

# COVER SHEET

A 2 0 0 1 1 5 1 5 1

SEC Registration  
Number

A G F I N A N C E I N C O R P O R A T E D

(Company's Full Name)

U N I T 2 2 0 5 - A , E A S T T O W E R P H I L

I P P I N E S T O C K E X C H A N G E

C E N T E R , E X C H A N G E R O A D O R T I G A S  
C E N T E R , P A S I G C I T Y

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

**Diane Madelyn C. Ching**

Contact Person

**833-0769**

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year  
Meeting

FORM TYPE

0 5

Month  
Annual

Day

## ANNUAL CORPORATE GOVERNANCE REPORT

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

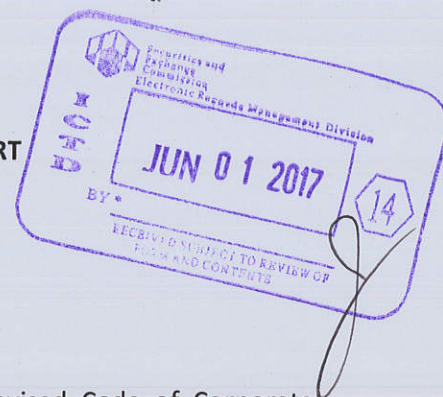
Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

2016 ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS



**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.


**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2016**
2. Exact Name of Registrant as Specified in its Charter: **AG FINANCE INCORPORATED.**
3. **16<sup>th</sup> FLOOR CITIBANK TOWER**  
**8741 Paseo de ROXAS**  
**MAKATI CITY**  
Address of Principal Office **1227**  
Postal Code
4. SEC Identification Number **A200115151**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-219-045-668**
7. **(02) 8330769**  
Issuer's Telephone number, including area code
8. **UNIT 2205 – A, EAST TOWER PHILIPPINE**  
**STOCK EXCHANGE CENTER,**  
**STOCK EXCHANGE ROAD**  
**ORTIGAS CENTER, PASIG CITY 1605**  
Former name or former address, if changed from the last report



## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>5</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Corporate Governance Policy/ies.....	6
(c) Review and Approval of Vision and Vision.....	6
(d) Directorship in Other Companies.....	6
(e) Shareholding in the Company.....	7
2) CHAIRMAN AND CEO.....	8
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS.....	9
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	9
5) CHANGES IN THE BOARD OF DIRECTORS.....	10
6) ORIENTATION AND EDUCATION PROGRAM.....	14
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>15</b>
1) POLICIES.....	15
2) DISSEMINATION OF CODE.....	17
3) COMPLIANCE WITH CODE.....	17
4) RELATED PARTY TRANSACTIONS.....	17
(a) Policies and Procedures.....	17
(b) Conflict of Interest.....	17
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	19
6) ALTERNATIVE DISPUTE RESOLUTION.....	20
<b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>20</b>
1) SCHEDULE OF MEETINGS.....	20
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	20
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	21
4) QUORUM REQUIREMENT .....	21
5) ACCESS TO INFORMATION.....	21
6) EXTERNAL ADVICE.....	22
7) CHANGES IN EXISTING POLICIES.....	22
<b>D. REMUNERATION MATTERS.....</b>	<b>22</b>
1) REMUNERATION PROCESS.....	22
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	23
3) AGGREGATE REMUNERATION .....	23
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	24
5) REMUNERATION OF MANAGEMENT.....	25
<b>E. BOARD COMMITTEES.....</b>	<b>25</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	25
2) COMMITTEE MEMBERS.....	27
3) CHANGES IN COMMITTEE MEMBERS.....	29
4) WORK DONE AND ISSUES ADDRESSED.....	29
5) COMMITTEE PROGRAM.....	29
<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>30</b>



1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	30
2) RISK POLICY.....	30
3) CONTROL SYSTEM.....	32
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>33</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	33
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	33
(b) Appointment/Removal of Internal Auditor.....	34
(c) Reporting Relationship with the Audit Committee.....	34
(d) Resignation, Re-assignment and Reasons.....	34
(e) Progress against Plans, Issues, Findings and Examination Trends.....	34
(f) Audit Control Policies and Procedures.....	35
(g) Mechanisms and Safeguards.....	35
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>36</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>37</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>40</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	40
2) TREATMENT OF MINORITY STOCKHOLDERS.....	47
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>48</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>49</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>49</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>49</b>

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	SEVEN (7)
---	-----------

Actual number of Directors for the year	SEVEN (7)
---	-----------

#### (a) Composition of the Board

Complete the table with information on the Board of Directors<sup>1</sup>:

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>2</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Isidro C. Alcantara, Jr.	NED	NA	Nomination Committee	25 June 2015	16 December 2016	Annual	1 year
Anthony M. Te	NED	NA	Nomination Committee	25 June 2015	16 December 2016	Annual	1 year
Arsenio K. Sebial, Jr.	ED	NA	Nomination Committee	25 June 2015	16 December 2016	Annual	1 year
Remegio C. Dayandayan, Jr.	NED	Rym Business Management Corp.	Nomination Committee	17 December 2015	16 December 2016	Annual	1 year
Hermogene H. Real	ED	NA	Nomination Committee	16 December 2016	16 December 2016	Annual	1 year
Manuel M. Lazaro	ID	NA	Isidro C. Alcantara, Jr. - No relations	25 June 2015	16 December 2016	Annual	1 year
GE LIN (a.k.a. Gery Lam)	ID	NA	Isidro C. Alcantara, Jr. - No relations	26 June 2015	16 December 2016	Annual	1 year

\* Not applicable since none of the directors are nominees of any principal

<sup>1</sup> Reckoned from 04 January 2017.

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

THE BUSINESS AFFAIRS OF THE COMPANY ARE MANAGED UNDER THE SUPERVISION OF THE COMPANY'S BOARD OF DIRECTORS, WHO ARE ACCOUNTABLE TO THE SHAREHOLDERS. THE BOARD PRACTICES PRACTICAL MANAGEMENT STYLE. AS SUCH, IT IS THE BOARD'S RESPONSIBILITY TO REGULARLY ASSESS THE COMPANY'S STRATEGIC DIRECTION, MANAGEMENT POLICIES AND THE EFFECTIVENESS THEREOF. IT IS THE BOARD'S COMMITMENT TO ACT IN GOOD FAITH AND WITH DUE DILIGENCE IN CARRYING OUT BUSINESS DECISIONS IN ORDER TO MAXIMIZE BUSINESS OPPORTUNITIES WITH MINIMAL BUT CALCULATED RISKS, FOR THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.

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

THE BOARD REVIEWS AND EVALUATES ITS VISION AND MISSION ANNUALLY AND AS IT DEEMS NECESSARY, IN ACCORDANCE WITH THE COMPANY'S COMMITMENT TO GROWTH AND STABILITY.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>3</sup>

RYM Business Management Corp. is the owner of 183,276,801 shares of 70% of AG Finance Inc.

Identify, as and if applicable, the members of the Company's Board of Directors who hold the office of Directors 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.
Remegio Dayandayan, Jr.	RYM Business Management Corp.	ED

- (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.

<sup>3</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.



Isidro C. Alcantara, Jr.	Marcventures Holdings, Inc.	ED
	Bright Kindle Resources & Investments, Inc.	ED
Remegio C. Dayandayan, Jr.	Bright Kindle Resources & Investments, Inc.	NED
Manuel M. Lazaro	Bright Kindle Resources & Investments, Inc.	ID
Hermogene H. Real	Bright Kindle Resources & Investments, Inc.	ED

**(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
Remegio Dayandayan, Jr.	RYM Business Management Corp.	Director and President of RYM Business Management Corp.

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

NO.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	THE COMPANY DID NOT SET ANY LIMIT ON THE SEATS THAT A DIRECTOR MAY HOLD IN OTHER COMPANIES ON THE ASSUMPTION THAT THE DIRECTORS HAVE THE CAPACITY TO SIMULTANEOUSLY PERFORM THEIR DUTIES DILIGENTLY. HOWEVER, THE DIRECTORS ARE PROHIBITED FROM HOLDING SEATS IN COMPETITORS-COMPANIES.	
Non-Executive Director		
CEO		

**(e) Shareholding in the Company<sup>4</sup>**

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 Directors	Number of Direct shares	Number of Indirect shares / Through (name of	% of Capital Stock
-------------------	-------------------------	--	--------------------

<sup>4</sup> As of December 2016.

		record owner)	
Isidro C. Alcantara, Jr.	C 100	1,506,487	0.58%
	P 0	0	
Arsenio K. Sebial, Jr.	C 100	0	0.00%
	P 0	0	
Mr. Ge Lin (a.k.a. Gery Lam)	C 100	0	0.00%
	P 0	0	
Remegio C. Dayandayan, Jr.	C 1,000	0	0.00%
	P 0	0	
Anthony M. Te	C 100	2,680,486	1.02%
	P 0	0	
Manuel M. Lazaro	C 100	0	0.00%
	P 0	0	
Hermogene H. Real	C 100	0	0.00%
	P 0	0	
TOTAL	C 1600	4,186,973	1.60%
	P 0		

## 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	Isidro C. Alcantara, Jr.
CEO/President	Arsenio K. Sebial, Jr.

## (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer/President
Role	Responsible for the leadership of the Board; To preside at the meetings of the Directors and Stockholders; To exercise such powers and perform such duties as the Board of Directors may assign	Responsible for the leadership of the business and the management thereof within the authorities delegated by the Board.
Accountabilities	Ensure effective operation of the Board and its committees in	Responsible to the Board for the operation of the business

	conformity with the highest standards of governance.	in accordance with directions established in the agreed plans, strategies and policies.
Deliverables	Nothing Specific.	Nothing Specific.

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

THE BOARD OF DIRECTORS IDENTIFIES POTENTIAL SUCCESSOR/S VIS-À-VIS VACANCIES IN THE MANAGEMENT THAT CAN BE EXPECTED TO OCCUR, WHO ARE THEN SUBJECTED TO TRAINING IN ORDER TO PROVIDE THEM WITH THE NECESSARY KNOWLEDGE, SKILLS, AND KNOW-HOW OF THE BUSINESS OPERATIONS OF THE COMPANY.

**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.**

NO. THERE IS NO DEFINED POLICY OTHER THAN THAT DEFINED IN THE MANUAL OF CORPORATE GOVERNANCE. THE STOCKHOLDERS MAY SELECT A MIX OF EXECUTIVE AND NON EXECUTIVE DIRECTORS TO BE ABLE TO ALLOW A HEALTHY BALANCE OF IDEAS, OPINIONS, WISDOM AND EXPERIENCE ON THE MANAGEMENT AND THE BUSINESS OF THE CORPORATION.

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

NOT APPLICABLE AS THERE IS NO DEFINED POLICY OTHER THAN THAT DEFINED IN THE MANUAL OF CORPORATE GOVERNANCE. THE STOCKHOLDERS MAY SELECT A MIX OF EXECUTIVE AND NON EXECUTIVE DIRECTORS TO BE ABLE TO ALLOW A HEALTHY BALANCE OF IDEAS, OPINIONS, WISDOM AND EXPERIENCE ON THE MANAGEMENT AND THE BUSINESS OF THE CORPORATION.

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

	Executive	Non-Executive	Independent Directors
Role	Director who is also the head of a department or unit of the corporation or performs any work related to its operation	Director who is not the head of a department or unit of the corporation nor performs any work related to its operation	Adopts an oversight role  Provide an independent point of view to the Board of Directors.
Accountabilities	Provides leadership on a daily basis, sets strategic plans and ensures that all resources are available, to enable the Company to meet its goals.	Contributes to the development of business strategy of the Company	
Deliverables	Nothing Specific	Nothing Specific	Nothing Specific



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

INDEPENDENCE VIS-A-VIS DIRECTORS MEANS A PERSON WHO, APART FROM HIS FEES AND SHAREHOLDINGS, IS INDEPENDENT OF MANAGEMENT AND FREE FROM ANY BUSINESS OR OTHER RELATIONSHIP WHICH COULD, OR COULD REASONABLY BE PERCEIVED TO, MATERIALLY INTERFERED WITH HIS EXERCISE OF INDEPENDENT JUDGMENT IN CARRYING OUT HIS RESPONSIBILITIES AS A DIRECTORS OF THE COMPANY AND MEETS THE REQUIREMENTS OF SECTION 17.2 OF THE SECURITIES AND REGULATION CODE.

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

THE COMPANY ADHERES TO SEC'S MEMORANDUM CIRCULAR NO. 9, SERIES OF 2011 WHICH LIMITS THE TERM OF ITS INDEPENDENT DIRECTORS TO FIVE YEARS. HOWEVER, THE PREVIOUS YEARS I.E. PRIOR TO JANUARY 2012, SERVED BY THE CURRENT INDEPENDENT DIRECTORS SHALL NOT BE INCLUDED IN THE APPLICATION OF THE FIVE-YEAR TERM LIMIT. THE COMPANY SHALL OBSERVE THE SAID SEC MEMORANDUM CIRCULAR WITH RESPECT TO THE TERM LIMITS OF ITS INDEPENDENT DIRECTORS.

#### **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:

MR. RAMON N. SANTOS RESIGNED ON 31 AUGUST 2016 DUE TO PERSONAL MATTERS.

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	At all elections of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock.	In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board requires the following additional qualifications:  1. At least a college graduate or have sufficient experience in managing the business to
(ii) Non-Executive Directors		

		<p>substitute for such formal education;</p> <p>2. Practical understanding of the business of the Company;</p> <p>3. Membership in good standing in relevant industry, business or professional organizations; and</p> <p>4. Previous business experience.</p>
(iii) Independent Directors		Criteria on qualification of directors are found in the company's CG Manual.

#### **b. Re-appointment**

(i) Executive Directors	At all elections of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock.	Satisfactory performance of assigned duties and responsibilities.
(ii) Non-Executive Directors		
(iii) Independent Directors		

#### **c. Permanent Disqualification**

(i) Executive Directors	<p>The following shall be grounds for the permanent disqualification of a Director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:</p> <p>(a) Involves the purchase or sale of securities, as defined in the Securities Regulation Code;</p> <p>(b) Arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or</p> <p>(c) Arises out of his fiduciary relationship with a bank, quasi-bank, trust Company, investment house or as an affiliate person of any of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the commission or any court or administrative body of competent jurisdiction from:</p> <p>(a) Acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;</p> <p>(b) Acting as Directors or officer of a bank, quasi-bank, trust Company, investment house, or investment Company;</p> <p>(c) Engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above,</p>	
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code, or any other law or administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or order of the commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as Independent Directors who become an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>	
(i) Executive Directors	The Board may provide for the temporary disqualification of a Director for any of the following reasons:
(ii) Non-Executive Directors	



(iii) Independent Directors	<p>(i) The refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>(iii) Dismissal or termination for cause as Directors of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>(iv) If the beneficial equity ownership of an Independent Directors in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>(vi) If the Director is actively engaged in the management or has control over any competing business with that of the Company.</p>
<b>e. Removal</b>	
(i) Executive Directors	<p>In accordance with Section 28 of the Corporation Code, any Director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock entitled to vote: provided, that such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of Directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, the call for the meeting may be addressed directly to the stockholders by any stockholder signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Corporation Code. Removal may be with or</p>
(ii) Non-Executive Directors	
(iii) Independent Directors	

	without cause: Provided, that removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code.	
f. Re-instatement		
(i) Executive Directors	None	N/A
(ii) Non-Executive Directors	None	N/A
(iii) Independent Directors	None	N/A
g. Suspension		
(i) Executive Directors	Violation of the provisions of the Securities and Regulations Code.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

### Voting Result of the last Annual General Meeting

The directors of the corporation are elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. Every stockholder has the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of directors multiplied by the number of his share shall equal, or by distributing such votes at the same principle among any number of candidates.

Name of Director	Votes Received
Isidro C. Alcantara, Jr.	All of the directors received 187,483,725 votes representing the total number of shares represented in person or by proxies during the 2016 Annual Stockholders' Meeting
Anthony M. Te	
Arsenio K. Sebial, Jr.	
Remegio Dayandayan, Jr.	
Hermogene H. Real	
Ge Lin a.k.a. Gery Lam	
Manuel M. Lazaro	

### 6) Orientation and Education Program

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

THE CHAIRMAN ORIENTS THE NEW DIRECTORS TO PROVIDE THEM WITH AN UPDATE ON ITS BUSINESS OPERATIONS AND PLANS.

A DIRECTOR SHALL, BEFORE ASSUMING AS SUCH, BE REQUIRED TO ATTEND A SEMINAR ON CORPORATE GOVERNANCE WHICH SHALL BE CONDUCTED BY A DULY RECOGNIZED PRIVATE OR GOVERNMENT INSTITUTE.



- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>5</sup> for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Isidro C. Alcantara, Jr.	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Arsenio K. Sebial, Jr.	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Manuel M. Lazaro	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Rolando S. Santos	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Diane Madelyn C. Ching	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Leddie D. Gutierrez	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Reuben F. Alcantara	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.
Remegio C. Dayandayan, Jr.	19 August 2016	Seminar on Corporate Governance	Center for Training & Development Inc.

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

THE COMPANY CONDUCTS AN ANNUAL SEMINAR ON CORPORATE GOVERNANCE FOR ITS DIRECTORS.

ALL DIRECTORS ARE REQUESTED TO ATTEND CORPORATE GOVERNANCE SEMINARS CONDUCTED BY PSE ACCREDITED TRAINORS. DIRECTORS ARE ENCOURAGED TO BE PRO-ACTIVE IN THE REVIEW OF BUSINESS TRANSACTIONS.

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid	Not allowed to participate in the decision making process if conflict of interest is present.	

<sup>5</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



	<p>situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p>		
(b) Conduct of Business And Fair Dealings	Same as above.	Encouraged.	Encouraged.
(c) Receipt of Gifts From Third Parties	Directors, Senior Management and Employees are prohibited from receiving any gift, present or any other benefit, for himself or for any other person, in connection / consideration of his work/position.		
(d) Compliance With Laws & Regulations	For strict compliance.		
(e) Respect For Trade Secrets/Use of Non-Public Information	For strict compliance.		
(f) Use of Company Funds, Assets And Information	Prudent use		
(g) Employment & Labor Laws & Policies	For strict compliance.		
(h) Disciplinary Action	Applied fairly.		
(i) Whistle Blower	None		

(j) Conflict Resolution	Encouraged.
-------------------------	-------------

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

YES.

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

THE COMPANY IMPLEMENTS AND MONITORS COMPLIANCE WITH THE CODE OF ETHICS THROUGH EACH OF THE DEPARTMENTS OR THE COMPANY'S KEY MANAGEMENT, WHICH IMPLEMENTATION AND COMPLIANCE WILL BE DULY REPORTED TO THE BOARD OF DIRECTORS.

#### 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	Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers Including Spouse/Children/Siblings/Parents	In addition to the policy of the company to consider all related party transactions on arm's length and in accordance with Section 32 of the Corporation Code, a contract of the company with one or more of its Directors or Officers is voidable, at the option of the company, unless all the following conditions are present: 1. That the presence of such directors in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting; 2. That the vote of such directors was not necessary

	for the approval of the contract; 3. That the contract is fair and reasonable under the circumstances; and 4. That in case of an officer, the contract has been previously authorized by the Board of Directors.
(7) Directors Including Spouse/Children/Siblings/Parents	Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a directors, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for the purpose: provided, that full disclosure of the adverse interest of the Directors involved is made at such meeting: provided, however, that the contract is fair and reasonable under the circumstances.
(8) Interlocking Directors Relationship Of Board Of Directors	In addition to the policy of the Company to consider all related party transactions on arm's length and in accordance with Section 33 of the Corporation Code on contracts between corporations with interlocking Directors, except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking Directors shall not be invalidated on that ground alone: provided, that if the interest of the interlocking directors in one corporation is substantial and his interest in the other corporation or corporations is merely nominal, he shall be subject to the provisions of Section 32 of the Corporation Code insofar as the latter corporation or corporations are concerned.  Shareholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

**(b) Conflict of Interest**

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

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

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



(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	Pursuant to SEC Memorandum Circular No. 6, Series of 2009, if an actual or potential conflict of interest may arise on the part of a director, stockholder, or officer, it is mandated that said conflicted director, stockholder, or officer fully disclose said conflict and should not participate in the decision making process, a director or officer who has a continuing material conflict of interest should seriously consider resigning from his position.
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>6</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

- (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
NONE	NONE	NONE

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

THERE IS NO EXISTING SHAREHOLDER AGREEMENT THAT HAS IMPACT ON THE CONTROL, OWNERSHIP AND STRATEGIC DIRECTION OF THE COMPANY.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NOT APPLICABLE	-	-

<sup>6</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

## 6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	None. The Company has not been in a situation which would require Alternative Dispute Resolution.
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?

NO. BOARD MEETINGS ARE SCHEDULED WHEN THE NEED ARISES.

### 2) Attendance of Directors

Position	Name	Date of Election	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage
Chairman	Isidro C. Alcantara, Jr.	25 June 2015	3	3	100%
Board Member	Anthony M. Te	25 June 2015	3	3	100%
Board Member	Arsenio K. Sebial, Jr.	25 June 2015	3	3	100%
Board Member	Remegio C. Dayandayan, Jr.	17 December 2015	3	3	100%
Board Member	Ramon N. Santos*	17 December 2015	1	1	100%
Independent Director	Manuel M. Lazaro	25 June 2015	3	3	100%
Independent Director	Ge Lin (a.k.a. Gery Lam)	26 June 2015	3	3	100%
Board Member	Hermogene H. Real**	16 December 2016	N/A	N/A	N/A

\* resigned on 31 August 2016

\*\* newly elected

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

NO.

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

NO. THE MINIMUM QUORUM REQUIREMENT FOR BOARD DECISIONS IS SET AT MAJORITY OF THE DIRECTORS PRESENT AT THE MEETING EXCEPT FOR THE ELECTION OF OFFICERS WHICH SHALL REQUIRE THE VOTE OF A MAJORITY OF ALL THE MEMBERS OF THE BOARD.

**5) Access to Information**

- (a) How many days in advance are board papers<sup>7</sup> for board of directors meetings provided to the board?**

DIRECTORS ARE PROVIDED WITH THE NOTICE AND AGENDA FOR THE MEETING/S AT LEAST FIVE (5) DAYS BEFORE SAID MEETING.

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

YES. THE MEMBERS OF THE BOARD ARE GIVEN INDEPENDENT ACCESS TO MANAGEMENT AND THE CORPORATE SECRETARY. THE INFORMATION MAY INCLUDE THE BACKGROUND OR EXPLANATION ON MATTERS BROUGHT BEFORE THE BOARD, DISCLOSURES, BUDGETS, FORECASTS AND INTERNAL FINANCIAL DOCUMENTS.

- (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 SHALL MAINTAIN THE CORPORATE BOOKS AND RECORDS OF THE COMPANY AND SHALL BE THE RECORDER OF THE COMPANY'S FORMAL ACTIONS AND TRANSACTIONS. THE ROLE OF THE CORPORATE SECRETARY SHALL INCLUDE CERTIFYING CORPORATE ACTS, COUNTERSIGNING CORPORATE DOCUMENTS OR CERTIFICATES, AND MAKING REPORTS OR STATEMENTS AS MAY BE REQUIRED BY LAW OR GOVERNMENT RULES AND REGULATIONS.

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

YES.

**(e) Committee Procedures**

---

<sup>7</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.



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 Directors are given notice/s and agenda for the meetings of different committees. Should the Directors require additional information, the Company shall immediately provide said requested information. Requests for information are coured, in advance, through the Corporate Secretary.
Audit	
Nomination	
Remuneration	

#### 6) External Advice

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

YES.

Procedures	Details
Access to independent advice at the Company's expense.	The members, either individually or as a board, and in furtherance of their official duties and responsibilities, may have access to independent professional advice at the Company's expense.

#### 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
There were no changes in policy that require Board approval in 2016		

### 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:

THE BY-LAWS PROVIDE THAT OFFICERS SHALL RECEIVE SUCH REMUNERATION AS THE BOARD OF DIRECTORS MAY DETERMINE. ALL OTHER OFFICERS SHALL RECEIVE SUCH REMUNERATION AS THE BOARD OF DIRECTORS MAY DETERMINE UPON RECOMMENDATION OF THE PRESIDENT. A DIRECTOR SHALL NOT BE PRECLUDED FROM SERVING THE CORPORATION IN ANY OTHER

CAPACITY AS AN OFFICER, AGENT OR OTHERWISE AND RECEIVING COMPENSATION.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration of the CEO and the four (4) most highly compensated management officers are approved by the Compensation Committee and/or the Board of Directors.	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(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	The directors have no compensation.	There are no standard arrangement pursuant to which directors of the company are compensated directly or indirectly, for any services provided as a director.	
Non-Executive Directors			

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.

YES.

Remuneration Scheme	Date Of Stockholders' Approval
No changes since the last three years.	

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (Other Than Independent Directors)	Independent Directors

(a) Fixed Remuneration	2,687,737	None	None
(b) Variable Remuneration	None	None	None
(c) Per Diem Allowance	199,673	140,849.68	17,647
(d) Bonuses	None	None	None
(e) Stock Options And/Or Other Financial Instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	<b>₱2,887,410</b>	<b>₱140,849.68</b>	<b>₱17,647</b>

<b>Other Benefits</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (Other Than Independent Directors)</b>	<b>Independent Directors</b>
1) Advances	None		
2) Credit Granted	None		
3) Pension Plan/S Contributions	None		
(d) Pension Plans, Obligations Incurred	None		
(e) Life Insurance Premium	None		
(f) Hospitalization Plan	None		
(g) Car Plan	None		
(h) Others (Specify)	None		
<b>Total</b>	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:

<b>Director's Name</b>	<b>Number of Direct Option/Rights/ Warrants</b>	<b>Number of Indirect Option/Rights/ Warrants</b>	<b>Number of Equivalent Shares</b>	<b>Total % From Capital Stock</b>
NOT APPLICABLE				



**(b) Amendments of Incentive Programs**

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

Incentive Program	Amendments	Date of Stockholders' Approval
NOT APPLICABLE		

**5) Remuneration of Management**

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Diane Madelyn C. Ching/ Corporate Secretary	The Officers receive reasonable per diem.
Rolando S. Santos – Treasurer	
Leddie D. Gutierrez – VP Internal Audit	
Reuben F. Alcantara – VP Marketing	

**E. BOARD COMMITTEES**

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

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Direct or (ED)	Non-executive Direct or (NED)	Independent Direct or (ID)				
Executive	1	2	-	By-Laws	Act on specific matters within the competence of the Board and as may be delegated by the Board.		
Audit	0	1	2	By-Laws	a. Provide oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities.  b. Provide oversight of the Corporation's internal and external auditors;		

				<p>c. Review and approve audit scope and frequency, and the annual internal audit plan;</p> <p>d. Discuss with the external audit before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;</p> <p>e. Be responsible for the setting-up of an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;</p> <p>f. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;</p> <p>g. Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;</p> <p>h. Review the quarterly, half-year and annual financial statements before submission to the Board</p> <p>i. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may constitute a Compliance Unit for this purpose.</p> <p>j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the company's total expenditure on consultancy. The non-audit work should be disclosed in the annual report.</p> <p>Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors shall have free and full access to all company's records, properties and personnel relevant to the internal audit activity</p>
--	--	--	--	---



					and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.
Nomination	0	2	1	By-Laws	-To ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board -Promulgate guidelines or criteria to govern the conduct of nomination -Review and assess qualifications of all persons nominated to the board and all appointments that require board approval.
Remuneration	1	1	1	By-Laws	Develop a policy on executive remuneration and remuneration packages of corporate officers and Directors, and provide oversight over remuneration of senior management and other key personnel  Establish a formal and transparent procedure on remuneration of directors and officers.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In The Committee
Chairman	Isidro C. Alcantara, Jr. (Chairman)	26 June 2015	0	0	0	1 year
Member (ED)	Arsenio K. Sebial, Jr.	26 June 2015 26 June 2015	0	0	0	1 year
Member (NED)	Anthony M. Te	26 June 2015	0	0	0	1 year

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In The Committee
Chairman (ID)	Manuel M. Lazaro	17 December 2015	1	1	100	1 year
Member (ID)	Ge Lin (independent director)	17 December 2015		1	100	1 year
Member (NED)	Anthony M. Te	17 December 2015		1	100	1 year



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

**Atty. Manuel M. Lazaro** was elected Independent Director in June 2015. He currently sits as Director for Philippine Airlines, Inc., (PAL), The Manila Hotel Corporation and Manila Golf & Country Club. He is also the Chairman & CEO of Philippine Constitution Association (PHILCONSA) and served as its President and Governor for Four Terms from the year 1991 to 2011. He sat as Director for PHILIA Development Center, Inc. and is a member of the Board of Advisors of Ateneo Law School and Chairman of Aquila Legis Alumni Foundation, Inc.

**Mr. Anthony M. Te** was elected Vice Chairman of the board in June 2015. He is currently Chairman of the Board of Asian Appraisal Company, Inc., Amalgamated Project Management Services, Inc., Asian Asset Insurance Brokerage Corp. and Professional Funding Services Inc. He serves as Chairman and Chief Finance Officer of Mactel Corp., as Director and Treasurer for Manila Standard Today Management, Inc. and as Director for Marcventures Mining and Development Corporation. Mr. Te is a licensed soliciting official for Non-Life Insurance with the Philippine Insurance Commission. He previously sat as director in the following companies: Balabac Resources & Holdings Co., Inc., Commonwealth Savings & Loans bank, EBECOM Holdings, Inc. Equitable PCI Bank, MRC Allied Industries, Inc., Oriental Petroleum & Minerals Corp., PAL Holdings, Inc., PGA Cars, Inc., and Phoenix Energy Corp. He obtained his Bachelor of Arts in Business Management from De La Salle University.

**Mr. Ge Lin (a.k.a Gery Lam)** was elected Independent Director in June 2015. He serves as Director of Zhejiang Long Kai and LianYunGang and as Director and General Manager for HYSS HOLDINGS. Mr. Lam sat as Executive Director Philippine ZhaoHeng Mining Co., Ltd. from the year 2005 to 2007.

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

THE AUDIT COMMITTEE SHALL DISCUSS WITH THE EXTERNAL AUDITOR, THE NATURE AND SCOPE OF THE AUDIT, PRIOR TO COMMENCEMENT THEREOF. THE COMMITTEE SHALL ALSO REVIEW REPORTS OF THE INTERNAL AND EXTERNAL AUDITORS. FURTHER, THE COMMITTEE SHALL EVALUATE AND DETERMINE NON AUDIT WORK BY EXTERNAL AUDITOR AND KEEP UNDER REVIEW THE NON-AUDIT FEES PAID TO THE EXTERNAL AUDITOR BOTH IN RELATION TO THEIR SIGNIFICANCE TO THE AUDITOR AND IN RELATION TO THE COMPANY'S TOTAL EXPENDITURE ON CONSULTANCY.

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In The Committee
Chairman (NED)	Anthony M. Te	17 December 2015	1	1	100	1 year
Member (ED)	Isidro C. Alcantara, Jr.	17 December 2015	1	1	100	1 year
Member (ID)	Ge Lin	17 December 2015	1	1	100	1 year

(d) **Remuneration/Compensation Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service In the Committee
Chairman (NED)	Isidro C. Alcantara, Jr.	17 December 2015	0	0	0	1 year
Member (ED)	Arsenio K. Sebial, Jr.	17 December 2015	0	0	0	1 year
Member (ID)	Manuel M. Lazaro	17 December 2015	0	0	0	1 year

**3) Changes in Committee Members**

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

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	Oversight and supervision on management and operation.	Various
Audit	Oversight Audit / Approval of Audited Financial Statement for the year ended 2016	Various
Nomination	Governed the conduct of nomination	Various
Remuneration	Review compensation	None yet.
Others (Specify)	None	n/a

**5) Committee Program**

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

Name Of Committee	Planned Programs	Issues To Be Addressed
Executive	None	N/A
Audit		
Nomination		
Remuneration		
Others (Specify)		



## **F. RISK MANAGEMENT SYSTEM**

### **1) Disclose the following:**

(a) Overall risk management philosophy of the company;

**\*EXCEPT FOR FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, THE FORMAL POLICIES OF THE COMPANY ON OVER-ALL RISK MANAGEMENT ARE STILL BEING DEVELOPED.**

THE COMPANY HAS LIMITED ACTIVITY, THUS, LIMITED RISKS. HOWEVER, IN MAKING BUSINESS DECISIONS, THE COMPANY'S OBJECTIVE IS TO MAXIMIZE BUSINESS OPPORTUNITIES WITH MINIMAL BUT CALCULATED RISKS.

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

(c) Period covered by the review;

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

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

### **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:**

EXCEPT FOR FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, THE FORMAL POLICIES OF THE COMPANY ON RISK MANAGEMENT ARE STILL BEING DEVELOPED.

THE BOARD OF DIRECTORS (BOD) IS PRIMARY RESPONSIBLE IN IDENTIFYING, ANALYSING AND MANAGING THE GROUPS RISKS TO AN ACCEPTABLE LEVEL, SO AS TO ENHANCE OPPORTUNITIES, REDUCE THREATS, AND THUS SUSTAIN COMPETITIVE ADVANTAGE. IT WORKS IN COORDINATION WITH THE AUDIT COMMITTEE TO BE ABLE TO ATTAIN THE RISK MANAGEMENT OBJECTIVES OF THE COMPANY.

THE MAIN OBJECTIVES OF THE COMPANY'S FINANCIAL RISK MANAGEMENT ARE AS FOLLOWS:

- TO IDENTIFY AND MONITOR SUCH RISKS ON AN ONGOING BASIS;
- TO MINIMIZE AND MITIGATE SUCH RISKS; AND
- TO PROVIDE A DEGREE OF CERTAINTY ABOUT COSTS.

THE BOARD REVIEWS AND AGREES POLICIES FOR MANAGING EACH OF RISKS. THE BOD REVIEWS THESE POLICIES AS THE NEED ARISES. HOWEVER, ALL SIGNIFICANT TRANSACTIONS ARE BEING SUPERVISED BY THE BOD, THUS, MINIMIZING EXPOSURE TO VARIOUS RISKS. RISK MANAGEMENT POLICIES OF THE COMPANY ARE SUMMARIZED BELOW:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
----------------------	-------------------------------	------------------



FINANCIAL RISK 1. Liquidity Risk;	In order to manage liquidity, the Company: a. Monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. It also monitors capital expenditures, operating expenses and working capital requirements. b. Maintains a level of cash deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. c. Regularly reviews its financial liabilities, obligations and bank loans maturity profile to ensure availability of funding through an adequate amount of credit facilities with financial institutions.	The Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.
2. Market Risks a. Interest Rate Risk;	The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing.	The Company's objective is to retain exposure at a minimal level.
b. Foreign Currency Risk	To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.	
c. Operational Risk	To be able to manage this risk the company has a control framework and monitors and responds to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the maintenance of internal audit.	
3. Credit Risk	Credit risks is the risk that a counterparty may fail to discharge an obligation to the Company. To manage credit risks, the Company: a. Monitors defaults of customers and other counterparties, b. deals only with creditworthy counterparties c. sets limits for individual borrowings, and group of borrowers and industry segments. d. avoids excessive exposure in any particular sector of the Philippine economy	The primary objective of the Company is to manage its receivables and minimize exposure on financial losses related to bad debts.

**(b) Group**

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

Risk Exposure	Risk Management Policy	Objective
Same as above	Same as above	Same as above

**(c) Minority Shareholders**

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

<b>Risk To Minority Shareholders</b>
There are no risks.

**3) Control System Set Up**

**(a) Company**

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring And Measurement Process)</b>	<b>Risk Management And Control (Structures, Procedures, Actions Taken)</b>
Financial Risk	The Chairman and the President are working together to monitor and manage financial risk. The Company monitors the risk through expected usage and exposure.	Forecasted exposures of these risks are being maintained by the President. Such plan is also being discussed to the Chairman as well as the Board.

**(b) Group**

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

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

**(c) Committee**

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

THERE IS YET NO COMMITTEE ON RISK MANAGEMENT. RISK MANAGEMENT IS STILL IN PROCESS OF BEING DEVELOPED BY THE COMPANY BUT IT IS THE BOARD OF DIRECTORS AS A WHOLE WHICH IS IN CHARGE OF THE FUNCTIONS THEREOF.

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details Of Its Functions</b>

## **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;**

**DEFINITION**

INTERNAL CONTROL IS ALL OF THE POLICIES AND PROCEDURES MANAGEMENT USES TO ACHIEVE THE FOLLOWING GOALS:

- ENSURE COMPLIANCE WITH GOVERNMENT LAWS AND REGULATIONS, AND COMPANY POLICIES;
- ENSURE EFFICIENT INTERNAL CONTROL PROCESSES PARTICULARLY IN SAFEGUARDING ASSETS WITH MATERIAL FINANCIAL RISK
- FINANCIAL INFORMATION IS ACCURATE, ACCURATE, RELIABLE AND SECURED.

INTERNAL CONTROL PROCESS OF THE COMPANY PROVIDES REASONABLE ASSURANCE THAT MATERIAL FINANCIAL AND NON-FINANCIAL RISKS ARE MANAGED AND CONTROLLED IN ACCORDANCE WITH THE COMPANY'S OBJECTIVES

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

THE AUDIT COMMITTEE REVIEWS THE EFFECTIVENESS INTERNAL CONTROL SYSTEM AND DETERMINES WHETHER THEY CONSIDER THEM EFFECTIVE AND ADEQUATE.

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

2016.

**(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 A YEARLY BASIS. THE CRITERIA FOR ASSESSING THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM RELY ON THE RESULTS OF TESTING DONE ON CONTROLS FOR MATERIAL FINANCIAL AND NON-FINANCIAL RISKS AND ALSO THE RESULT OF REVIEW FOR COMPLIANCE OF GOVERNMENT MANDATED REPORTS AND COMPANY POLICIES.

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

N/A

### **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
Internal Audit Manager	Develop procedures on the performance of review and assessment on the effectiveness and adequacy of the Company's controls. also manages the internal audit team and prepares the annual audit program as among the key scope of internal audit manager role	In- House	Leddie D. Gutierrez	Reports directly to the audit committee.

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

YES.

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

THE INTERNAL AUDITOR IS DIRECTLY REPORTING TO THE AUDIT COMMITTEE. THE AUDITOR FURNISHES A REPORT TO THE AUDIT COMMITTEE ON THE ACCOMPLISHMENTS AND PROGRESS OF REVIEWS. INTERNAL AUDIT HAS COMPLETE ACCESS TO COMPANY RECORDS, PROPERTIES AND PERSONNEL.

- (d) Resignation, Re-assignment and Reasons

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

Name Of Audit Staff	Reason
Desiree Ong	Resignation- change in management

- (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	Plans For Review Of Controls For Year End 2014 Were Fully Accomplished
Issues <sup>8</sup>	No significant issues for 2016

<sup>8</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<b>Findings<sup>9</sup></b>	No significant findings for 2016
<b>Examination Trends</b>	Operational audit and testing of controls

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

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

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

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
The management and the Board are in the process of evaluating company policy with the end view of coming up with a suitable policy to address and implement the same.	

**(g) Mechanism and Safeguards**

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

<b>Auditors (Internal And External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
Internal auditors are directly reporting to the Audit Committee and are bound by an audit charter.  The external auditor of the company shall not at the same time provide the services of an internal auditor to	There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.		

<sup>9</sup> "Findings" are those with concrete basis under the Company's policies and rules.

the same client. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.	
--	--

(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.

CHAIRMAN OF THE BOARD AND CORPORATE SECRETARY/COMPLIANCE OFFICER.

#### H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' Welfare	100% commitment to borrowers from start loan application to processing of the borrower's clearance.	Account officers were tasked to call borrowers to build relationship and to update contact details, work addresses, etc.
Supplier/Contractor Selection Practice	None	None
Environmentally Friendly Value-Chain	None	None
Community Interaction	None	None
Anti-Corruption Programmes And Procedures?	None	None
Safeguarding Creditors' Rights	Unnecessary processes for the company suppliers are removed.	Streamlined payment releasing procedures are implemented and improved.

THE COMPANY IS REVIEWING THE POLICIES RELATIVE TO DEALINGS WITH THE COMPANY'S STAKEHOLDERS.

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



YES.

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

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

THE COMPANY'S POLICY TO CONSTANTLY UPGRADE THE EFFECTIVENESS OF EACH EMPLOYEE BY INCREASING THE SENSE OF PERSONAL SATISFACTION FROM HIS WORK AND WORKING CONDITIONS.

IT IS THE POLICY OF THE COMPANY TO LOOK AFTER THE HEALTH AND WELL BEING OF ITS EMPLOYEES, THUS, THE COMPANY PROVIDES HEALTH INSURANCE THROUGH HEALTH CARE PROGRAM OF A REPUTABLE INSURANCE FIRM. THIS BENEFIT WILL ASSIST EMPLOYEES TO AVAIL OF PROPER MEDICAL ATTENTION. THIS WILL FURTHER PROMOTE MANAGEMENT'S CONCERN FOR EMPLOYEE'S SAFETY AND TO PREVENT THE HAZARDS OF ILLNESS, WHICH DECREASES PRODUCTIVITY.

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

ALL REGULAR EMPLOYEES ARE PROVIDED WITH HEALTH INSURANCE THROUGH HEALTH CARE PROGRAM OF A REPUTABLE INSURANCE FIRM. IN THIS CONNECTION, ANNUAL PHYSICAL EXAMINATION IS LIKEWISE CONDUCTED TO ENSURE THE EMPLOYEES' HEALTH.

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

THE COMPANY OBTAINS EXTERNAL TRAINING FOR EMPLOYEES AS NEEDED.

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

THE COMPANY GRANTS SALARY INCREASE TO DESERVING EMPLOYEES BASED ON PERFORMANCE RATING.

**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.**

ALL EMPLOYEES HAVE THE RIGHT TO PRESENT THEIR COMPLAINTS AND/OR GRIEVANCES AND HAVE THEM ADJUDICATED AS EXPEDITIOUSLY AS POSSIBLE. NO COMPLAINT SHALL BE GIVEN DUE COURSE UNLESS THE SAME IS IN WRITING.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

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

Shareholder	Number of Shares C= Common Shares	Percent	Beneficial Owner
-------------	--------------------------------------	---------	------------------

	P= Preferred Shares		
RYM Business Management Corporation,	C= 183,276,801	70%	-NA-
	P= N/A		

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	NO. SEC FORM 17-A DOES NOT REQUIRE.
Biographical Details (at least age, qualifications, date of first appointment, relevant experience, and any other Directorship of listed companies) of Directors/Commissioners	YES
Training and/or continuing education programme attended by each Directors/Commissioner	YES
Number of Board of Directors/Commissioners meetings held during the year	YES
Attendance details of each Directors/Commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the Board of Directors/Commissioners	YES

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
Reyes Tacandong & Co.	₱550,000	₱-

4) Medium of Communication

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

THE COMPANY USES THE FOLLOWING MODES OF COMMUNICATION FOR DISSEMINATING INFORMATION:

1. PRINT;
2. BROCHURE;
3. PUBLICATION; AND
4. INTERNET
5. PSE WEBSITE

- 5) **Date of release of audited financial report:** The Audited Financial Statements for year ended 31 December 2016 was released on 7 April 2017.

6) **Company Website**

www.agfinance.ph

**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	Amount of Transaction		Outstanding Balance		Nature of Transaction	Terms and Conditions
	2016	2015	2016	2015		
Due to a related party						
*Bright Kindle Resources & Investments, Inc.	P1,799,801	P244,656	P2,044,457	P244,456	Advances for working capital.	Account is noninterest-bearing, payable on demand and settlement occurs in cash.

\*Under Common Control

**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?**

TRANSACTIONS BETWEEN RELATED PARTIES ARE ON ARM'S LENGTH BASIS IN A MANNER SIMILAR TO TRANSACTIONS WITH NON-RELATED PARTIES. THE COMPANY, IN THE NORMAL COURSE OF BUSINESS, ENTERS INTO TRANSACTION WITH RELATED PARTIES CONSISTING PRIMARILY OF NON-INTEREST BEARING ADVANCES OF WORKING CAPITAL REQUIREMENTS.



## 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.

Quorum Required	MAJORITY OF THE OUTSTANDING CAPITAL STOCK UNLESS OTHERWISE PROVIDED BY LAW.
-----------------	--

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

Explain the system used to approve corporate acts.

System Used	VOTING IN PERSON OR BY PROXY
Description	<p>EXCEPT IN CASES WHERE A HIGHER VOTE IS REQUIRED UNDER THE CORPORATION CODE, THE APPROVAL OF ANY CORPORATE ACTION SHALL REQUIRE THE MAJORITY VOTE OF ALL THE STOCKHOLDERS PRESENT IN THE MEETING, IF CONSTITUTING A QUORUM.</p> <p>IF BY PROXY, SAID VOTING BY PROXY MUST BE IN WRITING BY THE STOCKHOLDER OR HIS DULY AUTHORIZED ATTORNEY-IN-FACT. A FORUM FOR THE VALIDATION OF PROXIES CHAIRED BY THE CORPORATE SECRETARY OR ASSISTANT CORPORATE SECRETARY AND ATTENDED BY THE STOCK AND TRANSFER AGENT SHALL BE CONVENED SEVEN (7) DAYS BEFORE ANY MEETING.</p>

#### (c) Stockholders' Rights

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

THE COMPANY IS COMMITTED TO RESPECT THE RIGHTS OF THE STOCKHOLDERS IN ACCORDANCE WITH THE CORPORATION CODE. HOWEVER, STOCKHOLDERS OF THE CORPORATION SHALL HAVE NO PRE-EMPTIVE RIGHT TO SUBSCRIBE TO ANY ISSUES OR DISPOSITION OF SHARES OF ANY CLASS.

Stockholders' Rights under the Corporation Code	Stockholders' Rights <u>not</u> in the Corporation Code
RIGHT TO VOTE ON ALL MATTERS THAT REQUIRE THEIR CONSENT OR APPROVAL;	
RIGHT TO INSPECT CORPORATE BOOKS AND RECORDS;	
RIGHT TO INFORMATION	

RIGHT TO DIVIDENDS	
APPRAISAL RIGHT	

#### Dividends

Dividends	Declaration Date	Record Date	Payment Date
CASH DIVIDEND	MARCH 25, 2015	APRIL 15, 2015	APRIL 24, 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
Open Forum/ Q & A	To Promote Stockholder Participation, Open Forum Is To Be Conducted Wherein Questions Will Be Entertained And Answered By The Board And Its Chairman.

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

- a. Amendments to the company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

AS A MATTER OF POLICY, SHAREHOLDERS ARE ASKED TO VOTE AND ACTIVELY PARTICIPATE IN CORPORATE DECISIONS THAT ARE OF FUNDAMENTAL IMPORTANCE TO THE CORPORATION SUCH AS THE AMENDMENTS TO THE COMPANY'S BY-LAWS, AUTHORIZATION OF ISSUANCE OF ADDITIONAL SHARES OF THE COMPANY AND THE SALE OR TRANSFER OF ALL OR SUBSTANTIALLY ALL CORPORATE ASSETS. FOR INSTANCE, AMENDMENT TO THE COMPANY'S BY-LAWS MAY BE DONE BY STOCKHOLDERS REPRESENTING A MAJORITY OF THE OUTSTANDING CAPITAL STOCK, AND BY THE MAJORITY VOTE OF THE DIRECTORS AT ANY OF THEIR MEETINGS. STOCKHOLDERS OWNING OR REPRESENTING TWO-THIRDS (2/3) OF THE SUBSCRIBED CAPITAL STOCK MAY DELEGATE TO THE BOARD OF DIRECTORS THE POWER TO AMEND, REPEAL OR ADOPT NEW BY-LAWS, PROVIDED THAT SUCH POWER SO DELEGATED TO THE BOARD OF DIRECTORS SHALL BE CONSIDERED REVOKED WHENEVER A MAJORITY OF THE STOCKHOLDERS SHALL SO VOTE AT A REGULAR OR SPECIAL MEETING CALLED FOR THE PURPOSE.

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

YES.

a. Date of sending out notices: 18 November 2016.

b. Date of the Annual/Special Stockholders' Meeting: Any date in June.

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

NONE

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

##### ANNUAL STOCKHOLDERS' MEETING HELD ON 16 DECEMBER 2016

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous meeting	Approval of 187,483,725 common	None	None
Approval of Management Report	Same as above	Same as above	Same as above
Approval of Financial Statements	Same as above	Same as above	Same as above
Confirmation and ratification of all resolutions, contracts, and acts of the Board of Directors and Officers.	Same as above	Same as above	Same as above
Election of directors	Same as above	Same as above	Same as above
Confirmation of appointment of external auditor	Same as above	Same as above	Same as above

##### ANNUAL MEETING HELD ON 17 DECEMBER 2015

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous meeting	Approval of 183,315,822 common	None	None
Approval of Management Report	Same as above	Same as above	Same as above
Approval of Financial Statements	Same as above	Same as above	Same as above
Confirmation and ratification of all resolutions, contracts, and acts of the Board of Directors and Officers.	Same as above	Same as above	Same as above



Amendment of the Articles of Incorporation to  a) change its name from AG Finance Incorporated to Ferronoux Metals Refinery Inc.  b) change of principal address from Unit 2205-A, East Tower Philippine Stock Exchange Center Exchange Road, Ortigas Center, Pasig City to 16th Floor Citibank Tower, Paseo de Roxas, Makati City  c) increase the number of directors from 7 to 9	Same as above	Same as above	Same as above
Amendment of the Corporation's By Laws to:  a) increase the number of directors from 7 to 9 b) to change the date of the Annual Meeting from last Friday of June to last Wednesday of May as stated in Article II Section 1.	Same as above	Same as above	Same as above
Change of stock symbol from AGF to FMR.	Same as above	Same as above	Same as above
Election of directors	Same as above	Same as above	Same as above
Confirmation of appointment of external auditor	Same as above	Same as above	Same as above

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

THE COMPANY DISCLOSED THE RESULTS OF THE AGM THROUGH THE PSE EDGE ON 19 DECEMBER 2016

**(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
Name of the Corporation from AG Finance, Inc. to Ferronoux Metals Refinery, Inc.	Management's decision to invest in mining properties or mining related activities.
Purpose, from a financing to a holding company.	Same as above.

(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	<p>Directors:</p> <ol style="list-style-type: none"> <li>1. Mr. Isidro C. Alcantara, Jr.</li> <li>2. Mr. Arsenio K. Sebial, Jr.</li> <li>3. Mr. Anthony M. Te</li> <li>4. Atty. Remegio C. Dayandayan, Jr.</li> <li>5. Justice Manuel M. Lazaro</li> <li>6. Mr. Ge Lin</li> </ol> <p>Officer</p> <ol style="list-style-type: none"> <li>1. Atty. Diane Madelyn C. Ching</li> </ol>	16 December 2016	show of hands	0.007%	71.60%	71.67% both in person and in proxy
Annual	<p>Directors:</p> <ol style="list-style-type: none"> <li>1. Isidro C. Alcantara, Jr.</li> <li>2. Anthony M. Te</li> <li>3. Arsenio K. Sebial, Jr.</li> <li>4. Ramon N. Santos*</li> <li>5. Ge Lin</li> <li>6. Remegio C. Dayandayan, Jr.</li> </ol> <p>Officers</p> <ol style="list-style-type: none"> <li>1. Rolando S. Santos</li> </ol>	17 December 2015	show of hands	0.01%	70%	70.01%

	2. Diane Madelyn C. Ching					
	3. Hermogene H. Real					
	4. Leddie Gutierrez					
	5. Reuben Alcantara					

\* resigned on 31 August 2016.

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

YES. BDO TRUST & INVESTMENTS GROUP VALIDATED THE VOTES AT THE ANNUAL STOCKHOLDERS' MEETING.

**(i) 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.**

COMMON SHARES CARRY ONE VOTE FOR ONE SHARE.

**(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	All proxies must be executed and in the hands of the Secretary at least ten (10) days before the time set for the meeting for the purpose of validation.
Notary	Proxies need not be notarized.
Submission of Proxy	All proxies must be submitted and in the hands of the Secretary 10 days before the time set for the meeting.
Several Proxies	As provided for in SEC Memorandum Circular No. 4 Series of 2004, if the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-Laws.



Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.
Proxies Executed Abroad	In accordance with SEC Memorandum Circular No. 5, Series of 1996, proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting. (Section 7, By-Laws).  The decision of the Corporate Secretary on the invalidity of proxies shall be final and binding.
Validation of Proxy	A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock Transfer Agent shall be convened seven (7) days before any meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders. Any such question or issue decided upon by the Corporate Secretary shall be deemed settled and those not brought before said forum shall be deemed waived any may no longer be raised during the stockholders' meeting.
Violation of Proxy	In accordance with SEC Memorandum Circular No. 5, Series of 1996, any violation of these guidelines shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code; Section 56 of the Revised Securities Act and PD 902-A, as amended.

**(h) Sending of Notices**

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

Policies	Procedure
EITHER BY PERSONAL DELIVERY, REGISTERED MAIL, FACSIMILE TRANSMISSION OR ELECTRONIC MAIL TO	PER BY-LAWS, SAID NOTICES MUST BE SENT NO LESS THAN FIFTEEN (15) DAYS PRIOR TO THE DATE SET FOR EACH

EACH STOCKHOLDER	MEETING
BY PUBLICATION IN NEWSPAPERS OF GENERAL CIRCULATION PUBLISHED IN METRO MANILA	PUBLICATION SHOULD BE MADE NOT LESS THAN FIFTEEN (15) DAYS PRIOR TO THE DATE OF THE MEETING

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

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and other materials	9
Date of actual distribution of Definitive Information Statement and Management Report and other materials held by market participants/certain beneficial owners	18 November 2016
Date of actual distribution of Definitive Information Statement and Management Report and other materials held by Stockholders	18 November 2016
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting Stockholders were provided hard copies	Hard copies were provided to the Stockholders

**(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 Directorship 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.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	YES

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

**2) Treatment of Minority Stockholders**

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

Policies	Implementation
----------	----------------

ALL STOCKHOLDERS ARE TREATED EQUALLY OR WITHOUT DISCRIMINATION. THE BOARD GIVES MINORITY STOCKHOLDERS THE RIGHT TO PROPOSE THE HOLDING OF MEETINGS AND THE ITEMS FOR DISCUSSION IN THE AGENDA THAT RELATE DIRECTLY TO THE BUSINESS OF THE COMPANY.	
--	--

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

YES

#### K. INVESTORS RELATIONS PROGRAM

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

The Company complies with SEC and PSE disclosure rules wherein it files current reports, quarterly reports, and annual reports. The members of the Executive Committee, Corporate Information Officer, and Corporate Secretary review such.

- 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 be able to communicate all allowable information regarding the Company's strategies and operations to the investing public, for investors to be able to make informed investment decisions in relation to our Company.
(2) Principles	To provide the public with timely, accurate and relevant information about our company.
(3) Modes Of Communications	Regular disclosures through the Company's website as well as the Philippine Stock Exchange's website.
(4) Investors Relations Officer	None. However, inquiries may be made through the Corporate Secretary, Atty. Diane Madelyn C. Ching Address: 4 <sup>th</sup> Floor Citibank Center Bldg., Paseo de Roxas, Makati City Telephone No: +632 831-4479 E-mail: atty.dcc@gmail.com

Shareholder services and inquiries regarding change of address, account status, and lost/damaged stock certificates may be communicated to the company's stock transfer agent:

CORPORATE NAME:

BDO - Trust & Investments Group  
Securities Services and Corporate Agencies



ADDRESS: 15F South Tower BDO Corporate Center  
7899 Makati Ave., Makati City 0726

CONTACT PERSON: Gigi C. Arcaba

CONTACT NUMBER: 878-4963, 878-4964, 878-4965, 878-4053

EMAIL ADDRESS: [bdo-stock-transfer@bdo.com.ph](mailto:bdo-stock-transfer@bdo.com.ph)

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

Explain.

NOT APPLICABLE.

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

THE BOARD OF DIRECTORS HAS NOT APPOINTED ANY INDEPENDENT PARTY TO CONFIRM THE FAIRNESS OF THE TRANSACTION PRICE.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
NONE	

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

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

	Process	Criteria
Board of Directors	None	n/a
Board Committees	None	n/a
Individual Directors	None	n/a
CEO/President	None	n/a

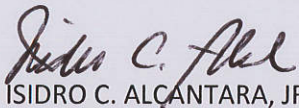
**N. INTERNAL BREACHES AND SANCTIONS**

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 SHALL FORMULATE ITS INTERNAL POLICIES ON SANCTIONS SUBJECT TO DIRECTORS' APPROVAL.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of CITY OF MAKATI on JUN 01 2017, 2017.

**SIGNATURES**

  
ISIDRO C. ALCANTARA, JR.

Chairman of the Board

  
ARSENIO K. SEBIAL, JR.


President

  
GE LIN (a.k.a. GERRY LAM)

Independent Director

  
MANUEL M. LAZARO

Independent Director

  
DIANE MADELYN C. CHING

Corporate Secretary/Compliance

**SUBSCRIBED AND SWORN** to before me this JUN 01 2017 day of \_\_\_\_\_, 2017, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:


NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

**NOTARY PUBLIC**

Doc No. 485  
Page No. 98  
Book No. 571  
Series of 2017

  
**RUBEN T.M. RAMIREZ**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2017  
BPNO. 1052369 / 11-22-17 - Appointment # M-23  
ROLL NO. 28947/MCLE-4 NO. 0006324/6-19-12  
PTR NO. MKT. 5909562/1-3-17 MAKATI CITY  
2734 MA. AURORA ST. MAKATI CITY