012
Echo Sessions on ISO22000:2005 Internal Audit Training Course	June 4, 2012
Learning Session on Corrective Wage Distortion	July 18, 2012
Lecture on Climate Change and Food and Water Safety	July 27, 2012
Fire and Earthquake Seminar/Drill	August 3, 2012
First Aid Refresher Course on Burns/Fatigue	August 17, 2012
Lecture in Smoking/PTB	October 26, 2012

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

The Company strives to pay salaries commensurate to the levels of other organization in the same industry to which the Company belongs. It subscribes to the principle of "equal pay for substantially equal work" to ensure that its employees are paid equitably in relation to the value of their work.

The Company provides a range of employee benefits in line with its goal of meeting the more important needs of its employees.

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

The administrative investigations for acts of omissions constituting an offense under or a violation of the provision of the company's Code of Conduct, Organizational Discipline and Ethics, as well as, infractions of company policies, rules and regulations, and such other issuances, shall be conducted in proceedings which are summary in nature and without strict adherence to the regular rules of evidence and the technical rule of procedures, as follows:

- a. Reporting of the incident
- b. Initial investigation
- c. Issuance of Incident Memo
- d. Answer by employee to the incident memo
- e. Formal hearings (by the Fact Finding Committee)
- f. Fact Finding Committee Resolution
- g. Decision
- h. Reconsideration/Appeal (Non-union: Appeal Committee on Employee Discipline; Union: through the Grievance Machinery)

The company takes appropriate actions to protect employees who have raised or reported concerns/complaints from harassment or retaliation. All concerns are treated in a confidential and sensitive manner. Every complainant is assured of fair treatment and every effort will be made not to reveal the

identity if he/she so wishes. Employees who initiate or threaten retaliation will be subject to disciplinary actions.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD NOMINEE CORPORATION	4,651,249	45.17%	VARIOUS
PHILIPPINE INDOCHEM CORPORATION	4,116,868	39.98%	PHILIPPINE INDOCHEM CORPORATION
CHEMHOLDINGS CORPORATION	1,027,1731	12.28%	CHEMHOLDINGS CORPORATION

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NOT APPLICABLE			
<b>TOTAL</b>			

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

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

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

These were not disclosed even in the past annual reports and we were not asked to disclose whenever we receive the SEC's result of their review of the reports submitted.

### 2) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	P 200,000.00	P 0.00

3) **Medium of Communication**

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

- PSE website - reports, announcements and disclosures are uploaded to the website of the Philippine Stock Exchange (<http://www.pse.com.ph>)
- Company Website – [www.chemphil.com.ph](http://www.chemphil.com.ph) website postings
- Email – [ChemphilGroup@chemphi.com.ph](mailto:ChemphilGroup@chemphi.com.ph)
- Other communication lines ( e.g. responses through phone calls)
- Postal services

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

The 2012 Audited Financial Statement was released on April 30, 2013.

5) **Company Website**

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

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

\*We have provision to post materials provided in briefings to analysts and media in the "NEWS" folder but currently there is nothing to post.

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

6) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Due from related parties	Affiliates, stockholders	Management fees, shared services fees, interest bearing loans	P 113,850,938.00
Due to related parties	Affiliates	Advances	P 2,557,791.00

Notes payable	Affiliates	Interest bearing loans	P 22,041,401.00
Other receivables	Stockholders	Advances	P 16,857,274.00

**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?**

Management fees and shared services fees are covered by Operating Agreements and advances are interest bearing.

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

<b>Quorum Required</b>	Majority of stockholders
------------------------	--------------------------

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

Explain the system used to approve corporate acts.

<b>System Used</b>	Approval by both the Board of Directors and the company's stockholders.
<b>Description</b>	All corporate acts are submitted to the Board of Directors for their approval by majority vote. Once approval is gained, the same is likewise submitted to the stockholders during the ensuing stockholders' meeting for their ratification by majority vote.

#### (c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
None	

#### Dividends

Declaration Date	Record Date	Payment Date
October 23, 2012	November 9, 2012	November 26, 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
Prior to annual/stockholders meetings, stockholders are apprised of the proposed agenda and are solicited for inputs, comments, and/or opinions.	Emails and through postal service

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

a. **Amendments to the company's constitution**

The company submits the subject matter for the approval and/or ratification of the stockholders through a meeting duly called for the purpose.

b. **Authorization of additional shares**

The company submits the subject matter for the approval and/or ratification of the stockholders through a meeting duly called for the purpose.

c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

The company submits the subject matter for the approval and/or ratification of the stockholders through a meeting duly called for the purpose.

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

a. **Date of sending out notices:** Not applicable because of the non-holding of the AGM for the year.

b. **Date of the Annual/Special Stockholders' Meeting:** 3rd Thursday of September.

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. NONE.

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

Resolution	Approving	Dissenting	Abstaining
Not Applicable			

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: Not applicable because of the non-holding of the AGM for the year.

(e) **Modifications**

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



Modifications	Reason for Modification
NONE	

**(f) Stockholders' Attendance**

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	No meeting for 2012					
Special	No meeting for 2012					

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

No. The corporate secretary or the designated secretary of the meeting counts/validates the votes during the meetings.

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

The company lays down the policy that one share is entitled to one vote.

**(g) Proxy Voting Policies**

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

	Company's Policies
<b>Execution and acceptance of proxies</b>	Proxies may be executed by individual or corporate stockholders. For corporate stockholders, the company requires that proxies be executed by way of a secretary's certificate attesting the conferment of authority on the proxy to vote its shares.
<b>Notary</b>	None
<b>Submission of Proxy</b>	Not less than five (5) days before the scheduled meeting
<b>Several Proxies</b>	None
<b>Validity of Proxy</b>	One (1) year
<b>Proxies executed abroad</b>	None
<b>Invalidated Proxy</b>	None

<b>Validation of Proxy</b>	Not less than five (5) days before the scheduled meeting
<b>Violation of Proxy</b>	None

**(h) Sending of Notices**

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

<b>Policies</b>	<b>Procedure</b>
The company observes the periods provided for in its By-laws and in applicable SEC and PSE rules and regulations when notices have to be sent out before the date of the scheduled meeting.	Notices are sent primarily through personal delivery or through registered mail. Notices are likewise subsequently sent through e-mail.

**(i) Definitive Information Statements and Management Report**

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	All stockholders
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	Not applicable for 2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	Not applicable for 2012
<b>State whether CD format or hard copies were distributed</b>	The company observes the distribution of hard copies of Definitive Information Statements and Management Reports
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Not applicable for 2012

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

<b>Each resolution to be taken up deals with only one item.</b>	Yes
<b>Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.</b>	No*
<b>The auditors to be appointed or re-appointed.</b>	Yes
<b>An explanation of the dividend policy, if any dividend is to be declared.</b>	No**

The amount payable for final dividends.	No***
Documents required for proxy vote.	Yes****

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

\* The company has file records of the profile of its directors. The information is not usually included in the Notice of the meeting but is readily available when requested. However, for its succeeding Annual Stockholders' meetings, the Company will include the said information in the Notice of the meeting.

\*\* The Company has no specific and special Dividend Policy. However, it subscribes and abides with the Dividend Policy embodied in the Corporation Law, i.e. dividend should be declared from the unrestricted retained earnings of the company.

\*\*\* In 2012, the Company gave Dividends in the amount of Two Pesos and 39/100 (Php2.39) per share out of the unrestricted retained earnings of the Corporation as of December 31, 2012, to the stockholders of record as of November 9, 2012 payable on November 26, 2012.

\*\*\*\* The Company requires the following documents for proxy vote:

- a) Proxy Form for individual
- b) Secretary's Certificate for corporation

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
The company treats the minority stockholders on equal footing with the other stockholders based on the policy that each share bears the same concomitant rights as all the other shares in the company.	For every corporate act, each share is entitled to one vote.

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

## K. INVESTORS RELATIONS PROGRAM

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

The Company has no external and internal communications policies, however, the Company subscribes to existing laws, rules and regulations of the concerned agencies, e.g., SEC and PSE.

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

	Details
(1) Objectives	

<b>(2) Principles</b>	The Company has no specific investor relations program. However, inquiries/queries and question from stockholders, other stakeholders and the public in general are referred to specific Corporate unit/s for appropriate replies/information.
<b>(3) Modes of Communications</b>	
<b>(4) Investors Relations Officer</b>	

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

The company has a written policy and procedures in the sale or disposition of its assets. The said policy and procedures are based on the provisions of the pertinent sections of the Corporation Code of the Philippines governing the sale or disposition of assets.

However, the company has no written policy and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers. If ever the company will acquire corporate control in the capital markets, and engage in extraordinary transactions such as mergers, the said transactions will be guided by provisions under the pertinent sections of the Corporation Code of the Philippines.

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

The company did not have any transaction of this nature.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

The company, in collaboration with Chemphil Employees Livelihood Foundation, Inc. (CELF, Inc.) has sponsored several programs and activities to the following institutions and communities:

<b>Initiative</b>	<b>Beneficiary</b>
Medical and Dental Missions	Five (5) beneficiary Barangays in Pasig and Taguig cities
Emergency Medical Community Assistance Program (EMCAP)	Barangay Kalawaan and Pinagbuhatan
Caritas Manila Donation	Habagat victims
Reader’s Digest and Books Donations	Four (4) beneficiary schools
Livelihood Seminar	Five (5) beneficiary Barangays in Pasig and Taguig cities
Christmas Gift-giving	Bahay Aruga/5 barangays
Rain gear donation	Five (5) beneficiary Barangays in Pasig and Taguig

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

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

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>	The Company has no formal assessment /evaluation system for Board of Directors and CEO/President.	
<b>Board Committees</b>		
<b>Individual Directors</b>		

<b>CEO/President</b>	For Audit Committee, the Company does not have assessment/evaluation system but it will comply with the SEC requirement per SEC Memorandum Circular No.4, Series of 2012 ( <i>Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange</i> ).
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**N. INTERNAL BREACHES AND SANCTIONS**

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

Violations	Sanctions
<p>At present, the company refers to the Code of Conduct, Organizational Discipline and Ethics or <b>CCODE</b> for any violation or breach of the corporate governance manual. This applies to officers, management and employees of the Company. The CCODE provides the process or the system on how an erring management, officer and employee of the Company is treated and how the sanctions, if there are any, are imposed. Sanctions are based on the schedule of penalties which may vary from giving counsel and constructive advice to warn ill-effects and consequences (for minor infractions) to suspension from work without pay or termination (for repeated or grave infractions).</p> <p>The same CCODE will be proposed by the Corporate Governance Committee to the Board that it will also be made applicable to the Directors of the Company to comply with the requirements of the Corporate Governance policy of SEC.</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 Makati** on **October 18, 2013**.

**SIGNATURES**

\_\_\_\_\_  
**Antonio M. Garcia**  
**Chairman of the Board**

\_\_\_\_\_  
**Ana Maria M. Ordoveza**  
**Chief Executive Officer**

\_\_\_\_\_  
**Augusto P. Nilo**  
**Independent Director**

\_\_\_\_\_  
**Manuel M. Gamboa**  
**Independent Director**

\_\_\_\_\_  
**Elenita A. Calar**  
**Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of **October 2013**, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

<b>NAME/NO.</b>	<b>T.I.N</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
Antonio M. Garcia	115-328-298		
Ana Maria M. Ordoveza	115-328-873		
Augusto P. Nilo	208-129-054		
Manuel M. Gamboa	119-139-649		
Elenita A. Calar	122-997-995		

**NOTARY PUBLIC**

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Series of \_\_\_\_\_