

# COVER SHEET

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S.E.C. Registration Number

T R A N S - A S I A O I L A N D E N E R G Y  
D E V E L O P M E N T C O R P O R A T I O N  
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(Company's Full Name)

L E V E L 1 1 - P H I N M A P L A Z A 3 9 P L A Z A  
D R I V E , R O C K W E L L C E N T E R M A K A T I

(Business Address: No. Street City/Town/Province)

C E C I L L E A R E N I L L O

Contact Person

8 7 0 0 3 8 8

Company Telephone Number

12 1 3 1  
Month Day  
Calendar Year

U P D A T E S A N D  
C H A N G E S A C G R  
FORM TYPE

\_\_\_\_\_  
Month Day  
Annual Meeting

\_\_\_\_\_  
Secondary License Type, If Applicable

C F D  
Dept. Requiring this Doc.

\_\_\_\_\_  
Amended Articles Number/Section

\_\_\_\_\_  
Total No. of Stockholders

Total Amount of Borrowings  
\_\_\_\_\_  
Domestic Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_  
File Number

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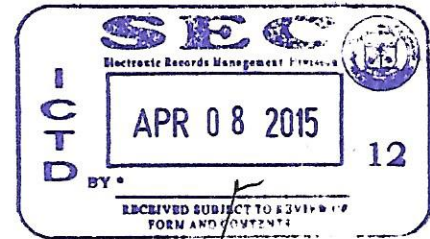
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**TRANS-ASIA**  
OIL & ENERGY DEVELOPMENT  
A PHINMA Company



8 April 2015

**SECURITIES AND EXCHANGE COMMISSION**

Attention: **DIR. JUSTINA F. CALLANGAN**  
**CORPORATION AND FINANCE DEPARTMENT**  
SEC Bldg., EDSA  
Greenhills, Mandaluyong City

Dear Dir. Callangan:

In compliance with the Commission's requirements under SEC Memorandum Circular No. 12, Series of 2014 to send an advisement letter for updates and changes in the Annual Corporate Governance Report (ACGR) that are not reportable under Section 17 of the Securities Regulation Code, please be informed that Trans-Asia Oil and Energy Development Corporation has made updates and changes in the ACGR as of 7 April 2015 as follows:

1. Composition of the Board under BOARD MATTERS.
2. Roles, Accountabilities and Deliverables of Directors, Criteria for Board of Directors under BOARD MATTERS
3. Voting Results of the last Annual General Meeting under Changes in the Board of Directors under BOARD MATTERS
4. Policies under CODE OF BUSINESS CONDUCT AND ETHICS
5. Attendance of Directors and Policy of the role of the Corporate Secretary under BOARD MEETINGS AND ATTENDANCE
6. Remuneration Policy and Structure for Executive and Non-Executive Directors under REMUNERATION MATTERS
7. Number of members, function and responsibilities and date of appointment under BOARD COMMITTEES
8. Progress Against Plans, Issues, Findings and Examination Trends under INTERNAL AUDIT AND CONTROL
9. Company's policy and activities under ROLE OF STAKEHOLDERS
10. Company's training and development programs for its employees, company's reward/compensation policy and company's procedures for handling complaints under ROLE OF STAKEHOLDERS
11. Questions and answers during the ASM, results of ASM resolutions and Stockholders' Attendance under RIGHTS OF STOCKHOLDERS
12. Corporate Social Responsibility Initiatives

We trust the above submission is in full compliance with the SEC requirement.

Thank you.

Very truly yours,

  
**CECILLE B. ARENILLO**  
Compliance Officer

  
**JUAN J. DIAZ**  
Corporate Secretary



**SECURITIES AND EXCHANGE COMMISSION**


**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2012.

2. Exact Name of Registrant as Specified in its Charter

TRANS ASIA OIL AND ENERGY DEVELOPMENT CORPORATION

3. 11F Phinma Plaza, 39 Plaza Drive Rockwell Center, Makati City 1200  
Address of Principal Office  Postal Code

4. SEC Identification Number 069039274 5. (SEC Use Only)  
Industry Classification Code

6. BIR Tax Identification Number 000-506-020-000

7. 632 8700100  
Issuer's Telephone number, including area code

8. ....  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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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
Oscar J. Hilado	NED	Phinma	Ramon R. del Rosario	Sept 1969	April 7, 2015	Annual Meeting	45
Ramon R. del Rosario, Jr.	NED	Phinma	Oscar Hilado	April 2002	April 7, 2015	Annual Meeting	12
Magdaleno B. Albarracin, Jr	NED	Phinma	Oscar Hilado	1986	April 7, 2015	Annual Meeting	29
Francisco L. Viray	ED	Phinma	Oscar Hilado	Jan 2000	April 7, 2015	Annual Meeting	15
Roberto M. Laviña	ED	Phinma	Oscar Hilado	April 12, 2005	April 7, 2015	Annual Meeting	10
Victor J. del Rosario	NED	Phinma	Oscar Hilado	Sept. 15, 2008	April 7, 2015	Annual Meeting	7
Pythagoras L. Brion, Jr.	ED	Phinma	Oscar Hilado	March 24, 2014	April 7, 2015	Annual Meeting	2
Raymundo O. Feliciano	ID		Oscar Hilado (None)	Sept 1969	April 7, 2015	Annual Meeting	45
Ricardo V. Camua	ID		Oscar Hilado (None)	1996	April 7, 2015	Annual Meeting	18
David L. Balangue	ID		Ramon del Rosario (None)	March 24, 2010	April 7, 2015	Annual Meeting	5
Guillermo D. Luchangco	ID		Ramon del Rosario (None)	April 22, 2013	April 7, 2015	Annual Meeting	2

**(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.**

In the Revised Manual on Good Corporate Governance which the Board approved on March 3, 2011, the Board of Directors and Management of the company committed themselves to the principles and best practices of good corporate governance and acknowledged that the same will serve as guide in the attainment of our corporate goals. The manual shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management, employees and

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

shareholders, believe that corporate governance is a necessary component to what constitutes sound strategic business management and will therefore undertake every effort necessary to create and sustain awareness within the organization.

The Board of Directors recognize that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the Board of Directors believe that the following shareholder rights should be extended to all shareholders of the Company:

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- All shareholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.
- All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished annual reports, including financial statements, without cost or restrictions.
- All shareholders shall be provided, upon request, periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
- The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.
- Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- All shareholders shall have appraisal rights as provided under the Code.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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

The Board, upon the recommendation of senior management, reviews the vision and mission of the Company as it deems appropriate. The Board ensures that the plans and actions of the Company are aligned with its vision and mission. This exercise was done last July 2014. On the other hand, corporate strategies are reviewed and discussed semi-annually as part of the Group planning meetings. The last planning meeting was held July 2014.

**(d) Directorship in Other Companies**

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

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar J. Hilado	Phinma, Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc. Trans-Asia Gold and Minerals Trans Asia Petroleum Corp Palawan 55 Exploration and Production Corp. One Subic Power Generation Corp.	Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Magdaleno B. Albarracin, Jr.	Phinma, Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Trans-Asia Petroleum Corp. Palawan 55 Exploration and Production Corp. Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Asian Plaza, Inc Fuld & Company, Inc. Fuld & Company (Philippines), Inc One Subic Power Generation Corp.	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	Phinma, Inc. Phinma Corp. Phinma Property Holdings Corporation Union Galvasteel Corporation	Executive Executive Non-Executive Non-Executive

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



	Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc Microtel Development Corp. Fuld & Company, Inc. Fuld & Company (Philippines), Inc. South Luzon Thermal Energy Corp. CIP II Power Corporation Trans Asia Petroleum Corp. One Subic Power Generation Corp.	Non-Executive Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman) Non-Executive (Chairman)
Francisco L. Viray	Trans-Asia Power Generation Corp. South Luzon Thermal Energy Corp. CIP II Power Corporation Trans-Asia Petroleum Corp. Palawan 55 Exploration and Production Corp. Trans-Asia Renewable Energy Corp. Maibarara Geothermal Inc. Phinma Corp. One Subic Power Generation Corp.	Executive Executive Executive Executive  Non-Executive (Chairman) Executive Non-Executive Non-Executive Non-Executive
Victor J. del Rosario	Phinma , Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Trans-Asia Renewable Energy Corp. Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Asian Plaza, Inc. Microtel Development Corporation Microtel Inns & Suites Fuld & Company, Inc. Fuld & Company (Philippines), Inc. CIP II Power Corporation T-O Insurance Brokers, Inc.	Executive Executive Non-Executive Non-Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Roberto M. Laviña	Phinma , Inc. Phinma Corporation Phinma Property Holdings Corporation Union Galvasteel Corporation Trans-Asia Power Generation Corporation Araullo University Cagayan de Oro College University of Pangasinan University of Iloilo Microtel Inns & Suites (Pilipinas), Inc. Trans-Asia Renewable Energy Corporation Asian Plaza, Inc Microtel Development Corp. Fuld & Company, Inc. Fuld & Company (Philippines), Inc. T-O Insurance Brokers, Inc. CIP II Power Corp	Executive Executive Executive Non-Executive Non-Executive Executive Executive Executive Executive Executive Executive Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive
David L. Balangue	Trans-Asia Power Generation Corp.	Independent

Guillermo D. Luchangco	Phinma Property Holdings, Inc. Phinma Corporation Fuld & Company (Philippines), Inc.	Independent Independent Independent
Pythagoras L. Brion, Jr.	CIP II Power Corporation Trans-Asia Petroleum Corp. Phinma Property Holdings Corp.	Executive Executive Executive

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

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar J. Hilado	Holcim Philippines, Inc. First Philippine Holdings Corporation Philex Mining Corporation	Non-Executive – Chairman Non-Executive Non-Executive
Ramon R. del Rosario, Jr.	Ayala Corporation Holcim Philippines, Inc.	Non-Executive Non-Executive
Magdaleno B. Albarracin, Jr.	Holcim Philippines, Inc.	Non-Executive
Guillermo D. Luchangco	Globe Telecommunications, Inc. Roxas & Co., Inc. Ionics, Inc.	Independent Independent Non-Executive
David L. Balangue	Manufacturers Life Insurance (Phils.), Inc. Manulife Financial Plans, Inc. Roxas Holdings, Inc.	Non-executive Non-executive Independent

**(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
Oscar J. Hilado	Phinma, Inc.	Chairman of the Board, director and shareholder.
	Phinma Corp.	Chairman of the Board and shareholder
Magdaleno B. Albarracin, Jr.	Phinma, Inc.	Director and shareholder
	Phinma Corp.	Director and shareholder
Ramon R. del Rosario, Jr.	Phinma, Inc.	Director, President and shareholder
	Phinma Corp.	President & Vice Chairman
Victor J. del Rosario	Phinma, Inc.	Director, Executive Vice President, and shareholder
	Phinma Corp.	Director, Senior Executive Vice President and COO, and shareholder
Robert M. Lavina	Phinma, Inc.	Director, Senior Executive Vice President and COO, and shareholder
	Phinma Corp.	Director, Senior Executive Vice President and COO and shareholder
Guillermo D. Luchangco	Phinma Corp.	Independent Director

**(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: No.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations.	
<b>Non-Executive Director</b>	As above	
<b>CEO</b>	As above	

(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 (as of December 31, 2014)	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar J. Hilado (Chairman)	4,500,000		.0925%
Ramon R. del Rosario Jr. (Vice Chairman)	16,633,513	26,704,008 (thru Emar Corp)	.3420%
Francisco L. Viray (President and CEO)	9,429,730		.1939%
Roberto M. Laviña (SEVP/Treasurer)	3,069,887		.06%
Pythagoras L. Brion, Jr. (SVP and CFO)	400,013		.01%
Guillermo D. Luchangco	1		
Magdaleno B. Albarracin Jr.	10,307,926		.21%
Raymundo O. Feliciano	1,154,017		.0237%
Ricardo V. Camua	1,225,000		.0252%
Victor J. del Rosario	3,620,362	26,704,008 (thru Emar Corp)	.0744%
David L. Balangue	1,610,001		.0331%
<b>TOTAL</b>	<b>51,550,437</b>		<b>1.0608%</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	Oscar J. Hilado
CEO/President	Francisco L. Viray

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

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

	Chairman	Chief Executive Officer
Role	<p>Presides at all meetings of the Board of Directors and stockholders. Responsible for leadership in the Board.</p> <p>Chair of Nominations Committee.</p>	<p>General supervision of the company's business, properties and affairs and managing it within the authorities delegated by the Board.</p> <p>Presides over all meetings of the board in the absence of the Chairman.</p>
Accountabilities/ Deliverables	<p>Efficient operation of the Board and its committees in conformity with the highest standards of corporate governance.</p> <p>Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom.</p> <p>Promotion of effective communication with shareholders and other stakeholders</p> <p>Constructive debate and effective decision-making.</p> <p>Spearhead a board that initiates change and planning succession on Board and Group Executive appointments.</p> <p>Properly established Board committees which are composed suitably to operate efficiently.</p> <p>Provision of sound business support and advice to the CEO in strategy development.</p> <p>Promotion of effective working relationship and communications between executive and non-executive directors and Excom</p> <p>Well-established open relationship with the Chief Executive.</p>	<p>Development of annual plans, consistent with agreed strategies, for presentation to the Board for support.</p> <p>Ensure that an organisational structure is in place including processes and systems to guarantee the efficient deployment of resources.</p> <p>Responsible to the Board for the performance of the business, consistent with the mission and vision of the Company.</p> <p>Timely communication of financial results, milestones, etc. to the investing public.</p> <p>Effective communication and harmonious working relationship with shareholders, other stakeholders, non-executive directors and Excom.</p> <p>Warrant management succession and development plans.</p> <p>Thorough review of capital investment proposals and efficient identification and management of risks</p> <p>An effective framework of internal controls over risk in relation to all business activities is in place.</p> <p>Close relationship anchored on trust with the Chairman.</p>

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

The Nominations Committee shall pre-screen and short list all candidates nominated to become members of the Board of Directors in accordance to a set of pre-selected criteria as stated in the Manual on Good Corporate Governance. This shall then be presented to the Board wherein not only the current skills of officers but also their potential are taken into consideration, keeping in mind business continuity and alignment with the company's vision and mission. Moreover, the CEO regularly monitors performance of each individual officer and plans for their future. The Human Resources' leadership programs also aid in identifying potentials for leadership position among the employees and officers.

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

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

Yes. The company's Manual on Good Corp Governance states that the board members shall be a combination executive, non-executive and independent directors to ensure that no director or small group of directors dominate the decision-making process. The board shall be comprised of a good mix of directors with varying backgrounds, whose business experience shall allow them to participate actively in the deliberations.

**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, criteria for the nomination/election of a non-executive director are 1) a practical understanding of the business of the company, 2) should possess previous business experience, 3) should have a 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 the Commission, and where applicable, the requirements of other regulatory agencies and 4) shall be a member of good standing in a relevant industry, business or professional organization.

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

As stated in the company's Manual on Good Corporate Governance Section 2.2.1.3, the following are the duties and responsibilities of a director:

- To exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Company.
- To devote time and attention necessary to properly discharge his duties and responsibilities
- To act judiciously
- To exercise independent judgment
- To have a 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 the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality
- To ensure the continuing soundness, effectiveness and adequacy of the Company's control

environment.

- To conduct business transactions with the Company, if any, in a manner that is fair and ensures that personal interest does not bias Board decisions.

The following are the director's deliverables:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Company's purpose, its vision and mission and strategies to carry out its objectives.
- Provide sound strategic policies and guidelines to the Company on major capital expenditures.
- Establish programs that can sustain its long-term viability and strength and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Require that the Corporation comply with all relevant laws, regulations and codes of best business practices.
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communications program, which shall be under the supervision of the Chief Executive Officer.
- Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- Adopt a system of internal checks and balances including a continuing review of the corporation's internal control systems.
- Formulate policies and procedures that will ensure the integrity and transparency of related party transactions.
- Establish and maintain an alternative dispute resolution system for the amicable settlement of conflicts and differences among all stakeholders including the regulatory authorities.
- Appoint a Compliance Officer. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.
- Identify key risk areas and key performance indicators and monitor these factors with due diligence.
- Properly discharge Board functions by meeting regularly. Independent directors shall, as much as possible, attend all Board meetings. The Board may also require the presence of at least one independent director in its meetings to promote transparency.
- Independent views during Board meetings shall be given due consideration and all meetings shall be duly minuted.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
- Define the clear delineation of roles, duties, and responsibilities of the Chair and the Chief Executive Officer as necessary, integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. Proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives if the positions of Chair and CEO are unified.
- Require Management to provide the Board with complete, adequate and timely information about the matters to be taken in their meetings to enable the Board to properly fulfill their duties and responsibilities. The board shall also have independent access to Management and the Corporate Secretary including access to independent professional advice at the corporation's expense in furtherance of their duties and responsibilities.
- Make available to the company's stockholders, via multiple channels, a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

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

The Nomination Committee pre-screens nominees for independent director using the guidelines under Section 38 of the SRC and the provisions assessing independence under the Revised Manual on Good Corporate Governance. On this basis, Messrs. Raymundo O. Feliciano, Ricardo V. Camua, David L. Balangue and Guillermo D. Luchangco have been elected as independent directors.

A Director who is neither an officer nor a substantial shareholder is considered to be independent. Those identified above are qualified to be independent Directors.

In assessing the independence of the Directors, the Nomination Committee has examined the different relationships enumerated under SRC Rule 38.1 of the SRC IRR that may impair the directors' independence and objectivity, and affirms that the above-mentioned directors are able to act with independent judgment.

**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.**

In compliance with SEC Circular No. 9 Series, of 2011, the company has a term limit of five consecutive years for independent directors. After the required cooling-off period of two years, the director can return as independent director for another term of five years.

## 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
Antonio V. Del Rosario	Non-executive Director	April 22, 2013	Resignation
Alfredo M. Velayo	Independent Director	August 19, 2013	Resignation

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	The Nomination Committee pre-screens and short-lists all candidates in accordance with the list of qualifications and disqualifications in the Manual of Corporate Governance	<ul style="list-style-type: none"><li>• Educational Background or extensive business experience</li><li>• Integrity and probity</li><li>• Diligence</li><li>• Ownership of at least one share</li><li>• Nature of Corporations of which he is a director</li><li>• Age</li><li>• Number of directorships</li><li>• No Conflict of Interest</li><li>• Experience in other boards</li></ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors	The Nomination Committee pre-screens and short-lists all candidates in accordance with the list of qualifications and disqualifications in the Manual of Corporate Governance	
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<ul style="list-style-type: none"><li>• Experience as CEO or COO</li><li>• Knowledge of finance/accounting</li><li>• Knowledge of industry</li><li>• Knowledge of Local and international market and strategic vision</li><li>• Contacts of value</li></ul>
c. Permanent Disqualification		
(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	<ul style="list-style-type: none"><li>• Final conviction of offense involving moral turpitude or fraud</li><li>• Finally found to have violated SRC, Corporation Code, BSP Rules</li><li>• Judicially declared insolvent</li></ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		<ul style="list-style-type: none"><li>• Same as above</li><li>• Becomes officer/regular director of any of the companies of the Phinma Group</li><li>• Beneficial security ownership exceeds 2% of the outstanding shares of the Company</li><li>• Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings</li></ul>
d. Temporary Disqualification		
(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	<ul style="list-style-type: none"><li>• Refusal to disclose business interests</li><li>• Absence in more than 50% of all meetings</li><li>• Dismissal/termination from directorship in other listed corporation for cause</li><li>• Non-final confiscation for (c) above</li></ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	<ul style="list-style-type: none"><li>• See (c) above</li></ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		



(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	<ul style="list-style-type: none"><li>• Disclosure of business interest (after refusal)</li><li>• Exoneration from Charges</li></ul>
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; a director whose qualifications are at issue shall not have right to vote when the Board considers his case.	<ul style="list-style-type: none"><li>• See (d) above</li></ul>

#### **Voting Result of the last Annual General Meeting (April 7, 2015)**

Name of Director	Votes Received
Oscar J. Hilado	67.01%
Ramon R. del Rosario, Jr.	67.01%
Francisco L. Viray	67.01%
Roberto M. Laviña	67.01%
Magdaleno B. Albarracin, Jr.	67.01%
Victor J. del Rosario	67.01%
Pythagoras L. Brion, Jr.	67.01%
Raymundo O. Feliciano (Independent)	67.01%
Ricardo V. Camua (Independent)	67.01%
David L. Balangue (Independent)	67.01%
Guillermo D. Luchangco (Independent)	67.01%

#### **6) Orientation and Education Program**

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

The new director attends a briefing, during which various operating heads present the nature of their respective departments and their plans for the future. The new director is also provided a copy of the Manual on Good Corp Governance and advised of company policies pertaining to directors.

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

- Corporate Governance seminars
- Audit Committee Best Practices program

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

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
All directors	July 28, 2014	Corp Governance Program	SGV

## 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 and Employees
(a) Conflict of Interest	The Manual on Good Corporate Governance serves as the Code of Conduct for all directors of the Company.	<p>No officer or employee may engage in any business or undertaking that is directly or indirectly in competition with or pre judicial to the interests of that of any company to the PHINMA Group, or to the performance of his job or work assignments. If an employee faces a situation that may involve or lead to a conflict of interest, the employee is required to disclose such information and seek appropriate guidance.</p> <p>With the launch of the PHINMA Integrity Assurance Program, wherein everyone is required to accomplish a disclosure form detailing possible involvements which may create conflict of interest, the company is assured more than ever that the highest standards of ethics are being lived out throughout the company.</p>
(b) Conduct of Business and Fair Dealings		Officers and employees are expected to practice the highest standards of business conduct in every business relationship - with each other and with the customers, business partners, and competitors.
(c) Receipt of gifts from third parties		<p>PHINMA prohibits its employees from accepting and/or offering inappropriate gifts and gratuities that may impair or appear to impair the recipient's objectivity and may affect their ability to properly perform their job and responsibilities.</p> <p>Cash- accepting, offering or giving in any amount is prohibited.</p> <p>Gifts/Gratuities- accepting, offering or giving is prohibited if it is (a) beyond nominal value and (b) offered, given or accepted in exchange for an official act or an act under the employee's official responsibilities. All gifts and gratuities worth beyond the nominal value which are offered to the employees must be disclosed to the immediate superior, with a copy furnished to the Integrity Officer, and is subject to the discretion of the immediate superior whether this will be accepted, donated or declined.</p>

		<p>Loans- all loans acquired from related parties should be properly disclosed with the following information:</p> <ul style="list-style-type: none"> <li>- Related party involved</li> <li>- Amount of loan</li> <li>- Interest rate</li> <li>- Term</li> <li>- Other pertinent information</li> </ul> <p>Officers and employees are required to disclose these incidents within 30 days via email to their immediate superior who shall review the disclosure together with the Integrity Officer and advise on the decision and course of action that should be taken.</p>
(d) Compliance with Laws & Regulations		<p>All officers and employees shall proceed with the conduct of their business in a manner that is compliant with applicable Philippine laws and regulations. The code of business conduct as well as the Employee's Handbook shall serve as a guide should there be any need for clarification.</p> <p>All officers and employees should work in a clean, orderly and safe environment. The Company requires full compliance with applicable workplace safety and industrial hygiene standards mandated by law.</p>
(e) Respect for Trade Secrets/Use of Non-public Information		<p>No director, officer nor employee may use confidential company information for personal gain.</p> <p>Phinma also abides by an Insider Trading Policy which states that purchase and sale of Phinma shares or securities on the basis of potentially share price sensitive information that is not yet public is prohibited. Black-out periods provide specific guidelines for insider-trading regulations. Officers and employees of publicly-listed companies of PHINMA, together with their relatives, are strictly prohibited from trading shares of their respective companies.</p> <p>In a memo dated 31 August of 2010, the Compliance Officer detailed the guidelines and procedures for directors and officers during black out notices stated here as follows:</p> <ol style="list-style-type: none"> <li>1. Officers authorized to submit disclosures through the PSE's OdiSy shall promptly inform the Finance Department c/o Office of the Comptroller as soon as a disclosure has been made.</li> <li>2. As soon as the notice of a disclosure is</li> </ol>

		<p>received by Finance, Finance will send an email or a fax (if the fax is the preferred means) to all directors and officers advising them of the disclosed data and the inclusive dates of the blackout period of 2 full trading days after the disclosure has been made.</p> <ol style="list-style-type: none"> <li>All directors and officers are enjoined to observe said blackout period and refrain from buying AND/OR selling the Issuer's securities.</li> <li>In instances when Finance, for one reason or another, cannot make the disclosure, the officer or department that made the disclosure shall also handle the required email or fax advice to all directors and officers.</li> <li>For directors and officers who do not have regular access to email, it is advised that they check with the Issuer's Finance Dept., c/o the Office of the Comptroller, before dealing in the Issuer's securities.</li> </ol>
(f) Use of Company Funds, Assets and Information		<p>Employees, Officers and Directors are expected to use company resources wisely and legitimately.</p> <p>Malversation of Funds and other company assets for personal gain is strictly prohibited and is considered a very serious offense as stated in the Employee Handbook. Commission of the same on its first offense is punishable by dismissal.</p> <p>Using of company's time, materials and equipment or other property to do unauthorized work is considered a Less Serious Offense and is punishable with suspension of at least 3 days to one month.</p>
(g) Employment & Labor Laws & Policies		<p>Using official position in order to secure employment for relatives, except if such hiring is with written consent of functional head, who will ascertain and corroborate that the relative employed is the most qualified among applicants.</p>
(h) Disciplinary action		<p>Employees are given full notice and a chance to explain his side before any disciplinary action is imposed.</p>
(i) Whistle Blower		<p>Phinma, through its Whistleblowing and Non-Retaliation Policy under the Integrity Assurance Program, provides for a mechanism for reporting perceived and actual irregularities that are contrary to PHINMA's Core Values while providing appropriate protection for whistleblowers from possible retaliation.</p> <p>An Integrity Hotline has been launched which an independent, dedicated email facility is provided by the Company for receiving Whistleblower reports. All reports submitted through this facility shall be received by the Integrity Officer and the PHINMA GIA</p>

		Head. All reports shall be investigated according to the PHINMA Response Plan. In the event that a whistleblowing report was made in bad faith, appropriate disciplinary or legal action shall be meted pursuant to the policies and procedures of PHINMA , and any applicable laws or regulations.
(j) Conflict Resolution		Installation of committee to handle and resolve conflict.

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

Yes, the Company has a Manual on Good Corp Governance as well as an Employee Handbook and both are provided to directors and officers & employees respectively. The Phinma Integrity Assurance Program that was launched in June 2014 is now fully implemented and covers the following policies :

- Policy on Insider Trading
- Policy on Whistleblowing
- Policy on Sexual Harassment
- Policy on Conflict of Interest
- Policy on Gifts & Gratuities
- Anti-Fraud Policy

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

Covered officers and employees are required to fill-up and submit the Confidential Disclosure Form and Conflict of Interest Certification upon employment and every year thereafter. In instances when any of the information disclosed has changed, the covered officer or employee has the obligation to amend his Confidential Disclosure Form accordingly.

In light of the implementation of the Integrity Assurance Program, all directors, officers and employees are required to submit the Integrity Assurance Disclosure Form annually. The form details information regarding aspects of an employee's personal and/or professional dealings that may be in conflict with the said program.

**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	Phinma has set a universal policy for all Related Party Transactions. The policy provides for fairness and transparency in related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associate, affiliates, major stockholders officers and directors, including their spouses, children, and
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including	

spouse/children/siblings/parents	dependent siblings and parents and of interlocking director relationships by members of the Board.
(7) Directors including spouse/children/siblings/parents	<p>The terms of any transaction involving related parties must be done at arm's length basis with the best interest of both parties in mind.</p> <p>The Board with the Audit Committee and PHINMA Management shall determine and provide pre-approved RPTs and thresholds subject for their review and approval.</p> <p>Any transaction that exceeds the threshold shall be subject to review and approval.</p> <p>Further, transactions that will need to be disclosed to appropriate governing agencies shall be complied with.</p>
(8) Interlocking director relationship of Board of Directors	Directors currently serve as directors of subsidiaries and affiliates.

**(b) Conflict of Interest**

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

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

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

**(ii) Mechanism**

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

	Directors/Officers/Significant Shareholders
Company	There have been no conflicts of interest between the company, its directors, officers and significant shareholders. In the event that one should arise, all diplomatic means will be exhausted in order to resolve the same prior to resorting to legally available measures.
Group	

**5) Family, Commercial and Contractual Relations**

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

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
PHINMA, Inc.	Ultimate Parent	Management contract with TA Oil; Share of expenses
PHINMA Corp	Significant shareholder	Share of expenses; TA Oil owns shares of PHINMA Corp

(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 of the Relationship
PHINMA, Inc.	Ultimate Parent	Management contract with TA Oil; Share of expenses
PHINMA Corp	Significant shareholder	Share of expenses; TA Oil owns shares of PHINMA Corp

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

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

#### 6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	There has been no dispute or conflict between the corporation and its stockholders, third parties including regulatory authorities for the past three years. In the event that one arises, the Company shall endeavor to resolve the same by exhausting all diplomatic means available prior to resulting to legally available measures.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

### C. BOARD MEETINGS & ATTENDANCE

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

Yes, proposed meeting dates covering the whole succeeding year is provided to all directors and officers at the last board meeting of the prior year. Any changes on the dates are disseminated to all at the next board meeting. Thereafter, the Corp Sec sends a notice to all directors and key officers at least a week before the actual board meeting date.

#### 2) Attendance of Directors

Board	Name	No of meetings	No of meetings attended	%
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		held during the year (2014)		
Chairman	Oscar J. Hilado	10	10	100
Member	Ramon R. del Rosario	10	10	100
Member	Francisco L. Viray	10	10	100
Member	Victor J. del Rosario	10	10	100
Member	Magdaleno B. Albarracin , Jr.	10	10	100
Member	Raymundo O. Feliciano	10	10	100
Member	Roberto M. Laviña	10	10	100
Member	Ricardo V. Camua	10	10	100
Member	David L. Balangue	10	8	80
Member	Guillermo D. Luchangco	10	10	100
Member	Pythagoras L. Brion, Jr.	10	9	90

**3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None.**

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

No. Under the company's by-laws, only a majority vote shall constitute a quorum to validate a corporate act except as otherwise expressly provided by law.

**5) Access to Information**

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

Board papers are provided at least a day before the board meeting.

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

Yes, Board Members may coordinate with the office of the Corporate Secretary and/or the Management Team should there be a need to clarify an issue or raise a concern.

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

The Corporate Secretary is responsible for the Company's compliance with pertinent statutory and regulatory requirements and enforcing and maintaining the highest standards of corporate governance necessary for the efficient administration and operation of the Company, and for the protection of the interests of the Company and its various stakeholders. The duties of the Corporate Secretary, among others, as expressed in the By-Laws, are the following:

- Keep full minutes of all meetings of the Board of Directors and of the stockholders.
- Keep the stock and transfer book, maintain a current register of stockholders with their corresponding address, and keep the corporate seal, which he shall stamp on all documents requiring such seal of the

<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.



company.

- Fill and countersign all the certificates of stock issued, making corresponding annotations on the margins of stubs of such certificates upon issuance.
- Give or cause to be given all notices required by law or by the By-Laws of the Company as well as notices of all meetings of the Board of Directors and of the stockholders.
- Perform such duties as may be prescribed by the Board of Directors or the President.

Further, in matters of corporate governance, the Corporate Secretary's duties and responsibilities are as follows:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to the agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their duties, responsibilities and obligations and work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent him from doing so, and maintain record of the same.

(d) **Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.** Yes. The Corporate Secretary is a member of the Philippine Bar and has a Master of Laws Degree from Harvard Law School.

**(e) Committee Procedures**

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

Yes ☒

No ☐

Committee	Details of the procedures
Executive	The agenda and related materials are sent to the director either in soft copy by email or hard copy at least a day before the meeting. Directors can advise the committee head, Corporate Secretary or the President for any other information they wish to be provided with in advance.
Audit	
Nomination	
Remuneration	
Others (specify)	

**6) External Advice**

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

Procedures	Details
Access to external auditors and tax advisers	During the meeting of the Audit Committee and the Board, and during the Annual Shareholders Meeting, the external auditor and/or tax consultants are present to answer the Board's and/or shareholders' questions.

**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
None		

## 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	Decided by Compensation Committee	Proposed by the CEO and approved by the Compensation Committee
(2) Variable remuneration		
(3) Per diem allowance	Approved by the Board	N/A
(4) Bonus	Decided by Compensation Committee	Proposed by the CEO and approved by the Compensation Committee
(5) Stock Options, Grants and other financial Instruments	Plan approved by Shareholders ; Allocation approved by the Board through the Stock Options (Executive) Committee	
(6) Others (specify)		

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	In addition to remuneration received as officers of the company, executive directors receive the following :  a. Transportation allowance, paid monthly b. Per diem c. Directors' bonus which is paid out yearly, after approval of the audited financial statements.	a. Transportation allowance of P 5,000 per month. b. Per diem of P 10,000 for every meeting attended. c. All directors share in the directors' bonus pool which is computed as 5% of audited net income of the parent company after tax and bonus	
Non-Executive Directors	a. Transportation allowance, paid monthly b. Per diem	a. Transportation allowance of P5,000 per month.	

	c. Directors' bonus which is paid out yearly, after approval of the audited financial statements.	b. Per diem of P 10,000 for every meeting attended. c. All directors share in the directors' bonus pool which is computed as 5% of audited net income of the parent company after tax and bonus
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**Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. No.**

Remuneration Scheme	Date of Stockholders' Approval
NA	

### 3) Aggregate Remuneration

**Complete the following table on the aggregate remuneration accrued during the most recent year: (in P'000)**

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	17,113	356	318
(b) Variable Remuneration			
(c) Per diem Allowance	628	564	507
(d) Bonuses	5,847	6,253	8,517
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
<b>Total</b>	23,588	7,173	9,342

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	Yes	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	Yes	None	None
(f) Hospitalization Plan	Yes	None	None

(g) Car Plan	Yes	None	None
(h) Others (Specify)	None	None	None

#### 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
Oscar J. Hilado	3,000,000		3,000,000	0.06%
Ramon R. del Rosario, Jr.	2,500,000		2,500,000	0.05%
Francisco L. Viray	3,000,000		3,000,000	0.06%
Roberto M. Laviña	2,500,000		2,500,000	0.05%
Magdaleno B. Albarracin, Jr.	1,500,000		1,500,000	0.03%
Raymundo O. Feliciano	1,500,000		1,500,000	0.03%
Ricardo V. Camua	1,500,000		1,500,000	0.03%
Victor J. del Rosario	1,500,000		1,500,000	0.03%
David L. Balangue	1,500,000		1,500,000	0.03%
Guillermo D. Luchangco	1,500,000		1,500,000	0.03%
Pythagoras L. Brion, Jr.	1,750,000		1,750,000	0.04%

##### (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
Stock Option Plan	Suspended by the Board on May 7, 2008 Plan suspension lifted on July 22, 2013 and awarded additional options	April 2, 2007

#### 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
Bautista, Mariejo – VP Controller	P15,882
Francisco, Virgilio – SVP	
Panes, Danilo – AVP Renewable	
Reyes, Raymundo – SVP Energy Resources Devt	
Santos, Rizalino – SVP Power Business	

## 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			Functions/ Key Responsibilities & Power
	Executive (ED)	Non-executive (NED)	Independent (ID)	
Compensation		2	1	<p>Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment</p> <p>Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers.</p> <p>Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties once hired.</p> <p>Disallow any director to decide his/her own remuneration</p> <p>Review the existing Human Resources Development or Personnel Handbook to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts or in the absence of such handbook, cause the development</p>

				of such, covering the same parameters of governance stated above.
Audit Committee	1	1	2	<p>Check all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements.</p> <p>Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management</p> <p>Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose threat to his independence. The non-audit work, if allowed, shall be disclosed in the annual report.</p> <p>Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.</p> <p>Review the quarterly , half-year and annual financial statements before their submission to the Board, with particular focus on any change/s in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards and compliance with tax, legal and regulatory requirements.</p> <p>Perform direct interface functions with the internal and external auditors.</p> <p>Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel for the performance of their respective functions.</p> <p>Elevate to international standards the accounting and auditing processes, practices and methodologies.</p>

				<p>Develop a transparent financial management system to ensure the integrity of internal control activities throughout the company through a step-by-step procedure and policies handbook that will be used by the entire organization.</p> <p>Supervise, as directed by Management, the formulation of rules and procedures on financial reporting, internal control systems, internal audit examinations, compliance with financial reporting requirements and appointment of the external auditor in accordance with the guidelines under the revised Code for the benefit of all stockholders and other stakeholders.</p>
Nomination Committee	1	1	1	Pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with a pre-determined set of qualifications and disqualifications based on the Manual on Good Corporate Governance.
Executive Committee	1	3	1	Pre-clear or approves investment proposals, strategic issues and other matters that may be determined and delegated to it by the Board of Directors.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon R. del Rosario	April 7, 2015	1	1	100%	>10 years
Member (NED)	Oscar J. Hilado	April 7, 2015	1	1	100%	>10 years
Member (NED)	Magdaleno B. Albarracin, Jr.	April 7, 2015	1	1	100%	>10 years
Member (ED)	Francisco L. Viray	April 7, 2015	1	1	100%	>10 years
Member (ID)	Guillermo D. Luchangco	April 7, 2015	1	0		1 year

### (a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	David L. Balangue	April 7, 2015	4	4	100%	<10 years
Member (ED)	Roberto M. Lavina	April 7, 2015	4	3	75%	<10 years
Member (ID)	Ricardo V. Camua	April 7, 2015	4	4	100%	<10 years
Member (NED)	Victor J. del Rosario	April 7, 2015	4	3	100%	<10 years

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

**David L. Balangue** is an accounting and auditing professional whose career spanned 38 years at SGV & Co., the Philippines' largest audit and accounting professional services firm. He is a former Chairman & Managing Partner of the Firm, after being admitted to partnership in 1982. Mr. Balangue holds a Bachelor's Degree in Commerce, major in Accounting, Magna Cum Laude, from Manuel L. Quezon University and a Master of Management degree, with distinction, from the Graduate School of Management of Northwestern University in Evanston, Illinois, USA as an SGV scholar and where he received a Distinguished Scholar Award and elected to the Beta Gamma Sigma, an exclusive honors fraternity. He placed second highest in the 1972 Philippine CPA Board Examinations. He served as President of the Financial Executives Institute of the Philippines (2006); Philippine Institute of Certified Public Accountants (2005); and Management Association of the Philippines (2004). Among others, he was President of the Capital Markets Development Council (2008); Chairman of FINEX Foundation (2007); Chairman of MAP Research and Development Foundation (2004); Chairman of Standing Interpretations Committee, Accounting Standards Council (2000-2006); Chairman of Philippines-Korea Economic Council (2002-2008); Trustee of Philippine Business for Social Progress (2004-2010) ; Chairman of the Philippine Interpretations Committee of the Philippine Financial Reporting Standards Council (2006-2010); and Chairman and President of the SGV Foundation (2003-2010) and Member of the Board of Trustees, Makati Business Club (2000-2011). At present, he is Vice-Chairman of the Business for Integrity & Stability of Our Nation (BISYON 2020) (since 2003), National Movement for Free Election (NAMFREL) (since 2010) and Chairman of the Coalition Against Corruption (since 2011); Chairman of the Philippine Financial Reporting Standards Council (since 2010), Chairman/President of the Makati Commercial Estate Association, Inc. (since 2010) and President of the Makati Parking Authority, Inc. (starting 2011). He is a consultant to the Philippine Deposit Insurance Corporation and a member of the Board of Directors of The Manufacturers Life Insurance Co., (Phils.), Inc., Manulife Financial Plans, Inc., Roxas Holdings, Inc. and Unistar Credit and Finance Corporation. He was elected as a Director of the Company on March 24, 2010.

**Ricardo V. Camua** has a Bachelor of Science in Electrical Engineering degree from Mapua Institute of Technology. He was the President and Chief Executive Officer of Manila Cordage Company (2000-2009) and Manco Synthetics, Inc. (2007-2009). Mr. Camua was the Vice-President and member of the Board of Directors of Manco Insurance Agents Inc. and Tupperware Realty Corporation. In 2005, he was elected director of Filmag Holdings, Inc. Since 2008, he has been the President of Ricardo V. Camua & Co., Inc. (RVCCI). He has been a Director of the Company since 1996.

**Roberto M. Laviña** has a Bachelor of Arts in Economics degree from Ateneo de Manila University and a Masters in Business Management degree from Asian Institute of Management. He finished his Program for Management Development at Harvard School of Business in 1988. He is the President and a Member of the Board of T-O Insurance Brokers, Inc. In 2005, he became Phinma Inc.'s Senior Executive Vice President/Chief Operating Officer (COO) and is concurrently the Chief Financial Officer of the PHINMA Group and a Member of the Board. He is also a Member of the Board and Executive Vice President/Treasurer of Trans-Asia Renewable Energy Corporation. He is a member of the Board and Senior Executive Vice President and COO of PHINMA Corporation. He is also Treasurer and Board Member of Phinma Property Holdings Corporation, Araullo University, Cagayan de Oro College, University of Iloilo and University of Pangasinan. He has been the Chief Financial Officer and Treasurer of the Company for 19 years. He became the Executive Vice President on April 2, 2004 and was elected as a Director of the Company on April 12, 2005.

**Victor J. del Rosario** is the Executive Vice President / Chief Financial Officer of PHINMA Corp since 1995. He is also the Vice-Chairman of Union Galvasteel Corporation and the EVP and Chief Strategy Officer of PHINMA, Inc., EVP and CFO of Phinma Corporation. He is also a member of the Board of Directors of PHINMA, Inc. and various PHINMA-managed companies. Mr. del Rosario is an Economics and Accounting graduate of the De La Salle University and holds a Master of Business Administration degree from Columbia University. He is the brother of Mr. Ramon R.



del Rosario, Jr. He has been a Director of the Company since 1987.

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

- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report;
- Perform direct interface functions with the internal and external auditors.
- Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel for the performance of their respective functions.
- Assess the performance of the external auditor on an annual basis prior to the committee's endorsement of the external auditor's engagement for the succeeding year.

**(a) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Ramon R. del Rosario	April 7, 2015	1	1	100%	<10 years
Member (NED)	Oscar J. Hilado	April 7, 2015	1	1	100%	<10 years
Member (ID)	Raymundo O. Feliciano	April 7, 2015	1	1	100%	10 years

**(a) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar J. Hilado	April 7, 2015	0	0		10 years
Member (NED)	Ramon R. del Rosario, Jr.	April 7, 2015	0	0		10 years
Member (NED)	David L. Balangue	April 7, 2015	0	0		<10 years

**(b) Others (Specify)**

**Provide the same information on all other committees constituted by the Board of Directors: Stock Option Committee**

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

### 3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	None	None
Audit	Alfredo M. Velayo	Resigned
Nomination	Antonio V. del Rosario	Resigned
Remuneration	None	None
Others (specify)	None	None

### 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	Approval of contracts and bids	
Audit	Approved quarterly and annual audited financial statements; approved the revisions of the Audit Charter; reviewed Business Resiliency Program and subsequent reports on action plans, reviewed and approved the Integrity Assurance Program's policies, appointed an Integrity Officer and reviewed and approved audit plan of SGV and Internal Audit	Reviewed audit issues including RPTs and tax issues.
Nomination	Prequalification and screening of candidates for Board of Directors; Submitted list of nominees to the Board	
Compensation	Salary increases and variable compensation of officers	
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	None	
Audit	Business Resiliency Program and Integrity Assurance Program	
Nomination		
Compensation	Revival of stock option plan	Impact on future earnings
Others (specify)		

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

PHINMA adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risks and rewards. On March 21 2013 , the PHINMA Executive Committee, approved and mandated the implementation of the Business Continuity Management which has been renamed since then as PHINMA Business Resiliency Program. The program provides governance framework to develop business resiliency, build capability to safeguard the interests of the PHINMA Group's key shareholders, as well as the reputation and value-creating activities of the company in all its functions and operations.

PHINMA also recognizes risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

PHINMA's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and fulfill the company's mission. However, these risks should be continuously identified and assessed to ensure that effective mitigation strategies are employed to the greatest extent possible.

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

A Business Resiliency Program is currently in place for the entire PHINMA Group. This program supersedes the previous Business Continuity Management program and expands its coverage further by going beyond the traditional confines of BCM and integrates Risk Management concepts with the disciplines of Disaster Response Planning, Crisis Management and Communications and Business Continuity Planning.

The Audit Committee has reviewed the program and has been tasked to lead and monitor the same. The Audit Committee believes that the program is comprehensive and effective for the management and resolution of the company's risks.

**(c) Period covered by the review; 2012**

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

Effective year 2013, all member companies of the PHINMA Group will undergo a risk assessment exercise on a semi-annual basis in coordination with the Business Resiliency program. The results of these assessments, together with the overall implementation of the risk management system, including the Business Resiliency Program, will be subject to a review of its adequacy and effectiveness by the Audit Committee. This is then presented and approved by the Audit Committee of the major shareholders of the Company, Phinma Inc. and Phinma Corp as part of their oversight responsibilities. The most recent presentation was last February 18, 2015.

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

**2) Risk Policy**

**(a) Company**

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

**policy for each kind of risk:**

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Foreign Currency Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Credit/Counterparty Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Liquidity Risk	Duration of investment consistent with Company's investment horizon	To ensure that sufficient liquid resources are available to support operating and investing requirements on a timely basis.
Market Risk	Ensure safety of principal	To meet strategic objectives while setting an appropriately balanced structure of the Company's portfolio, controlling the risks and obtaining satisfactory returns.
Operations Risk	Adequate internal processes, system, and people	To ensure effective and efficient operations with adequate safeguards against losses and wastage.

**(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:**

**Top 3 Risks**

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Talent Management	Attract, develop, assign and retain the right personnel	To ensure the effective implementation of the Business Plan.
Business Continuity	Build resilience and capability for an effective response that safeguards the interests of key shareholders, reputation and value-creating activities in all functions and operations.	To ensure effective continuity of business operations in the event of a major disruption.
Market Competition	Consider and respond to changes in the market and in the actions of competitors.	To ensure that the Company remains a competitive, significant player in its chosen industry.

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
Pre-emptive right
Appraisal right
Tender Offer

### 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)
Financial risk (interest rate risk, credit and other risks on financial assets)	Treasury regularly presents to the Investment Committee portfolio performance for the period	The Investment Committee reviews and approves policies and directions for investments
Business risks of the Company, subsidiaries and affiliates		The Board reviews and discusses the results of operations and strategic directions of the business units on a monthly basis

#### (b) Group

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

Top 3 Risks

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Talent Management	Annual risk assessments	<ul style="list-style-type: none"> <li>Career and Succession Planning Program</li> <li>Compensation Benchmarking Study every 2 years</li> <li>Coaching Program</li> </ul>
Business Continuity	Annual risk assessments	<ul style="list-style-type: none"> <li>Formal Business Continuity Management (BCM) Program aligned with ISO 22301</li> </ul>
Market Competition	Annual risk assessments	<ul style="list-style-type: none"> <li>Formal Strategic Planning process, including a</li> <li>Mid-year Business Plan Reviews</li> <li>Monthly SBU performance review</li> </ul>

#### (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:**

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Audit Committee	Semi-annual reporting of risks	The Audit Committee requires all SBUs to assess the status of their key risks on a semi-annual basis. The results of these assessments, together with the corresponding mitigation strategies, are presented to the Audit Committee.
Audit Committee	Independent audits	The Audit Committee oversees the effective implementation of external and internal auditing activities that cover the control activities described above.
Executive/Investment Committee		Reviews and approves policies and directions for investments
Bids and Awards Committee	Tender and bidding	Responsible for the determination of eligibility, conduct of bidding, evaluation of bids, post qualification of the lowest calculated bid and recommending award of contracts

## **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 system is an organized means by which the Company's resources are administered, regulated and assessed to ensure operational efficiency, accuracy in reporting, conformity with existing laws, regulations and policies and competent management of risks.

PHINMA's Group Internal Audit Charter is an independent and objective assurance consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. While Internal Audit and Control is the main function of the Company's Internal Audit Department, adherence to the same is every employee's accountability. The Chief Audit Executive shall be bound to report functionally to the Board through the Audit Committee and administratively to the Senior Management.

The internal control system for Trans Asia Oil includes any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

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

Examinations of the internal control system were performed by Group Internal Audit following the approved Internal Audit Plan and the results thereof were presented to the Audit Committee. Based on this, the Audit Committee found the internal control system to be adequate and effective.

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

The Audit Committee reviewed the results of internal audit examinations of the internal control system based on the approved Internal Audit Plan for the Calendar Year 2014.

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

Internal controls are reviewed on an ongoing basis by Group Internal Audit, through a risk based audit plan that is presented to and approved by the Audit Committee annually. Controls are evaluated for adequacy and effectiveness by Group Internal Audit using a risk-control matrix and the result of such evaluation is presented to the Audit Committee during its quarterly meetings.

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

**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
<p>Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information</p> <p>Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have significant impact on the organization</p> <p>Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets</p>	<p>All internal auditing services (assurance and consulting)</p>	<p>In-house</p>	<p>Rolando D. Soliven, CPA, CIA, CFE, CQA, CRMA</p>	<p>A written report is prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement. The report is distributed as appropriate and communicated to the Board as well.</p>

<p>Evaluating the effectiveness and efficiency with which resources are employed.</p> <p>Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</p> <p>Monitoring and evaluating governance processes</p> <p>Monitoring and evaluating the effectiveness of the organization's risk management processes</p> <p>Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization</p> <p>Evaluating specific operations at the request of the Board or Management, as appropriate.</p>				
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\*Group Internal Audit (GIA), is an independent, objective provider of assurance services designed to add value and improve PHINMA Group's operations.

\*\* The Audit Committee, together with senior management, receives a copy of all audit reports. Other recipients, including the operating heads, are provided copies upon the discretion of the Internal Audit Head.

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

Yes. This is explicitly stated in the Internal Audit Charter, as approved by the Audit Committee. The same is also indicated in the Audit Committee Charter, under the Committee's stated responsibilities.



- (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 Head of Internal Audit functionally reports to the Audit Committee. As such, the appointment, qualification or termination of the Head requires the Audit Committee's approval. The Audit Committee also receives periodic reports from the internal auditors on the progress of internal audit work and other relevant information. Furthermore, in the Internal Audit Charter, as approved by the Audit Committee, the internal auditors have unrestricted access to the board and to all properties, records and personnel of PHINMA Corporation.

- (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
Victoria Mae Pilapil	Voluntary resignation (November 2013)
Allan Pablo	Voluntary resignation (December 2013)

- (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	The 2014 Internal Audit Plan was satisfactorily executed in 2014.
Issues <sup>6</sup>	As defined below, no "issues" were identified during the year.
Findings <sup>7</sup>	No significant findings were found in 2014. Minor concerns identified were promptly and satisfactorily addressed by management.
Examination Trends	No pervasive issues and findings were found in 2014. Minor concerns identified were promptly and satisfactorily addressed by management.

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

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

- (f) **Audit Control Policies and Procedures**

**Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and**

<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.

procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Internal Audit Charter	Implemented since 2003, revised in 2012
Internal Audit Mission – Vision	Implemented
Code of Ethics	Implemented
Internal Audit KPIs and Initiatives	Annual implementation, with 2013 values
Engagement Planning	Implemented
Internal Audit Reporting	Implemented
Conducting Audit Engagements	Implemented
Risk – Control Matrix	Implemented
Time Reporting	Implemented
Client Feedback Monitoring	Implemented
Communications Protocol	Implemented

**(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
See below	See below	NA	NA

INTERNAL AUDITOR	EXTERNAL AUDITORS
Code of Ethics – All internal auditors adhere to the Code of Ethics prescribed by the Institute of Internal Auditors (IIA). The said Code lists four principles, one of which is “Independence”, which form part of the mandatory guidance for IIA members.	Statement of Independence – The external auditor is required to declare their independence to the Audit Committee prior to their appointment and after the release of the audit results.
Conflict of Interest – All internal auditors adhere to the PHINMA Code of Conduct, which includes a prohibition on conflict of interest	Inquiry of Disagreements with Management – The Audit Committee inquires the external auditor on matters of disagreement with Management, if any.
Functional Reporting to the Audit Committee – To protect its organizational independence, the Head of internal audit functionally reports to the Audit Committee.	Adherence to Philippine Standards on Auditing – The external auditors are required to state their adherence to local auditing standards prior to their appointment and after the release of the audit results.
Internal Audit Charter – The internal audit team functions under an Internal Audit Charter as approved by the Audit Committee which, in turn, is empowered by the Board of Directors through its Audit Committee Charter. This Charter provides broad authority levels to the internal audit team, including the authority to determine	

its own audit scope, techniques and methodologies, and unrestricted access to all properties, records and personnel.	
Risk based Audit Plan – The Internal Audit Plan is approved by the Audit Committee and monitored for effective implementation.	

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

The Chairman and the CEO shall attest to the Company's full compliance with the SEC Code of Corporate Governance as embodied in the Company's Revised Manual on Good Corporate Governance as approved by the Board on February 21, 2011 and further amended and approved on June 23, 2014. All directors, officers and employees have been informed of their responsibilities under the Company's manual and internal procedures are in place to ensure compliance of the same.

#### **H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
Customers' welfare	Every business under the PHINMA Group is geared towards making life better in pursuit of its mission of nation-building.	In the conduct of our business, all efforts are taken to ensure that we are able to provide improved access to the essentials of a dignified life in congruence to the company's Mission Statement.
Supplier/contractor selection practice	Adherence to the Policy on Gifts and Gratuities.  In our supply chains, we ensure that contracts are awarded to those that provide not only the outmost value for money but also those companies whose objectives are parallel to that of the company.	A Procurement Guideline is available online to aid suppliers in business conduct. These guidelines contain General Procurement Guidelines and Supplier Accreditation and Disciplinary Measures for Erring Suppliers of the Materials Management Department (MMD) whose primary objective is to provide effective Planning, Procurement, Inventory, Logistics and Monitoring of commodities and services in support of the operating units of the TA Energy Group.  Companies who wish to be included in the list of accredited

		suppliers shall accomplish and submit all documentation requirements such as Vendor Profile, Supplier Accreditation Form, Company Profile and Latest Audited Financial Statements and other related documents. They should also undergo actual visit / inspection of facilities by our staff and should undergo a probationary period of six (6) months. A yearly evaluation of suppliers will be conducted to determine their accreditation status.
Environmentally friendly value-chain	To the extent possible, the Company favors contracts that include provisions for compliance with environmental laws and regulations.	
Community interaction	As part of its mission of making life better for Filipinos, the company has various corporate social responsibility initiatives in the communities it operates in, and encourages employees to actively participate in its programs.	<p>PHINMA HERO Network, the company's arm for social responsibility engagements had the following initiatives for the year 2014 :</p> <p>Disaster Resiliency and Health Seminars through the SPARK project Disaster Resiliency and Health Seminars through the SPARK project</p> <p>Mano Amiga Around the World Activity</p> <p>Big Brother-Big Sister Program for the Phinma National Scholars in cooperation with the Phinma Foundation, Inc.</p> <p>Brigada Eskwela (regularly every May) in cooperation with Trans-Asia</p> <p>Larong Pilipino</p> <p>Phinma Community Day (each SBU had their own activity and target community )</p>
Anti-corruption programmes and procedures?	It is the policy of the Company to practice the highest standards of business conduct in every business relationship. The Company has adopted the Phinma Group Integrity Assurance Program that embodies	The Company supports the Integrity Initiative and is a signatory of the Integrity Pledge. Internally, the Company has approved the implementation of the Integrity Assurance Program

	these policies.	that includes policies on fraud, sexual harassment, conflict of interest, insider trading, gifts and gratuities and whistle-blowing.
Safeguarding creditors' rights		All reportorial duties in relation to governing agencies such as the Exchange and the SEC are complied with accurately and in a timely manner. The Company's website is duly updated in order to provide necessary updates regarding the Company's financial condition, involvements as well as future engagements.

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

Yes, this is included as a section in the Company's Annual Report.

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

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

**SAFETY**

To ensure building safety, the PHINMA Plaza is equipped with a smoke detection alarm system, where an alarm will be raised on the floor concerned, including floors directly above and below it. Each floor has its own fire exit, a stairway leading to the ground floor. A fire drill is conducted periodically in coordination with the municipality and periodic updates on appropriate incidents relating to the employees' safety are provided like reminders on security of personal belongings, security precautions in public places, email blasts on traffic rerouting schemes affecting employees, etc.

**HEALTH**

PHINMA believes that a key factor to employee's productivity is one's health. It ensures that employees are in good state of health and can competently perform the physical demands on his job. Thus, the Company provides its employees a comprehensive medical check-up yearly so employees are able to be proactive in addressing any medical concerns they may have.

In responding to medical emergencies in the office, medical assistance is available at the company's retainer clinic as well as from the hospitals where the company is accredited in. All employees are provided with a life insurance coverage, a hospitalization benefit as well as benefits for annual routine check-ups with accredited clinics and hospitals.

**WELFARE: EMPLOYEE RELATIONS AND WELL-BEING PHILOSOPHY**

PHINMA believes that its success depends on how engaged and productive its employees are. Thus, the Company shall continue to invest in quality, holistic, employee-focused and fun-filled programs and activities for the development and well-being of its employees. It shall offer them opportunities for interaction, bonding, sharing of views, creative thinking, and learning.

PHINMA also conforms to the regulatory and statutory requirements of the government. PHINMA subjects to regular audit and site visits of government agencies.

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

About 26% of employees underwent Annual Routine Check-up for the year 2013. No serious accidents nor material theft or security breach were reported at the office premises. There was one fire drill conducted in 2013 with all employees required to participate in.

The company launched **MOVE**—a three-phase fitness program last March 19 tagging Wednesday as “Fitness Day” with the aim of developing physical fitness among employees and enhancing their exercise habits. TRIOWalk, a 30-day pedometer challenge, was the first activity under the program participated by 45 Makati-based employees. Last June 11, Run a Mile -- an eight-session running clinic started with more than 30 participants to prepare for either 4K, 8K or 12K races in August.

The company fosters open communication by holding semi-annual Employee Convocations where top management addresses all the employees of the Phinma Group to update them on the company’s financial performance, business directions and initiatives. This is followed by an Open forum portion where employees can freely ask questions, give their comments and suggestions to top management.

On September 19, 2014, the Department of Labor and Employment-NCR awarded the company its Certificate of Compliance on General Labor Standards and Occupational Safety and Health Standards for having been found compliant with general labor standards and occupational safety and health standards pursuant to a joint assessment conducted on Sept 18, 2014.

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

PHINMA (where the company belongs) is committed to the total development of its employees. It recognizes that employee competence and professionalism are essential to the Company’s overall success and will therefore provide support for their learning and development. Through the different opportunities for growth that PHINMA provides, it emphasizes the important linkage between excellence and the organization’s optimum performance.

Phinma shall promote:

Total Individual Development. We believe that values and attitudes are as important as knowledge and skills. Thus, we have both behavioral and technical training for our employees as we believe that personal growth and professional development are inseparable.

Employee Development as a Line Responsibility. We believe that the Human Resources Department and the Line Managers are partners in employee development. The Line Managers’ role in career development includes determining developmental needs, and creating opportunities for employee’s growth and application of learning.

Self-Improvement and Commitment to Excellence. We believe that employees play a critical role in the growth of the business. Thus, PHINMA’s commitment to excellence requires us to engage in the process of continual improvement and development of our workforce. While we provide different opportunities for learning, our employees are responsible and accountable for the drive to further their own personal and professional development. They are likewise encouraged to apply their learnings in all forms as a commitment to improve themselves and their work performance. This application of learning shall also be employees’ contribution and commitment towards achieving the company’s objectives.

Definite measures re being taken to provide employees with training programs and meaningful job interactions. The basic objective is to develop abilities of the employee that can be beneficial in his work- place, home, social and community relationships.

External training covers all specialized training programs that are provided by external consultants or resource speakers. The courses may be offered in the form of public seminars that are conducted by external institutions. It may be an in-house training that is often applicable to the need of a select group or a few individuals.

Internal training covers training programs that are developed internally within the organization (either by HR or by select members of the company) to respond to the needs of a large group of employees. As part of PHINMA's commitment to promote a continuous learning environment, the **PHINMA Group Development Programs** was recently launched. The programs address the learning and development needs of different employee segments and strengthen their competence and skills. All programs have core courses which are common to all, aligned with the core competencies, and are pre-requisite to certain other courses. The following are the various development programs that have started to be implemented this year:

- Staff Excellence Program
- Junior Management Program
- Line Managers' Excellence Acceleration Program
- Leadership Development Program
- Senior Officers' Advancement Resources

Another basic internal training sponsored by HR is the company orientation. This program is tailored for all employees who are newly hired, newly regularized and those who have just rendered their first year of service with the company. The program aims to instill a sense of commitment to the goals and objectives of the company among these employees. The orientation program also updates the participants on the company's rules and regulations.

Other trainings in 2014:

Title	Date/s of Conduct	Facilitator	Number of Participants
Balanced Scorecard	13 January 2014	Antonio Ma. Perez	9
Effective Business Communication	12 September 2014 10 October 2014	Dr. Dups Leadership Resource International	25
Effective Presentation Skills	1-3 October 2014	LEAD Consulting Network	16
Enhancing Supervisor's Productivity	28-29 October 2014	People Management Association Philippines	1
Aligning Learning and Development to Drive Business Results	28 October 2014	Philippine Society for Training and Development	1

Non- Human Resource Initiated Trainings for 2014

Title	Date/s of Conduct	Facilitator	Number of Participants
Records and Documents Management Systems	15-16 May 2014	Lean Archive Technologies Corporation	4
Implementing ISO 22301	26-30 May 2014	APEX Global	2
Team Building Workshop Seminar	27 May 2014	Daisy Alvior	12
Red Cross Certification Training	3-4 June 2014	Red Cross Rizal Chapter	13
Disaster Preparedness Forum	28 August 2014	Business Resiliency	42
Crisis Communication Forum	26 September 2014	Prof. Jose B. Avellana	40

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

On April 2, 2007, the Board of Directors and stockholders approved a total of 100 million shares set aside from the unsubscribed portion of the corporation's 2 billion authorized shares for (a) stock grants for officers and managers of the corporation, and (b) stock options for directors, officers and employees of the corporation and its subsidiaries and affiliates.

On January 8, 2008, the Securities and Exchange Commission approved the Company's Executive Stock Grants Plan and Stock Option Plan. The Executive Stock Grants Plan is available to all officers of Trans-Asia and its subsidiaries including unclassified Managers. Upon achievement of company's goals and the determination of any variable compensation, 20% of the entitled officers' or managers' variable compensation are granted in the Company's shares with a 20% discount on weighted average closing price for 20 trading days before the date of grant but not lower than par value of P1.00 per share. The first stock grants were subject to a holding period of one (1) year for the first 1/3 of the shares, two (2) years for the next 1/3 of shares and three (3) years for the last one third. Succeeding stock grants are subject to a holding period of three (3) years. The Stock Option Plan is available to all Directors, permanent officers and employees of Trans-Asia and its affiliates/subsidiaries. Employees may purchase up to 33% of their allocated shares within the first year of the grant, up to 66% on the second year of the grant, and up to 100% on the third year of the grant, in cash at the weighted average closing price for 20 trading days prior to date of grant but not lower than P1.00 per share.

On May 7, 2008, the Company's Stock Option Committee suspended implementation of the Stock Option Plan.

On July 22, 2013, the Company lifted the suspension of the plan and awarded additional options under the same plan.

The Company's Human Resources Group has implemented the Balanced Scorecard system this year, 2015. It aims to eradicate subjectivity in terms of employee evaluation and make performance evaluation more standard.

**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.**

Employees are advised to document or record his complaint. Facts are gathered and questions are asked if necessary. Options for resolving the problem is discussed with all parties concerned by creating a panel or committee. Legal advice is also secured as appropriate. A policy on sexual harassment is also in place that details the procedures and processes that will be followed for the resolution of such cases.

A Group-wide Integrity Assurance Program was launched in June 2014 that aims to:

- Convey with resolve the PHINMA Group's steadfast commitment to Integrity
- Institutionalize the adoption of policies, programs and practices that will foster and sustain an ethical business environment
- Comply with relevant regulatory requirements on transparency, good governance and ethical business practices

A series of roadshows that started December of 2014 and meant to continue until the end of 2015 has been scheduled to create awareness across the PHINMA group and its vendors regarding the details of the Integrity Assurance Program.

A dedicated e-mail service called the Integrity Hotline was likewise launched 22 December 2014 to ensure



confidentiality in reporting. PHINMA's Whistleblower Policy, which is integrated in the same program, has provisions on retaliation. In detail, the policy states that any whistleblower who believes he/she is being retaliated against must contact the Integrity Officer or the PHINMA GIA head immediately. Further, anyone who is proven to have retaliated against a whistleblower will be penalized in accordance to the imposed penalties on the Employee Handbook.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

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

**As of December 31, 2014**

Shareholder	Number of Shares	Percent	Beneficial Owner
Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino and non-Filipino	<b>4,060,310,463</b>	<b>83.46</b>	
Phinma Corporation	<b>449,331,621</b>	<b>9.24</b>	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			

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

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Other than the programs on corporate governance that is required under the company's manual on good corporate governance, periodic economic briefings, director briefings on industry trends and updates on relevant best practices conducted by the company, the company does not have a formal board and director development program. With the qualifications, business experience, affiliations and

	concurrent positions in other companies of its directors, the company believes that its directors are sufficiently and effectively capable of performing their duties as directors.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co. (SGV)	P 1,200,000	P 100,000

4) **Medium of Communication**

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

Information is disseminated through disclosures to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC), through the Company's website, Information Statements and Annual Reports sent to Shareholders. Information is also disseminated through periodic investor briefings and at the Annual Shareholders Meeting.

5) **Date of release of audited financial report:** Feb 23, 2015

6) **Company Website**

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

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

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

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Phinma, Inc.	Ultimate Parent	Revenue-rent & share in expenses Expenses - Management fees & share in expenses	811,866 61,456,748
SLTEC	Joint Venture	Revenue - Rent & share in expenses	2,515,769
MGI	Associates	Cost or power purchased	730,767
Phinma Corp.	Other Related Parties	Dividend Income Share in expenses Advances	5,155,572 938,404 120,000,000
Union Galvasteel	Other Related Parties	Dividend Income Roofing materials	1,520,381 12,820
Asian Plaza, Inc.	Other Related Parties	Dividend Income	1,318,940
T-O Insurance, Inc.	Other Related Parties	Insurance Expense	56,626,713
Directors	Other Related Parties	Annual Incentives	19,657,605
Stockholders	Other Related Parties	Cash & Property Dividend	381,536,392

**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?**

Based on the policy on related party transactions, transactions with related parties (joint ventures, subsidiaries, affiliates, close family members, etc.) are subject to arm's length terms, and subject to the approval of management, the board and/or the shareholders, depending on the nature of the transaction.

#### **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 the shares issued and outstanding either in person or by proxy unless a higher number is required by law
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###### **(b) System Used to Approve Corporate Acts**

**Explain the system used to approve corporate acts.**

<b>System Used</b>	Modified Viva Voce
<b>Description</b>	Voting is done by raising of hands or <i>viva voce</i> ; otherwise, in case of "nay" votes, voting shall be done in writing by secret ballot and counted thereafter by the Corporate Secretary in the presence of SGV & Co. to be able to validate the counting.

###### **(c) Stockholders' Rights**

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

<b>Stockholders' Rights under</b>	<b>Stockholders' Rights <u>not</u> in</b>
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The Corporation Code	The Corporation Code
Pre-emptive Rights to additional shares	Pre-emptive rights will not apply to additional shares not to exceed 35% of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation
	Per by laws, notice of Stockholders Meet not required, but as a matter of policy and in compliance with SEC and PSE rules, the Company sends notices

#### Dividends

Declaration Date	Record Date	Payment Date
February 16, 2012	March 1, 2012	March 27, 2012
March 21, 2013	April 8, 2013	May 6, 2013
July 22, 2013	August 5, 2013	Upon issuance of CAR
March 24, 2014	April 7, 2014	May 7, 2014
February 23, 2015	March 9, 2015	March 25, 2015

#### (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
Written queries	Postal and email addresses of the Corporate Secretary and the Corporation are given in the Notice.
Open Forum	During and at the end of each Stockholders' Meeting, the Chairman opens the floor to questions from stockholders and significant time is allotted to answer questions raised. Each Stockholder has the right to pose questions to the Board and the Officers including external auditors and tax advisers.

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

- a. Amendments to the company's constitution 66.67%
  - b. Authorization of additional shares 66.67%
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company 66.67%
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: February 6, 2015
    - b. Date of the Annual/Special Stockholders' Meeting: April 7 2015

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

**Question:** In the Annual Report that you gave us, it was stated under the article "Power Business" that "[e]nergy sales volume increased 6% to 1,695 GWh over the year, while supply grew by 8% to 280 MW, as a result of strong relationships with our customers and suppliers. Your company was however challenged in 2014 by lower margins arising from higher average prices for power purchases on the WESM. Net income decreased from P572.8 million in 2013 to P180 million in 2014, as of December 31, 2014." Now, why were the power purchases in the WESM made and considering that the price of oil went down and the price of coal also went down, what made the prices of the purchases from the WESM higher?

**Answer:** If you will notice, the prices of oil started to decrease in the last quarter of 2014. WESM prices were high between March and July of 2014.

**Question:** Is that due to the special problem we had last year because of the emergency shut down of the other generators which created a false-price situation?

**Answer:** No. Just the usual supply and demand situation during the summer months.

**Question:** It makes a big difference to profitability, this changing price, is it very volatile over the year, the price range?

**Answer:** Well, WESM price is volatile if you look at it on a daily or hourly basis. In terms of the annual average, there are differences over the years but the range is between P4.50 to P5.50 on an annual basis. In 2014, while the prices dropped in the last quarter due partly to the drop in the price of crude oil, this was negated by the high prices during the summer months towards the start of the rainy season.

**Question:** So the benefits of the oil price reduction only took place in the latter part of the year?

**Answer:** That is correct.

**Question:** So this year, we can expect the same benefits to repeat to the same extent if the oil prices stay low?

**Answer:** It can help temper prices in the WESM.

**Question:** I just like to clarify the slide shown earlier with the title "Power Business is Growing". It seems to me that from 2011 to 2014, the gross margin of revenue and gross power purchase plus the percentage is actually getting smaller. What is the reason for this?

**Answer:** Essentially, prices in the spot market have gone down over the same period of time.

**Question:** So is this a trend that you think will continue? Do we expect this to happen this year and in the following years?

**Answer:** The margins will always vary depending on the source of power. That is the benefit of having baseload capacity. We'll have more stable price for power.

**Question:** Based on the presentation earlier regarding the losses for this year, we understand that they are due to pre-operating expenses because we have invested power plants and assets that are not generating income yet. So are you saying that starting this year and the following years, we will growth in the bottom line rather than this one-time drop in 2014?

**Answer:** That is reasonable to expect once the plants become fully operational.

**Question:** I would like to know if there are issues regarding your joint venture with CIPP?

**Answer:** CIP is not a joint venture. It is a wholly-owned subsidiary of Trans-Asia. The joint venture that we have is SLTEC which is a joint venture with the Ayala Group.

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

Resolution	Approving	Dissenting	Abstaining
Approval of Annual Report of Management and ratification of all acts of the Board and Management	67.01%	0%	0%
Election of Directors	67.01%	0%	0%
Amendment of Articles of Incorporation (statement of precise address)	67.01%	0%	0%
Appointment of External Auditors	67.01%	0%	0%

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

April 8, 2015

**(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	Directors: Oscar J. Hilado Ramon R. Del Rosario, Magdaleno B. Albarracin, Jr. Francisco L. Viray Roberto M. Laviña Victor J. Del Rosario David L. Balangue Ricardo V. Camua Raymundo O. Feliciano Guillermo D. Luchangco  Officers:	April 7, 2015	Viva voce	.006%	67.01%	67.01%

	Juan J. Díaz Raymundo A. Reyes, Jr. Rizalino G. Santos Pythagoras L. Brion, Jr. Virgilio R. Francisco, Jr. Mariejo P. Bautista Cecille B. Arenillo Danilo L. Panes Alan T. Ascalon Benjamin S. Austria					
Special	None					

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?** Yes, Stock Transfer Service, Inc. was appointed as an independent party to count and/or validate the votes at the ASM.

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

**(g) Proxy Voting Policies**

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

	Company's Policies
Execution and acceptance of proxies	Must be in writing and signed
Notary	Notarization is not necessary
Submission of Proxy	At least five (5) days before the meeting
Several Proxies	The latest proxy revokes all earlier proxies
Validity of Proxy	Only for the meeting
Proxies executed abroad	Honored subject to validation
Invalidated Proxy	Invalidated proxy shall not be entitled to vote
Validation of Proxy	Corporate Secretary may validate Proxy
Violation of Proxy	Proxy is rendered void and vote shall be disregarded

**(h) Sending of Notices**

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

Policies	Procedure
The company discloses to the public through the PSE and the SEC the date and venue, and agenda for the Shareholders meeting at least 21 days before the Shareholders Meeting.	The disclosure is sent to the PSE online through PSE Edge upon approval by the Board. The company also sends a hardcopy to SEC.
The Information Statement (SEC 20-IS) which includes	The SEC 20-IS is sent by courier.

the date, venue and matters to be taken up during the Shareholders meeting are sent out at least 15 business days before the Shareholders Meeting.	
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**(i) Definitive Information Statement and Management Report**

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	3,248
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	March 13, 2015
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	March 13, 2015
<b>State whether CD format or hard copies were distributed</b>	CD
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	YES

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

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

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

**2) Treatment of Minority Stockholders**

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

<b>Policies</b>	<b>Implementation</b>
The Board is committed to respect the following rights of the shareholders:	
a. Voting rights	<ul style="list-style-type: none"> <li>Shareholders have the right to elect, remove and replace directors and vote on corporate acts</li> <li>A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ul>
b. Power of inspection / right to information	<ul style="list-style-type: none"> <li>Shareholders are allowed to inspect corporate books and records and shall be provided, upon request, information regarding matters for which management is responsible.</li> <li></li> </ul>



c. Right to dividends	<ul style="list-style-type: none"> <li>Shareholders shall have the right to receive dividends subject to the discretion of the Board under certain circumstances.</li> </ul>
d. Pre-emptive rights and appraisal rights	<ul style="list-style-type: none"> <li>Shareholders shall have pre-emptive rights and appraisal rights, in accordance with the Corporation Code.</li> </ul>
e. Other policies	<ul style="list-style-type: none"> <li>The Company also requires all its directors and officers to comply with the following requirements: 1) Submit to the Company within 24 hours from dealing in the Company's securities all information of the transaction, 2) observe the blackout period announced by the Company and 3) refrain from communicating material information to any person unless disclosure is simultaneously filed with the Exchange.</li> </ul>

**(b) Do minority stockholders have a right to nominate candidates for board of directors?** Not provided.

#### 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.**

Periodic external communication required by the PSE and/or SEC, as well as voluntary disclosures, are drafted, and reviewed by the appropriate officer in charge. For example, legal matters are reviewed by the Corporate Secretary. Financial and other matters are reviewed by the concerned officers, including the SVP-Finance, the Compliance Officer and the Investor Relations Officer and approved by the EVP/CFO, the COO and/or the President. The audited financial statements and disclosures on results of operations are further approved by the Audit Committee and/or the Board of Directors. Disclosures are signed by the Corporate Secretary or the VP Finance.

Internal communications for the purpose of coordination and joint review among management of any major external communications are done via email or phone or in person during management committee meetings. The Company's external and internal communication policies are reviewed and amended when required.

- 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	To provide investors and the general public sufficient and timely access to relevant information on the company and apprise them of recent developments in order for these investors and the public to make informed investment decisions. To provide timely response to clarifications requested by existing or prospective shareholders on disclosed information.
(2) Principles	Accurate information, timely disclosure/ availability of information, relevance of information, timely response to request for clarification on disclosed information.
(3) Modes of Communications	Information on Company such as financial information and other disclosures is available for download on the company's own website. Investors can also send emails to various departments (including Investor Relations, Business Development, Finance, Oil & Gas Operations) directly through the Company website. Company office address, telephone trunkline, and fax number are

	all available on Company website. Investor Relations Officer's name, telephone number, and email address is also available on company website.
(4) Investors Relations Officer	Giles R. Katigbak Tel +632 8700130 Fax +632 870 0456 <a href="mailto:grkatigbak@phinma.com.ph">grkatigbak@phinma.com.ph</a>

**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?**

With respect to the acquisition of corporate control in the Company, management will adhere to the guidelines of the PSE found in Article XX Unstructured Continuing Disclosure Requirements and Disclosure Rules, and treat an event where there is a change in shareholdings of stockholders owning more than 10% of shares in the Company as an event requiring prompt disclosure, as also provided under Section 36 Chapter IV of the RSA.]

The Company adheres to the provisions of the Corporation Code of the Philippines with respect to prospective merger transactions in terms of process of notification to stockholders, presentation of merger plans, voting process, and treatment of dissenting rights of stockholders.

The Company adheres to the general provisions of the Corporation Code of the Philippines with respect to prospective sale of substantial portions of the Company's assets in terms of appraisal rights in the event of dissenting stockholders.

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

The Company by laws has not specifically pre appointed any independent party to evaluate the fairness of the transaction price with respect to any prospective mergers or sale of major assets. There were no transactions of this nature for 2014.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

INITIATIVE	BENEFICIARY
<b>EDUCATION</b>	
HELP EARTH (Harnessing Energy Literacy for Planet Earth) Program- a values-oriented and science-centered educational program that aims to teach the youth to make knowledge-based decisions regarding different energy options in the future.	24 multimedia corners in 22 schools and 1 community around the country; currently the program has 18 active partner schools

Hamon ni Juan Matipid: Interactive Science Exhibit- a program that aims to teach students the values of energy and water conservation and environmental protection through experiments and other hands-on activities.	13 primary and secondary partner schools
Juan Matipid Annual Art Competition- encourages the youth to express their commitment for Mother Nature through creative and artistic means.	120 entries from 30 different schools and universities across the country
Petroleum Exploration and Production Seminar- make communities more aware especially students on the scientific, technical and business aspects of petroleum business.	More than 200 students and teachers of Tabango National High School, Leyte
Brigada Eskwela- a form of support to partner schools. Helps in the rehabilitation and beautification of the school in time for the opening of the school year.	15 partner schools
<b>ENVIRONMENT</b>	
HELP EARTH Green Initiative- aims to green communities through mitigation of carbon footprint and protection of the biodiversity of the ecosystem of partner communities	June 25- Tree planting ( 98 seedlings) of Trans-Asia Power with <i>HELP EARTHSavers Club Members of 2 partner schools</i> . This is done in celebration of Arbor Day. August 3 & 13- Tree-planting (400 seedlings) of Trans-Asia Oil-Guimaras together with <i>Catalino Gallego Nava Memorial High School and M. Chavez Elem. School</i>
HELP EARTH Blue Handprint- aims to protect the environment along the coastal and riverside areas through clean-up activities and awareness drive with host communities.	April 27- Sapang Kawayan Creek Cleanup by Trans-Asia Power employees as part of their Earth Day (April 22) Celebration July 6- Mangrove Reforestation conducted by CIP II Power Corporation together with Barangay LGU of Quirino, Bacnotan, La Union Sept 25- Coastal Cleanup at Quirino Surfing Area and Bambana Rock Formation by CIP II Power Corporation in collaboration with HOLCIM and Brgy Quirino LGU. This is in celebration of the International Coastal Cleanup Day.
Waste Management- distribution of recycled oil lube cans converted into trash cans to partner communities. Aims to teach proper waste segregation.	Trans- Asia Guimaras- donated 10 pcs of trash cans to Guimaras Police Provincial Office Materials Management Department- donated 25 pcs of trash cans to Brgy. Quirino, Bacnotan La Union
<b>LIVELIHOOD</b>	

Food Processing	A livelihood initiative for the mothers of Brgy. Quirino, Bacnotan. Started last April 2013 and ongoing until now
TESDA Skills Training	Training of 58 scholars of Trans-Asia Renewable under TESDA in the areas of welding, building and construction and heavy equipment operation. The aim of this program is to make the residents of San Lorenzo Guimaras more employable in the future
<b>OTHERS</b>	
Recycling of used lead acid batteries (ULABs) in partnership with Motolite and Philippine Business for Social Progress (PBSP)	Trans-Asia Power sold its ULABs to Motolite for proper recycling. Money from the sales was donated to PBSP for their Learning Enhancement Assistance Package (LEAP) Project. Through this, Trans-Asia Power donated more than 300 storybooks to FVR Elementary School, Bulacan last July 24.
Information-Education Campaign (IEC)	Trans-Asia Renewable conducted an IEC, last Sept 2013, for 4 barangays at San Lorenzo, Guimaras to dialogue with communities regarding their concerns over the San Lorenzo Windfarm Project

#### **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.**

The Audit Committee performed a Self-Assessment in 2012, with the assistance of PHINMA Group Internal Audit, based on the checklist provided by the SEC in its Memorandum Circular No. 4 Series of 2012.

Currently, there is no process or criteria for assessing the performance of the board, its other committees, the directors, and the CEO/President.

#### **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**

The Company's Board of Directors may impose the penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation. The commission of a grave violation of the provisions of the Company's Revised Manual on Corporate Governance by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

For 2014, no violation of the provisions of the Manual has been committed by any director, officer or employee and no sanction has been imposed.