

28 June 2013

**SECURITIES & EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City  
Philippines

Subject: Annual Corporate Governance Report  
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Gentlemen:

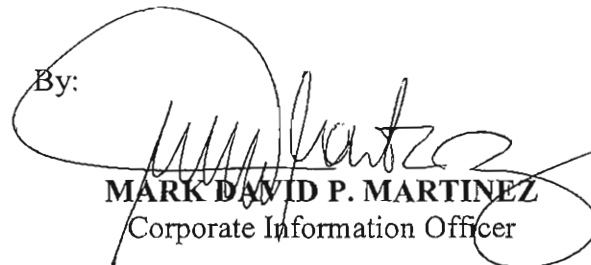
Enclosed herewith is our Annual Corporate Governance Report for the year 2012.

We trust that you will find the attached document in order.

Very truly yours,

**PAXYS, INC.**

By:

  
**MARK DAVID P. MARTINEZ**  
Corporate Information Officer

# COVER SHEET

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SEC Registration Number

P A X Y S , I N C . ( f o r m e r l y )

F I L - H I S P A N O H O L D I N G S C O R P .

(Company's Full Name)

1 5 t h F l o o r , 6 7 5 0 A y a l a

O f f i c e T o w e r , A y a l a A v e n u e

M a k a t i C i t y 1 2 2 6

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

Atty. Mark David P. Martinez

Contact Person

(632) 908-7500

Company Telephone Number

## ACGR

1 2

Month

3 1

Day

Fiscal Year

FORM TYPE

0 5

Month

\_\_\_\_

Day

Annual Meeting

\_\_\_\_  
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

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Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

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 **2012**
2. Exact Name of Registrant as Specified in its Charter **PAXYS, INC.**
3. **15/F AYALA OFFICE TOWER, AYALA AVENUE, MAKATI CITY** **1226**  
Address of Principal Office Postal Code
4. SEC Identification Number **6609**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-233-218**
7. **(632) 908-7500**  
Issuer's Telephone number, including area code
8. **Not Applicable**  
Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

**1) Board of Directors**

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of years served as director
Tarcisio M. Medalla	ED		Nominated by the NGC	28 May 2004	31 Aug. 2012	Annual	9
Sivam Kandavanam	NED		Nominated by the NGC	27 May 2011	31 Aug. 2012	Annual	2
Christopher Maldia	NED		Nominated by the NGC	28 May 2004	31 Aug. 2012	Annual	9
Roger Leo A. Carino	NED		Nominated by the NGC	28 May 2004	31 Aug. 2012	Annual	9
Lim Ghee Keong	NED		Nominated by the NGC	27 May 2005	31 Aug. 2012	Annual	8
George Y. Sycip	ID		Nominated by the NGC	27 May 2005	31 Aug. 2012	Annual	8
Roberto A. Atendido	NED		Nominated by the NGC	17 May 2002	31 Aug. 2012	Annual	10
Jose Antonio A. Lichauco	ID		Nominated by the NGC	28 May 2004	31 Aug. 2012	Annual	6
Mark David P. Martinez	ED		Nominated by the NGC	31 Aug. 2012	31 Aug. 2012	Annual	1

- (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.**

*As stated in the Company's Corporate Governance Manual, the Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.*

POLICY	
General Responsibilities	<i>It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders. The Board formulates the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities and effectively monitor Management's performance.</i>

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

POLICY	
Stockholders' Rights and Protection of Minority Shareholders' Interests	<p>The Board respects the rights of the stockholders as provided for in the Corporation's Articles of Incorporation and the Corporation Code; namely:</p> <ul style="list-style-type: none"> <li>i. Right to vote on all matters that require their consent or approval;</li> <li>ii. Right to inspect corporate books and records;</li> <li>iii. Right to information;</li> <li>iv. Right to dividends; and</li> <li>v. Appraisal right.</li> </ul> <p>The pre-emptive right is denied under the Corporation/s Articles of Incorporation.</p>
Disclosure and Transparency	<p>Material information about the Corporation that can adversely affect its viability or the interests of the stockholders are publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board Management.</p> <p>All such information is disclosed through the appropriate Exchange mechanisms and submissions to the Commission.</p>

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

Vision and mission have been reviewed and approved. Relevance is revisited annually during the strategic planning.

(d) Directorship in Other Companies

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

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Tarcisio M. Medalla	Paxys Global Services Pte. Ltd. RHQ	NED
	Paxys Global Services, Inc.	NED / Chairman
	Stellar Global Solutions Philippines, Inc.	NED / Chairman
	Stellar Philippines Inc.	NED / Chairman
	Scopeworks Asia Inc.	NED / Chairman
Mark David P. Martinez	Simpro Solutions Philippines Inc.	NED
	Paxys Global Services, Inc.	NED

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



		Independent). Indicate if director is also the Chairman.
Tarcisia M. Medalla	Pacific Online Systems Corporation	NED
Roberto A. Atendido	1. Picop Resources Corporation 2. Export and Industry Bank Inc.	NED / Chairman NED
George Y. Sycip	1. MacroAsia Corporation 2. Alliance Select Foods International	NED NED

(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
Tarcisio Medalla	All Asia Customer Services Holdings, Ltd.	Director
Roger Carino	All Asia Customer Services Holdings, Ltd.	Director

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

While the Corporation does not have a formal policy, we have no director who has exceeded the limit of five (5) board seats in other listed companies.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NA	NA
Non-Executive Director	NA	NA
CEO	NA	NA

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital/Stock
Tarcisio M. Medalla	6,144,560	NA	0.53500%
Christopher B. Maldia	1,082,800	NA	0.0943%
Ghee Keong Lim	504,000	NA	0.0439%
Roger Leo A. Carino	232,000	NA	0.0202%
Roberto A. Atendido	216,000	NA	0.0188%
George Y. Sycip	116,000	NA	0.0101%
Jose Antonio A. Lichauco	120	NA	0.0000%
<b>TOTAL</b>	<b>8,295,480</b>		<b>0.7223%</b>

2) Chairman and CEO

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

Yes  No

Identify the Chair and CEO: **Tarcisio M. Medalla**

Chairman of the Board	Tarcisio M. Medalla
CEO/President	Tarcisio M. Medalla

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer/President
Role	<i>Responsible for the leadership of the Board</i>	<i>Leadership of the business and managing it within the authorities delegated by the Board.</i>
Accountabilities	<ol style="list-style-type: none"> <li>1. Ensure effective Board functioning in accordance with its standards of corporate governance</li> <li>2. Ensure effective communication with shareholders, government and other stakeholders</li> <li>3. Ensure that all Board committees are properly established, composed and operated</li> <li>4. Chair the Nominations Committee and build an effective and complementary Board, regularly consider its composition and balance, including succession planning for Board and senior management appointments</li> <li>5. Facilitates the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop strategy for board recommendation</li> <li>2. Execute business plan and update the Board on the business performance</li> <li>3. Develop procedures to ensure compliance to regulatory requirements</li> <li>4. Ensure business is conducted in accordance with the company's business ethics</li> </ol>
Deliverables	<ol style="list-style-type: none"> <li>1. Board meeting agenda, ensuring that issues relating to governance, risks and company strategies are considered by the board</li> <li>2. Preside over the Annual General Meeting</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual budget and funding plan</li> <li>2. Processes, structure and procedures to support the strategy and budget</li> <li>3. Periodic performance reports</li> </ol>

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

*The CEO's of Paxys subsidiaries and its key officers are periodically evaluated by the Paxys Board.*

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?  
**YES .**

*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 may provide for additional qualifications which include, among others, the following:*

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

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

*Board policy and/or Manual on Corporate Governance do not specifically require a non-executive director to have experience in our industry, although the manual states the specific duties of a director as follows:*

*Article 3, Section G.i*  
*Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.*

*A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.*

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

*Basically, the role of all directors regardless of the type of directorship is the same. The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.*

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
Role	<i>A director who is also the head of a department or unit of the Corporation or performs any work related to its operation</i>	<i>A director who is not the head of a department or unit of the Corporation nor performs any work related to its operation.</i>  <i>He monitors the performance of the executive directors.</i>	<i>Independent director – 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 interfere with his exercise of independent judgment in carrying out his responsibilities as a director</i>  <i>Provides a strong and independent element in the board, able to exercise objective</i>

	Executive	Non-Executive	Independent Director
			<i>judgment on corporate affairs independently, in particular, from Management.</i>
Accountabilities	<i>Ensure that Board policies, strategies and mandate are executed in accordance to the approved plan</i>	<ol style="list-style-type: none"> <li>1. Challenge and contribute to the strategy</li> <li>2. Scrutinize the performance of management in meeting objectives</li> <li>3. Custodians of the governance process</li> </ol>	<ul style="list-style-type: none"> <li>- Act as constructive critic in reviewing the objectives and plans of Management.</li> <li>- Plays an active role in committees formed by the Board.</li> <li>- Oversight of the company's financial reporting process and disclosure of its financial information (Audit Committee Members)</li> <li>- Oversight of the company's Risk Management Processes (Audit Committee Members)</li> </ul>
Deliverables	<p><i>Vision</i>  <i>Mission</i>  <i>Strategic objectives</i>  <i>Business Plan (budget and funding)</i>  <i>Policies and procedures</i>  <i>In addition, the members of the following committee have these deliverables:</i>  <b>Audit Committee</b> – <i>Committee Annual Report, Assessment of Controls, Assessment of Risk Management Processes</i></p> <p><b>Nomination and Governance Committee</b> – <i>nominations for the annual election of officers and directors, Board and executive succession plan and Board Performance Evaluation</i></p>		

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

*Independent Director - 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 interfere with his exercise of independent judgment in carrying out his responsibilities as a director.*

*The organization has 2 independent directors. It is compliant with the SEC and its own manual's requirement of 2 or 20% of its board of directors being independent directors.*

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.

*There is no provision in the Board policies nor in the Manual regarding the term limit of Independent Directors. In any case, the company will adopt the SEC's requirement (effective January 2, 2012) of a term limit of 5 consecutive years for the independent directors with cooling off period of 2 years and no more than 2 terms or a total of 10 years. As such, our 2 Independent Directors have already served one year of their 5 year term.*

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
<i>Jose Perpetuo M. Lotilla</i>	<i>Non-Executive Director</i>	<i>31 August 2012</i>	<i>Resignation – appointed to public office</i>

(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	<i>There are only 2 executive directors and they are the President who is at the same time the chairman of the Board, and the Corporate Secretary who is at the same time Corporate Counsel.</i>	<i>General criteria:</i> <ul style="list-style-type: none"> <li>- <i>College education or equivalent academic degree;</i></li> <li>- <i>Practical understanding of the business of the Corporation;</i></li> <li>- <i>Membership in good standing in relevant industry, business or professional organizations;</i></li> <li>- <i>Previous business exposure</i></li> </ul>
(ii) Non-Executive Directors	<i>1. Stockholders to submit nominees to the Nominations and Governance Committee (NGC) no more than 30 days before the date of the stockholder's meeting.</i>	
(iii) Independent Directors	<i>2. The nominating form shall contain the name of the nominee and all information that may be required by the SEC. the nominating form should be signed by the nominating stockholder and have the signed conformity of the nominee.</i> <i>3. NGC to screen qualifications of the nominee</i> <i>4. Only shortlisted nominees shall be eligible for election, no further nominee shall be accepted on the floor.</i> <i>5. Conduct of election of non-executive director shall be</i>	<i>On top of the general criteria, specific criteria is set as follows:</i> <ul style="list-style-type: none"> <li>- <i>With financial expertise/background</i></li> <li>- <i>Should be free of any conflict of interest that would violate the applicable law on independent directors</i></li> <li>- <i>Have the capacity and interest to represent the interests of the shareholders as a whole</i></li> </ul>

Procedure	Process Adopted	Criteria
	<p><i>election procedures of the company, which happens during the Annual General Meeting (AGM)</i></p> <p>6. <i>The chairman will inform all stockholders present during the (AGM) of the mandatory requirement to elect independent directors.</i></p>	
<b>b. Re-appointment</b>		
(i) Executive Directors	<i>Executive directors are covered by employment contract.</i>	<i>As evaluated by the Board based on set KPIs.</i>
(ii) Non-Executive Directors	<ol style="list-style-type: none"> <li><i>Nomination and Governance Committee assesses the performance of the director vis a vis the needs of the business/company and his role as defined in the Manual.</i></li> </ol>	<i>Able to meet the roles and responsibilities of the job as set forth in the corporate governance manual and the corporation's by-laws</i>
(iii) Independent Directors	<ol style="list-style-type: none"> <li><i>If director is fit for the job, he stands for re-election during the Annual General Meeting.</i></li> <li><i>The process for election will then be adopted.</i></li> </ol>	<i>The same</i>
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p><i>The by-laws states that if any vacancy among the officers, such vacancy shall be filled by the Board of Directors.</i></p> <p><i>This is coursed through the Nomination and Governance Committee who will recommend to the Board the permanent or temporary disqualification or such other appropriate administrative sanction of any Director based on the grounds provided under the CG Manual.</i></p>	<p><i>- If convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them</i></p> <p><i>- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court</i></p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p><i>or administrative body of competent jurisdiction from:</i></p> <p><i>(a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws govern securities and banking activities</i></p> <ul style="list-style-type: none"> <li>- <i>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</i></li> <li>- <i>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</i></li> <li>- <i>Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation</i></li> <li>- <i>Any person judicially declared as insolvent</i></li> <li>- <i>Any person found guilty by final judgment or order of a</i></li> </ul>

Procedure	Process Adopted	Criteria
		<p><i>foreign court or equivalent financial regulatory authority of facts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (l) to (v) above</i></p> <p><i>- 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</i></p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p><i>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the qualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent</i></p>	<p><i>a) 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.</i></p>
(ii) Non-Executive Directors		
(iii) Independent Directors	<p><i>The by-laws states that if any vacancy among the officers, such vacancy shall be filled by the Board of Directors.</i></p> <p><i>This is coursed through the Nomination and Governance Committee who will recommend to the Board the permanent or temporary disqualification or such other appropriate administrative sanction of any Director based on the grounds provided under the CG Manual.</i></p>	<p><i>b) 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.</i></p> <p><i>c) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</i></p> <p><i>d) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</i></p>



Procedure	Process Adopted	Criteria
		<i>e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</i>
<b>e. Removal</b>		
(i) Executive Directors	<i>As provided for in the Corporation Code of the Phils. Title 3, Sec. 28</i>	<i>Criteria for permanent disqualification applies</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	<i>process for selection and appointment of Board of Directors apply</i>	<i>Criteria for selection and appointment of Board members apply</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	<i>Process for temporary disqualification apply</i>	<i>Criteria for temporary disqualification apply</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

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

Name of Director	Votes Received
<i>Tarcisio M. Medalla</i>	<i>849,171,201</i>
<i>Roger Leo A. Cariño</i>	<i>849,171,201</i>
<i>Christopher B. Maldia</i>	<i>849,171,201</i>
<i>Lim Ghee Keong</i>	<i>849,171,201</i>
<i>Roberto A. Atendido</i>	<i>849,171,201</i>
<i>Sivam Kandavanam</i>	<i>849,171,201</i>
<i>Mark David P. Martinez</i>	<i>849,171,201</i>
<i>George Y. SyCip</i>	<i>849,171,201</i>
<i>Jose Antonio A. Lichauco</i>	<i>849,171,201</i>

#### 6) Orientation and Education Program

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

*There is no formal orientation process in place. New director will usually be briefed by the Chairman and the Corporate Secretary .*

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

*Corporate Governance Orientation Program- Mark David Martinez, 2012  
Corporate Governance Orientation Program – Jose Antonio Lichauco*

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

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
None			

**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	<p><i>Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</i></p> <p><i>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.</i></p> <p><i>He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</i></p>	<p><i>Paxys does not allow its employees or officers to take personal gain, otherwise profit, from their employment, by misusing their position or Paxys' assets. Conflict of interest arises when a personal or private interest interferes in any way with one's work, duties and/or interests of the company.</i></p> <p><i>An employee should disclose any dealings with the company or its competitors, by himself or his family within the 3<sup>rd</sup> degree of consanguinity or affinity. It is management's prerogative to re-assign the employee.</i></p>	
(b) Conduct of Business and Fair Dealings	<p><i>Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</i></p>	<p><i>Employees could avoid unfair advantage of anyone through manipulation, concealment, abuse of authority, misrepresentation and/or any unfair dealing. All employees must deal fairly with the company's customer's, service providers, suppliers, competitors and employees.</i></p>	
(c) Receipt of gifts from third parties	<p><i>Gifts and other means of showing appreciation and gratitude may be exchanged with business partners but it is understood that such acts will not influence business decisions. Acceptance and giving of any gift must be avoided if it may be perceived as having influence on a business relationship or any business decision.</i></p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
(d) Compliance with Laws & Regulations	<p>All employees are expected to adhere to the Code of Ethics by:</p> <ul style="list-style-type: none"> <li>- Engaging in honest conduct. All employees of the company are expected to comply with applicable laws, rules and regulations.</li> <li>- Demands brought about by business exigencies or pressures are not excuses for violating the stipulations in the Code of Ethics.</li> <li>- Personally adhering to the standards and restrictions imposed by those laws, rules and regulations.</li> </ul>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board</p>	<p>It is the responsibility of all employees to maintain and safeguard the confidentiality of information entrusted to the company, subsidiaries, affiliates, customers, business partners, or such other parties with whom the company relates.</p>	
(f) Use of Company Funds, Assets and Information	<p>We are all responsible for safeguarding and making proper and efficient use of Company funds and property, including responsible use of information.</p> <p>Any employee who willfully/maliciously or negligently damages company property, misuses company funds for personal or fraudulent use, will be subject to disciplinary action up to and including dismissal and/or civil/criminal prosecution.</p>		
(g) Employment & Labor Laws & Policies	<p>We will adhere to applicable laws, rules and regulations. We are committed to keeping our workplace free of hazards.</p>		
(h) Disciplinary action	<p>Nomination and Governance Committee to consider and recommend to the Board the appropriate administrative sanction of any Director based on the grounds provided under the CG Manual and the Committee Charter.</p>	<p>As stated in its employee's manual.</p>	
(i) Whistle Blower	<p>There are no formal policies and currently processes are adhoc. However, this responsibility rests under the Audit Committee's purview as stated in its charter: To provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent transactions and breaches of internal control, without fear of retribution to the employee. Adhoc process: Any of these departments: HR, Compliance and Internal Audit, may handle whistleblower cases depending on the type of issue reported.</p>		
(j) Conflict Resolution	<p>It is Board's responsibility to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.</p> <p>The Audit Committee will investigate and make appropriate recommendations to the Board.</p>	<p>NA</p>	

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.

*Code of Business Conduct is being cascaded during new-hire orientation. The implementation and monitoring is delegated to the line leaders. Internal Audit is part of the monitoring process through its periodic audits.*

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	<p><i>The Company has implemented policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint venture, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</i></p> <p><i>As a matter of policy, the company does not engage in related party transactions without prior board approval.</i></p> <p><i>We apply the arms-length principle and these transactions are properly recorded and disclosed in the financial records.</i></p> <p><i>We apply the conflict of interest policy and procedures.</i></p> <p><i>Any director that is likewise a director of a counterparty of the Company is required to abstain from any evaluation or approval of a relationship between the Company and this counterparty.</i></p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of 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
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest

between the company and/or its group and their directors, officers and significant shareholders.

Directors/Officers/Significant Shareholders	
Company	<i>Conduct due diligence on suppliers and vendors, customers. We apply the conflict of interest policy under our code of ethics</i>
Group	<i>Conduct due diligence on suppliers and vendors, customers. We apply the conflict of interest policy under our code of ethics</i>

5) Family, Commercial and Contractual Relations

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>We are not aware of any family, Commercial and Contractual Relations with stockholders of significant equity (5% or more).</i>		

(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
<i>None</i>	<i>NA</i>	<i>NA</i>

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>None</i>		

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	<i>Not Applicable. No conflict has arisen between the company and any of its stockholders, third parties or regulatory authorities.</i>
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?

*Board meetings are scheduled in advance before the close of the current year.*

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

2) Attendance of Directors 2012

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Tarcisio M. Medalla	31 Aug. 2013	9	9	100%
Member	Roger Leo A. Carino	31 Aug. 2013	9	9	100%
Member	Roberto A. Atendido	31 Aug. 2013	9	8	89%
Member	Christopher B. Maldia	31 Aug. 2013	9	9	100%
Member	Jose Perpetuo M. Lotilla	31 Aug. 2013	6	0	0%
Member	Lim Ghee Keong	31 Aug. 2013	9	6	67%
Member	Sivam Kandavanam	31 Aug. 2013	9	8	89%
Member	Mark David P. Martinez	31 Aug. 2013	4	4	100%
Independent	Jose Antonio A. Lichauco	31 Aug. 2013	9	9	100%
Independent	George Y. Sycip	31 Aug. 2013	9	8	89%

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

None.

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

For a board decision to be carried, it should be approved or ratified by majority of the board members.

5) Access to Information

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

At least 5 working days in advance.

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

Yes, Board Members can directly communicate with the Corporate Secretary.

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

The Corporate Secretary works fairly and objectively with the Board, Management and stockholders, is aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities, he informs the members of the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. And although the policy is silent on his role regarding updating the directors of relevant statutory and regulatory changes, this in practice is being done by the Corp. Secretary.

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

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? YES

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	<i>The Corporate Secretary is the link between the Board and management, therefore depending on the agenda, the Corporate Secretary will provide/or is the point person for the Board to coordinate or request information from Management or other sources. The policy also allows a Board member to engage an external resource to enable him to fulfill his duties as a member of the Board.</i>
Audit	<i>The Internal Audit Department (IAD) acts as the Secretariat for the Audit Committee, hence whatever information they need to prepare themselves for Committee Meetings are coming from the IAD or are requested through the IAD. In certain cases, the IAD may need to coordinate with the Corporate Secretary or the CFO, External Auditor to provide these information.</i>
Nomination	<i>The Corporate Secretary is the link between the Board and management, therefore depending on the agenda, the Corporate Secretary will provide/or is the point person for the Board to coordinate or request information from Management or other sources. The policy also allows a Board member to engage an external resource to enable him to fulfill his duties as a member of the Board.</i>
Remuneration	

6) External Advice

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

Procedures	Details
<i>Board member to inform the Board/or the Chairman of the Committee regarding the need for an external advice.</i>	<i>This may happen during Merger and Acquisition projects of the company, where a certain Board Member/Committee may have been assigned by the Board to handle evaluation.</i>
<i>The Board/Committee Chairman will approve as necessary</i>	<i>The approver will depend on what type of engagement and whose Committee the project needs advise for. If the project has been sanctioned at the Board level, then the Chairman of the Board will approve. If it is at the Committee level, then it is the Chairman of the Committee to approve.</i>
<i>A report of the external resource will be provided to the full Board/Committee by the requesting Board member.</i>	<i>External resource will report to the Board in behalf of the requesting Board member.</i>

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
<i>Legal review of employment matters</i>	<i>Used to be handled by HR</i>	<i>Board decided that all cases be centralized at the Legal Department</i>

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</i>	<i>President establish KPIs and evaluates performance and decides on remuneration</i>
(2) Variable remuneration	<i>Not applicable</i>	<i>Not applicable</i>
(3) Per diem allowance	<i>Not applicable</i>	<i>Not applicable</i>
(4) Bonus	<i>Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</i>	<i>President establish KPIs and evaluates performance and decides on remuneration</i>
(5) Stock Options and other financial instruments	<i>Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</i>	<i>Decided by the Board through Compensation and Remuneration Committee</i>

##### 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	<i>Applies the Company's salary structure and compensation package</i>	<i>Fixed monthly pay, performance bonus as approved by the Board and fixed per diem</i>	<i>Basic monthly pay multiplied by bonus months divide by 261 for daily rate used as basis for computing other benefits ; performance bonus is a percentage of the annual salary as fixed by the board depending on performance.</i>
Non-Executive Directors	<i>Fixed per diem for every meeting attended</i>	<i>Fixed per diem</i>	<i>Set by the Compensation and Remuneration Committee</i>



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

Remuneration Scheme	Date of Stockholders' Approval
2012 - No	
2011 - No	
2010- No	

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: 2012

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php 5,867,456	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	240,000	Php 800,000	Php 340,000
(d) Bonuses	690,756	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>	Php 6,798,212	Php 800,000	Php 340,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NA	NA	NA
2) Credit granted	NA	NA	NA
3) Pension Plan/s Contributions	NA	NA	NA
(d) Pension Plans, Obligations incurred	NA	NA	NA
(e) Life Insurance Premium	Php 2,000	NA	NA
(f) Hospitalization Plan	104,767	NA	NA
(g) Car Plan	NA	NA	NA
(h) Others (Specify)	NA	NA	NA
<b>Total</b>	Php 106,767		

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>None</i>				

(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
<i>The company offers no incentive program.</i>		

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
<i>VP-CFO</i>	<i>Php 27,917,169</i>
<i>VP-Operations</i>	
<i>VP-HR</i>	
<i>VP-Audit</i>	
<i>VP-Business Development</i>	

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:

Executive Committee

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent (ID)	Director	
<i>1</i>	<i>3</i>	<i>1</i>		<i>NONE</i>

Functions	Key Responsibilities	Power
<i>Its role is to oversee operations of</i>	<i>1. Decision making authority between</i>	<i>To meet as needed.</i>

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<i>the board and act on behalf of the board during on-demand activities that occur between meetings. These acts are later presented for full board review</i>	<ul style="list-style-type: none"> <li><i>full board meetings</i></li> <li><i>2. Emergency decision making</i></li> <li><i>3. Advising the CEO</i></li> </ul>	<p><i>Act on urgent or on-demand matters in between board meetings.</i></p> <p><i>Obtain any independent legal or other professional advice that it considers necessary to execute its functions.</i></p> <p><i>Expend organizational resources whenever necessary to fulfill its responsibilities.</i></p> <p><i>Executive Committee Decisions must be ratified by the full Board</i></p>

**Audit and Risk Management Committee**

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent (ID)	Director	
	2	2		YES

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<i>The principal responsibility of the committee is to assist the board in fulfilling its corporate governance and fiduciary oversight responsibilities in relation to the risk management, internal control systems, accounting policies and practices, internal and external audit functions and financial reporting of Paxys, Inc. and its subsidiaries</i>	<ul style="list-style-type: none"> <li><i>1. Financial Reporting Process</i></li> <li><i>2. System of Risk Management and Internal Control</i></li> <li><i>3. Internal Audit Process</i></li> <li><i>4. External Audit and Financial Statements</i></li> <li><i>5. Organization's process for monitoring compliance</i></li> <li><i>6. Special investigation and whistleblower mechanism</i></li> </ul>	<ul style="list-style-type: none"> <li><i>1. Investigate any matter within the scope of its responsibilities and make appropriate recommendations to the board.</i></li> <li><i>2. Unrestricted access to senior management and its subsidiaries, and to company records as required.</i></li> <li><i>3. Meet with the external and internal auditors, without any other member of management being present</i></li> <li><i>4. Obtain any independent legal or other professional advice that it considers necessary to execute its functions.</i></li> <li><i>5. Expend organizational resources whenever necessary to fulfill its responsibilities.</i></li> </ul>

**Nomination and Governance Committee**

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent (ID)	Director	
1	1	2		YES

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<p>Assist the board in identifying qualified individuals to become board members, in determining the composition of the board of directors and its committees, in monitoring a process to assess board effectiveness and in developing and implementing the company's corporate governance principles and guidelines.</p>	<p>To lead the search for individuals qualified to become members of the board of directors and to select director nominees to be presented for shareholder approval at the annual meeting</p> <p>To review the board of directors' committee structure and recommend directors to serve as members of each committee.</p> <p>To develop and recommend a set of corporate governance principles, standards and guidelines and taking a leadership role in shaping the corporate governance of the company</p> <p>Ensure appropriate senior leadership succession planning is in place and recommend potential and actual successors to the CEO and other key senior leadership roles.</p> <p>Monitor the group's fiduciary and regulatory responsibilities with respect to external reporting</p>	<p>Delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion</p> <p>Retain any search firm engaged to assist in identifying director candidates, and to retain outside counsel and any other advisors as the committee may deem appropriate, and approve related fees and retention terms.</p> <p>Decide on the committee structures and members.</p> <p>Select nominees for board of directors.</p> <p>Investigate cases lodged against any of the board of directors.</p>

#### **Remuneration and Compensation Committee**

No. of Members			Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent Director (ID)	
1	1	1	NONE

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<p>The Committee ensures the existence of a transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of corporate officers and directors and provides oversight over the remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.</p>	<p>Provide oversight on the remuneration of senior management and key personnel.</p> <p>Set in place remuneration policies which are designed to attract and retain directors, corporate officers, senior managers with the expertise to enhance the performance and growth of the Company</p> <p>Ensure that the level and composition of remuneration packages are fair, reasonable and adequate and is linked to performance.</p>	<p>No member of the Committee will be directly responsible for providing advice or recommendations concerning the level or composition of his or her remuneration to the Board.</p> <p>The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfill its responsibilities.</p> <p>Request and expect information from management in a form, timeframe and of a quality that will enable the</p>

		<p><i>Committee to effectively discharge its duties.</i></p> <p><i>Recommend board and management compensation and remuneration.</i></p>
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## 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	Tarcisio M. Medalla	31 Aug. 2013	1	1	100%	9
Member (NED)	Lim Ghee Keong	31 Aug. 2013	1	1	100%	8
Member (NED)	Roger Leo A. Cariño	31 Aug. 2013	1	1	100%	9
Member (NED)	Roberto A. Atendido	31 Aug. 2013	1	1	100%	10
Member (NED)	Sivam Kandavanam	31 Aug. 2013	1	1	100%	2

### (b) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jose Antonio A. Lichauco	31 Aug. 2013	4	4	100%	6
Member (NED)	Roberto A. Atendido	31 Aug. 2013	4	3	75%	10
Member (NED)	Roger Leo A. Carino	31 Aug. 2013	4	4	100%	9
Member (ID)	George Y. Sycip	31 Aug. 2013	4	3	75%	8

Disclose the profile or qualifications of the Audit Committee members.

- Jose Antonio A. Lichauco** is concurrently a Director of Asian Alliance Investment Corp., specializing in Investment Banking and Corporate Finance. He is also concurrently a Director of Automated Technology (Philippines), Inc. where he was previously Senior Vice-President and Chief Financial Officer. He also held positions at Insular Investment and Trust Corporation and at SGV & Co. He obtained his Masters Degree in Business Administration from Columbia University in New York, USA in 1989.
- Roberto A. Atendido** has been a Director of the Company since October 1, 2004. He is currently the President/Director of Asian Alliance Investment Corp. and Asian Alliance Holdings and Development Corp. He is currently an advisor to the board of Philippine Business Bank. He is a member of the board of the following companies: Beneficial Life Insurance Corporation, Picop Resources Corporation, MarcVentures Holdings, Sinag Energy Philippines, and Carac-An Development Corporation. He holds a Masters Degree in Business Management from the Asian Institute of Management.
- George Y. Sycip** has been a Director of the Company since October 1, 2004. He advises a variety of companies in their cross-border endeavors between US/Europe and Asia and serves on the corporate Boards of Alliance Tuna International, Inc., Asian Alliance Investment Corp., Bank of the Orient in San Francisco, Beneficial Life Insurance Corporation, MacroAsia Corporation. He is also a Trustee or Director of the International Institute of Rural Reconstruction, Give2Asia, and the California Southeast Asia Business Council. He holds a Masters Degree Business Administration from Harvard Business School and a Bachelors degree in International Relations/Economics from Stanford University.
- Roger Leo A. Carino** has been a Director of the Company since December 30, 2003. He is currently the Company's Treasurer, which he also held from 2004 to 2006 and 2009. He is concurrently a Director of UT Global Services Limited, a privately held investment company with an RHQ in Manila and affiliated with

All Asia Customer Services Holdings Ltd. He has been connected with the Group since 1990. He graduated with a BSC degree, major in Accountancy, from Ateneo de Naga University and attended MBA Program at Murdoch University and the Strategic Business Economics program at the University of Asia and the Pacific. He is a Certified Public Accountant.

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

**Per the Audit Committee's Charter, it shall have the following responsibilities:**

1. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.
2. Recommend the appointment, retention and discharge, and review the performance of the external auditor.
3. Review and recommend the compensation of the external auditor.
4. Review and recommend for approval of the full board, the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.
5. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
6. On a need basis, meet separately with the external auditor to discuss any matters that the committee or auditors believe should be discussed privately.
7. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles
8. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's annual report.

(c) **Nomination and Governance Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Tarcisio M. Medalla	31 Aug. 2013	1	1	100%	9
Member (ID)	George Y. Sycip	31 Aug. 2013	1	1	100%	8
Member (ID)	Jose Antonio A. Lichauco	31 Aug. 2013	1	1	100%	1
Member (non-voting)	Roger Leo A. Carino	31 Aug. 2013	1	1	100%	9

(d) **Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Tarcisio M. Medalla	31 Aug. 2013	1	1	100%	9
Member (NED)	Roger Leo A. Carino	31 Aug. 2013	1	1	100%	9
Member (ID)	George Y. Sycip	31 Aug. 2013	1	1	100%	8

(e) **Others (Specify)**

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

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

### 3) Changes in Committee Members

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

*There are no changes in any of the committee memberships during the year.*

Name of Committee	Name	Reason
Executive	NA	
Audit	NA	
Nomination	NA	
Remuneration	NA	
Others (specify)	NA	

### 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	<i>Review of M&amp;A proposals and provide recommendation to the Board</i>	<i>Invest in a certain company or not.</i>
Audit	<i>Complied with the responsibilities as defined in the charter such as quarterly meetings, review of internal audit reports, review of financial statements and external audit results, risk management processes, review of compliance to its charter, revision of its performance metrics and assessment of its performance vs. charter.</i>	<i>1. Internal Audit, Internal Control Issues - Significant control issues as elevated by Internal Audit relating to Operations, Finance, HR, IT and Compliance. The Committee is monitoring the closure of the action items by management. 2. Revision of Audit Committee Performance Assessment Scale</i>
Nomination	<i>Assessed performance of the Board members, selected director nominees for shareholder approval at the annual meeting, reviewed the Board's committee structure, reviewed and updated its corporate governance structure, ensured compliance to regulatory requirements such as the Annual Report.</i>	<i>1. Election of Board members 2. Board Committees aligned with SEC/PSE Corporate Governance best practice structure 3. Compliance to fiduciary and regulatory requirements</i>
Remuneration	<i>Reviewed Remuneration of Board of Directors</i>	<i>Increased board per diem fees</i>

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	<i>Revisit Group Strategy</i>	<i>Review business and investment opportunities</i>
Audit and Risk Management	<i>Whistleblower Policy</i>	<i>Current practices are adhoc or not documented.</i>
Nomination and Governance	<i>Revisit Board Governance Practices</i>	<i>Board Evaluation</i>
Remuneration	<i>Revisit board and executive compensation</i>	<i>Determine whether board and executive remuneration are equitable and still competitive.</i>

F. **RISK MANAGEMENT SYSTEM**

1) **Disclose the following:**

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

*Paxys, Inc. is committed to its objectives of growth and increasing shareholder value. Toward achieving its objectives, we will face risks to our business strategy and operations and risks associated with our people, assets, reputation and partnerships. The effective management of the entire spectrum of these risks is the underlying rationale for the ERM framework adopted by the company. The Framework creates an instinctive and consistent consideration of risk and reward in day-to-day planning, execution and monitoring of the strategy and achievement of corporate goals. There should be full and due consideration to the balance between risk and reward, as far as practicable, in order to optimize the rewards gained from our business and operational activities and from taking of informed risks.*

*Paxys defines risk as potential future events which could impede the achievement of its objectives. It is measured in terms of impact and likelihood. Business risks arise as much from the likelihood of lost opportunities as it does from uncertainties and hazards. Our policy is to identify, evaluate and respond appropriately to risks identified so as to protect the company from losses, uncertainty and lost opportunity.*

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

*The Board and management continue to engage in risk management activities aimed not only to protect the company from adverse operational occurrences but also be able to maximize opportunities. Risks the company is facing are taken up in the board during its discussion of financial and operational performance, as well as specific discussions of company strategies and direction. Although the Board through its Audit and Risk Management Committee believes the company's risk management processes can still be more robust, overall, it considers these processes effectively implemented to support the company's attainment of its objectives.*

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



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

*Review of risks is embedded in the regular audits. Criteria for assessing effectiveness of risk management system:*

- *Risks are managed within the defined risk tolerances/risk appetite*
- *Risk management processes are robust (embedded in the day to day management processes)*
- *Risks are adequately controlled*

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

*Not applicable.*

2) Risk Policy

(a) SCOPEWORKS ASIA & STELLAR GLOBAL SOLUTIONS PHILS., INC.

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<p><i>Human Resources:</i></p> <ol style="list-style-type: none"> <li>1. <i>Hiring and Retention</i></li> <li>2. <i>Competency gaps</i></li> <li>3. <i>Employee Turnover Rate</i></li> </ol>	<p><i>It will expend resources to develop its human resource, expand its sources of talent and manage its attrition rate to below industry standards.</i></p>	<p><i>To deploy required quantity and qualified manpower within the allotted time and available resources; maintain attrition to a rate lower than industry standards; integrate people, systems and processes in achieving organizational goals.</i></p>
<p><i>Financial Management:</i></p> <ol style="list-style-type: none"> <li>1. <i>Foreign currency risk</i></li> </ol>	<p><i>To the extent possible, the Company shall obtain debt financing in the currency in which majority of revenues are denominated in order to match as much as possible foreign currency denominated costs with foreign currency denominated revenues.</i></p> <p><i>Make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results.</i></p>	<p><i>To limit the impact of any appreciation of the Philippine Peso vis-a-vis its foreign currency denominated revenues and receivables and ultimately on the financial performance;</i></p>
<ol style="list-style-type: none"> <li>2. <i>Credit risk</i></li> </ol>	<p><i>The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.</i></p>	<p><i>To protect itself from bad debt losses</i></p>

Risk Exposure	Risk Management Policy	Objective
3. Liquidity risk	To measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital markets and to hold a sufficient level of cash reserves.	To maintain continuity of funding
<p>Information Technology:</p> <p>Data Integrity/Loss of critical data</p> <p>Rapid changes in technology</p> <p>Telecommunications or technology downtime</p>	<p>Information can only be modified and accessed by those authorized to access the system. Ensure the authorization, completeness and accuracy of business transactions as they are entered into, processed, summarized, and reported by the various network-enabled systems deployed by the organization. To intelligently invest in new and enhanced technology to meet existing as well as future requirements.</p> <p>Partner with telecommunications companies with strong telecom and network infrastructures that could support efficiency as well as redundancy.</p> <p>The call center's outsourcing operations are highly dependent on computer and telecommunications equipment, software systems, and continuous availability of voice and electronic communication. The temporary or permanent loss of equipment or systems could reduce the call center's revenues. A significant interruption of service could have a negative impact on the call center's reputation and could lead to a reduction from present and potential clients in demand for the call center's services.</p>	<p>Protect company information assets as well as critical client information residing with the company.</p> <p>IT as an enabler of the company to support its organizational and strategic goals.</p> <p>Solid IT infrastructure to minimize or prevent downtime, disruptions or increased costs.</p>
<p>Environmental Health and Safety:</p> <p>Natural catastrophes such as typhoons, floods, earthquake causing short or long-term stoppage of work</p>	<p>To manage workplace hazards so as to reduce or eliminate the HSE risk posed to employees, visitors, consultants, contractors, employees of contractors, persons employed through labour hire agencies and volunteers</p> <p>Business Continuity and Disaster Recovery programs should ensure</p>	<p>To limit the impact/disruption of business</p> <p>To safeguard the welfare and health of employees</p>

Risk Exposure	Risk Management Policy	Objective
	<i>that employees, customers and company assets are protected during calamities.</i>	

**(b) Group**

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:

Risk Exposure	Risk Management Policy	Objective
<p><i>Human Resources:</i></p> <p>1. Hiring and Retention 2. Competency gaps</p>	<p><i>The company will hire and retain for talent. It will expend resources to develop its human resource, expand its sources of talent.</i></p>	<p><i>To deploy required quantity and qualified manpower within the allotted time and available resources; integrate people, systems and processes in achieving organizational goals.</i></p>
<p><i>Financial Management:</i></p> <p>4. Foreign currency risk</p>	<p><i>To the extent possible, the Company shall obtain debt financing in the currency in which majority of revenues are denominated in order to match as much as possible foreign currency denominated costs with foreign currency denominated revenues.</i></p> <p><i>Make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results.</i></p>	<p><i>To limit the impact of any appreciation of the Philippine Peso vis-a-vis its foreign currency denominated revenues and receivables and ultimately on the financial performance;</i></p>
<p>5. Credit risk</p>	<p><i>The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.</i></p>	<p><i>To protect itself from bad debt losses</i></p>
<p>6. Liquidity risk</p>	<p><i>To measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital markets and to hold a sufficient level of cash reserves.</i></p>	<p><i>To maintain continuity of funding</i></p>
<p>7. Capital Management</p>	<p><i>To pursue projects if their expected returns are higher than cost of capital. The Company aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency by</i></p>	<p><i>The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.</i></p>

Risk Exposure	Risk Management Policy	Objective
	<i>keeping its debt capacity within its ability to generate future cash flows.</i>	

(a) Minority Shareholders

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

Risk to Minority Shareholders
<i>Principal shareholder is cognizant of the rights of the minority shareholders and has not exercised its power or exercise any action that is detrimental to the minority shareholders.</i>

3) Control System Set Up

(a) SCOPEWORKS ASIA/STELLAR GLOBAL SOLUTIONS PHILS, INC./PAXYS, INC. (Company/Group)

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><i>Human Resources:</i></p> <ol style="list-style-type: none"> <li><i>Hiring and Retention</i></li> <li><i>Competency gaps</i></li> <li><i>Employee Turnover Rate</i></li> </ol>	<p><i>Established KPIs which are monitored both by Operations and HR and are part of the monthly Operations Report</i></p>	<p><i>Risk Owner- HR</i>  <i>Hiring and Retention policy has been established and communicated; Performance management system is in place for the subsidiaries; programs are in place to ensure low attrition rate and this is a KPI that is being monitored monthly.</i></p>
<p><i>Financial Management:</i></p> <ol style="list-style-type: none"> <li><i>Foreign currency risk</i></li> <li><i>Credit risk</i></li> <li><i>Liquidity risk</i></li> <li><i>Capital Management</i></li> </ol>	<ol style="list-style-type: none"> <li><i>Daily monitoring of FX rates using PDEX and OANDA.</i></li> <li><i>Established hedging strategy.</i></li> <li><i>Ensuring payables are paid on time/due date and on the billed currency.</i></li> <li><i>Pre-agreed/dealt rate with the banks.</i></li> <li><i>Monitoring of AR aging</i></li> </ol>	<p><i>Risk Owner- Finance</i>  <i>Hedging/Non-deliverable Forward Contract - short term, max of 1 year covered period;</i>  <i>Dual Currency Investment/Deposit (DCI/DCD); Paying the disbursements on the currency we are being billed or pre-agreed conversion rate; Arrange with the bank the rate/s to be used in converting the foreign currency to Peso, i.e. spot rate, value tom or T+2.</i></p> <p><i>Daily reporting of cash balance per account per company; Short term money market placement; Excess funds are placed in highly liquid investments like SDA, TD and bank's liquidity funds.</i></p>
<p><i>Information Technology:</i></p> <ol style="list-style-type: none"> <li><i>Data Integrity/Loss of critical data</i></li> <li><i>Rapid changes in technology</i></li> <li><i>Telecommunications or technology</i></li> </ol>	<p><i>Established MOAs annexed with KPIs with the telecom and network companies</i></p> <p><i>Monthly operational report particularly on network downtimes and network or security breaches, if any</i></p>	<p><i>Risk Owner: IT</i>  <i>Contracts with Telco and other network providers includes KPIs to measure downtimes and breaches, also includes penalties for non-compliances to KPIs</i>  <i>IT Infrastructure redundancies</i>  <i>Disaster Recovery and Business</i></p>

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
downtime		Continuity
Environmental Health and Safety: 1. Natural catastrophes such as typhoons, floods, earthquake	Review of the business continuity plans and the disaster recovery program	Risk Owner: Operations Disaster recovery and business continuity programs Network redundancies Offsite/ hot site disaster recovery center

**(b) Committee**

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

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Audit and Risk Management Committee	Internal Audit conducts regular audits of the high risk areas and results are reported to management  Some risks are directly reported and discussed at the Board level either by Legal, Finance or Audit.	Review and assess the effectiveness of the organization's risk management system, including risks of information technology systems, and that the company is able to optimize its opportunities through its risk management program.  Inquire of management, the head of the internal audit, the risk management head, and the external auditor about significant risks or exposures and assess the steps management has taken to minimize such risks to the company.

**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;**

Our internal control definition is based on the COSO framework thus defined as follows: It is a process effected by the Company's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Fundamental concepts:

- Geared to the achievement of objectives in one or more categories—operations, reporting, and compliance
- A process consisting of ongoing tasks and activities—a means to an end, not an end in itself
- Effected by people—not merely about policy and procedure manuals, systems, and forms, but about people and the actions they take at every level of an organization to affect internal control
- Able to provide reasonable assurance—but not absolute assurance, to an entity's senior management and board of directors
- Adaptable to the entity structure—flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process.

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

*Having considered all existing controls as reported by the internal and the external auditors to the committee and the reports of the executive management as they were presented to the Board, the Committee is of the opinion that the company's system of internal controls are generally sound.*

- (c) Period covered by the review;

Year 2012

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

*Periodic reviews are undertaken by Internal Audit based on the Audit Committee approved Audit Plan. A rating matrix measuring the effectiveness and compliance to internal control policies has been developed based on the COSO internal control components.*

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

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p><b>Strategic partner for governance, risk management, and control:</b></p> <p>Provide independent, objective assurance and consulting services designed to add value and improve operational efficiency.</p> <p>Help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and</p>	<p>To determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:</p> <ul style="list-style-type: none"> <li>- Risks are appropriately identified and managed, including technology risks.</li> <li>- Significant financial, managerial, and operating information is</li> </ul>	In-house	Gina Santos	<p>The Chief Audit Executive functionally to the Audit Committee and administratively to the Chairman/President. Its audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPA). Its reports are initially discussed with management and then executive summary is presented and discussed with the Audit Committee. Minutes of Audit Committee</p>

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p><i>improve the effectiveness of risk management, control, and governance processes.</i></p>	<p><i>accurate, reliable, and timely.</i></p> <ul style="list-style-type: none"> <li>- <i>Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.</i></li> <li>- <i>Resources are acquired economically, used efficiently, and adequately protected.</i></li> <li>- <i>Programs, plans, and objectives are achieved.</i></li> <li>- <i>Quality and continuous improvement are fostered in the organization's control process.</i></li> <li>- <i>Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.</i></li> </ul>			<p><i>meetings are provided to the Board and as the Auditcom decides, a special presentation of the issues may be made to the Board by the Auditcom.</i></p> <p><i>Action items are being monitored at the Auditcom and executive management level.</i></p>

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

*Yes, the Audit Committee approves the appointment/removal of both the Internal Auditor and the External Auditors.*

**(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 Audit Activity (IAA) functionally reports to the Audit Committee. Its charter authorizes IAA to have unrestricted access to all functions, records, property, and personnel; and have full and free access to the Audit Committee. This relationship is perfected through the quarterly and special meetings of/with the Audit Committee.*

*In the same manner, responsibilities of the Audit Committee as stated in its charter states:*

- *Ensure that internal auditors have access to all documents, information and systems in the organization*
- *Ensure there are no unjustified restrictions or limitations placed on the Chief Audit Executive and the Internal Audit staff.*

(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
<i>Rogel Urbiztondo, Senior Auditor</i>	<i>Career move</i>

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

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

<b>Progress Against Plans</b>	<i>2012: Audited 41% of total Risk Auditable Unit (RAUs), 74% of planned RAUs were completed and 106% per engagement count</i>
<b>Issues<sup>6</sup></b>	<i>Strengthen controls on Payroll processing: completeness of payroll masterfile, regular backups of payroll related files, validity of time reports, dispute management practices, Overtime hours computation, final pay computation process</i>  <i>Status: Controls implemented</i>
<b>Findings<sup>7</sup></b>	<i>Relocation of the data center – Status: Relocated offsite</i>
<b>Examination Trends</b>	<i>Focus on subsidiaries; operational and compliance issues, efficiency and process improvements</i>

[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."

Policies & Procedures	Implementation
<i>Functional Reporting to the Audit Committee to ensure organizational independence</i>	<i>implemented</i>
<i>Internal Audit Charter establishing the mission, authority, scope, responsibilities and the standards of audit practice of the Internal Audit Activity.</i>	<i>Implemented</i>
<i>Risk-based Audit methodology covering risk based audit plans and risk focused audit engagements</i>	<i>Implemented</i>
<i>Quality Assurance and Improvement Program</i>	<i>Partial Implementation</i>
<i>Quarterly reporting of the status of the audit plan, audit results and status of management action plans</i>	<i>Implemented</i>
<i>Audit Manual to guide the auditors in the conduct of their</i>	<i>Implemented</i>

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

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.



Policies & Procedures	Implementation
<i>audits including administrative policies and procedures</i>	
<i>Established key performance indicators and individual key result areas, monthly monitoring and reporting</i>	<i>Implemented</i>

**(g) Mechanisms and Safeguards**

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>External Auditor: Limitation on the non-audit services rendered by the external auditors and all non-audit services will be elevated to the Audit Committee for approval</i>	<i>Material public information are to be disclosed first to regulators within the prescribed period for reporting. Depending on the information to be released, Investment banks, analysts and rating agencies may only be informed after the release of the same to the regulators.</i>		
<i>Internal Auditor: Functional reporting to the Audit Committee</i>			
<i>Duly approved Audit Committee and Internal Audit Charters</i>			
	<i>The company is also guided by its Code of Ethics where there is a possibility of a conflict of interest.</i>		

**(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/President and an Independent Director attests to the company's full compliance to the SEC Code of Corporate Governance.*

**H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
<i>Customers' welfare</i>	<i>Employees could avoid unfair advantage of anyone through manipulation, concealment, abuse of authority, misrepresentation and/or any unfair dealing. All employees must deal fairly with the company's customers.</i>	<i>Tracking of SLA's and KPIs</i>
<i>Supplier/contractor selection practice</i>	<i>Suppliers should undergo accreditation; procurement policy: a 3 vendor policy</i>	<i>Supplier accreditation; Implementation of the procurement policy</i>

	Policy	Activities
<i>Environmentally friendly value-chain</i>	<i>None</i>	<i>None</i>
<i>Community interaction</i>	<i>Company will actively participate in community development and will support environment protection.</i>	<ol style="list-style-type: none"> <li><i>High School and College scholarship programs (41 scholars)</i></li> <li><i>Tree planting activities by our subsidiaries</i></li> </ol>
<i>Anti-corruption programmes and procedures</i>	<p><i>Company prohibits all forms of bribery and corruption. Gifts and other means of showing appreciation and gratitude maybe exchanged with business partners given that it will never influence business decisions. Acceptance and giving of any gift must be avoided if it may be perceived as unfair or may influence a business relationship or any business decision.</i></p> <p><i>Company has zero tolerance for fraud and will cooperate as necessary with law enforcement agencies. Company assets may be used only for legitimate business purposes.</i></p>	<p><i>We do not engage in solicitation programs with our suppliers and vendors</i></p> <p><i>Strict compliance and monitoring of regulatory requirements</i></p> <p><i>Implementing appropriate operational and financial controls.</i></p>
<i>Safeguarding creditors' rights</i>	<i>None</i>	<i>None</i>

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

*For 2012, the company did not have a separate sustainability report but this is embedded in the Corporate Governance Section.*

3) Performance-enhancing mechanisms for employee participation.

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

<i>Anti-discrimination policy</i>	<i>Equal Employment Opportunity</i>
<i>Anti-harassment policy</i>	<i>Smoking Policy</i>
<i>Safety and health policy</i>	<i>Annual Physical Examination</i>
<i>Drug-Free workplace</i>	<i>Lactation Break</i>

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

*There are no major work-related accidents or health concerns reported within the year.*

*Based on the latest Annual Medical and Physical Examination result, employees are generally fit to work. Minor recommendations were provided by Healthcare provider to employees such as:*

<i>Healthcare Recommendations</i>	<i>Number of Employees</i>	<i>% to Total Number of Employees</i>
<i>Monitor Blood Pressure levels, maintain low salt and fat diet</i>	<i>53</i>	<i>5%</i>
<i>For Ophthalmologist consultation to correct error of refraction</i>	<i>220</i>	<i>19%</i>
<i>Overall dental hygiene, tooth extraction and oral prophylaxis</i>	<i>124</i>	<i>11%</i>
<i>Regular check-up from Obstetrician</i>	<i>29</i>	<i>3%</i>
<i>Follow up with cardiologist to correlate ECG results</i>	<i>70</i>	<i>6%</i>
<i>Observe healthy diet, take of up multivitamins</i>	<i>114</i>	<i>10%</i>

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

<i>Training/Seminar Conducted or Attended</i>	<i>No. of Participants</i>	<i>Date Conducted /Attended</i>	<i>Remarks</i>
<i>Stellar The Movie</i>	633	2012	<i>Leaders, support, and agents</i>
<i>Core Value: Stake In the Outcome</i>	322	2012	<i>Leaders, support, and agents</i>
<i>Core Value: Operational &amp; Financial Excellence</i>	284	2012	<i>Leaders, support, and agents</i>
<i>Core Value: Open Communication</i>	269	2012	<i>Leaders, support, and agents</i>
<i>Core Value: Uncompromising Integrity</i>	250	2012	<i>Leaders, support, and agents</i>
<i>Core Value: Respect for People</i>	216	2012	<i>Leaders, support, and agents</i>
<i>Stellar Leadership</i>	89	2012	<i>Leaders</i>
<i>The Words That Count (TWTC)</i>	93	2012	<i>Leaders</i>
<i>Daily Operations Process</i>	87	2012	<i>Leaders</i>
<i>Effective Performance Management</i>	92	2012	<i>Leaders</i>
<i>Monthly Performance Review (MPR)</i>	118	2012	<i>Leaders</i>
<i>What Is Our Business (WIOB)</i>	95	2012	<i>Leaders</i>
<i>Continuous Process Improvement (CPI)</i>	128	2012	<i>Leaders</i>
<i>Call and Resource (CAR)</i>	42	2012	<i>Leaders</i>
<i>Financial Concepts</i>	101	2012	<i>Leaders</i>
<i>The Numbers That Count (TNTC)</i>	86	2012	<i>Leaders</i>
<i>7 Habits</i>	33	2012	<i>Leaders and support staff</i>
<i>MS Excel Basics</i>	3	2012	<i>Leaders and support staff</i>
<i>Call Center &amp; Customer Service 101</i>	20	2012	<i>Leaders and support staff</i>
<i>Project Management</i>	29	2012	<i>Leaders and support staff</i>
<i>Basic Instructor Training</i>	5	2012	<i>Leaders and support staff</i>
<i>High Impact Presentations</i>	22	2012	<i>Leaders and support staff</i>
<i>Six Sigma: Green Belt</i>	12	2012	<i>Leaders and support staff</i>
<i>Six Sigma: Overview</i>	23	2012	<i>Leaders and support staff</i>
<i>ISO Awareness</i>	27	2012	<i>Leaders and support staff</i>
<i>Process Mapping</i>	10	2012	<i>Leaders and support staff</i>
<i>Team Problem Solving &amp; Decision Making</i>	17	2012	<i>Leaders and support staff</i>
<i>Problem Solving</i>	30	2012	<i>Leaders and support staff</i>
<i>Decision Making</i>	30	2012	<i>Leaders and support staff</i>
<i>Time Management</i>	30	2012	<i>Leaders and support staff</i>
<i>Delegation</i>	30	2012	<i>Leaders and support staff</i>

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

*The company's reward and compensation policy currently accounts for the short-term financial measures only.*

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.

*Complaints are either coursed through HR, Compliance or Internal Audit. Depending on the complaint, either of the above departments will investigate although in most cases, these are initially handled by HR and then elevated to Internal Audit if there is a need to review transactions and processes. Again, depending on the result of the initial investigation, the case could either be closed (if there are no clear basis based on the company's code of ethics/code of conduct) wherein the complainant will be advised of the result of initial investigation. If clear violations were found during the initial investigation, the case will proceed to formal investigation and sanctions will be imposed based on the company's code of conduct and discipline. Identities of whistleblowers are not divulged.*

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
All Asia Customer Service Holdings Ltd.	841,125,384	73.23%	All Asia Customer Service Holdings Ltd.
PCD Nominee Corporation	300210471	26.14%	Various stockholders

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Not Applicable. All shareholdings of Senior Management is less than 5% as shown below:</i>			
Tarcisio M. Medalla	6,144,560		0.53500%
Christopher B. Maldia	1,082,800		0.0943%
Ghee Keong Lim	504,000		0.0439%
Roger Leo A. Carino	232,000		0.0202%
Roberto A. Atendido	216,000		0.0188%
George Y. SyCip	116,000		0.0101%
Jose Antonio Lichauco	120		0.0000%
Mark David P. Martinez	1		0.0000%
TOTAL	8,295,480		0.7223%

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

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

*No existing dividend and whistleblowing policy, although a whistleblowing policy has already been drafted.*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>Sycip Gorres Velayo &amp; Co.</i>	<i>Php 1,914,000.00</i>	<i>N/A</i>

4) Medium of Communication

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

*The company uses its corporate website, email, mails, SEC/PSE disclosures, in order to disseminate information to its stockholders.*

5) Date of release of audited financial report:

For the Paxys consolidated financial statements: April 30, 2013

For the Paxys stand-alone financial statements: April 15, 2013

6) Company Website

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

Business operations	Not Updated
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	No
Group corporate structure	No
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

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

7) Disclosure of RPT

RPT	Relationship	Nature	Value
<i>Paxys NV</i>	<i>Subsidiary</i>	<i>Dividend income</i>	<i>Php287,350,000</i>
<i>Stellar</i>	<i>Joint Venture</i>	<i>Rental income</i>	<i>22,585,110</i>
<i>PGS Inc.</i>	<i>Subsidiary</i>	<i>Cash advances - fully provided with allowance</i>	<i>48,598,354</i>
<i>PGS Singapore</i>	<i>Subsidiary</i>	<i>Cash advances - fully provided with allowance</i>	<i>28,953,083</i>
<i>Usaha Tegas Sdn Bhd</i>	<i>Affiliate</i>	<i>Cash advances - no impairment</i>	<i>1,403,947</i>
<i>ACS Dalian</i>	<i>Joint Venture</i>	<i>Cash advances - fully provided with allowance</i>	<i>3,135,432</i>
<i>Simpro Phils</i>	<i>Joint Venture</i>	<i>Cash advances - no impairment</i>	<i>6,779,009</i>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the

interest of the company and in particular of its minority shareholders and other stakeholders?

*The company applies the arms-length principle and these transactions are properly booked and disclosed.*

**J. RIGHTS OF STOCKHOLDERS**

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

**(a) Quorum**

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

<b>Quorum Required</b>	<i>"A quorum for any meeting of the stockholders shall consist of a majority of the voting stock of the Corporation, and a majority of such quorum shall decide any question at the meeting, save and except in those matters where the Corporation Law requires the affirmative vote of a greater population."</i>
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	<i>Level of Approving Authority Manual; and all acts are ratified at the Annual General Meeting</i>
<b>Description</b>	<i>The group established a level of approving authority manual approved by the Board which is the basis for all transactional approvals and whereupon all corporate acts are ratified during the annual general meeting.</i>

**(c) Stockholders' Rights**

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<i>Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with those granted in the Corporation Code of the Phils.</i>	<i>There are no other rights granted to the stockholders not in the Corporation Code of the Phils.</i>

**Dividends**

Declaration Date	Record Date	Payment Date
<i>No dividend was declared in 2012.</i>		

**(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
<i>Q&amp;A portion during Annual General Meeting, and all directors including chairman of the board</i>	<i>Announced during the Annual General Meeting</i>

Measures Adopted	Communication Procedure
<p><i>and individual committees may ask questions.</i></p> <p><i>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.</i></p> <p><i>Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth of the outstanding voting capital stock of the Corporation.</i></p>	<p><i>Stockholders of record are informed of the meeting at least 2 weeks before. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</i></p> <p><i>The designated Investor Relations Officer has also been tasked to handle any and all stockholder queries and concerns, and the contact details are available via our corporate website.</i></p>

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

*It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.*

*The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.*

*Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock.*

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? *No*

- a. **Date of sending out notices:**

*As provided in the by-laws, at least 2 weeks before the date of the meeting.*

**Date of the Annual/Special Stockholders' Meeting:**

*May of each year, as provided for in the by-laws.*

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

QUESTIONS	RESPONSES
<p>1. What does the Company intend to do with the gain on sale of investment of PhP2.274B?</p> <p>2. What does it intend to do with the cash generated from the sale of Paxys Australia?</p>	<p>The Board is actively evaluating investment projects where the divestment proceeds can be redeployed. Aside from investment projects, the Board is also evaluating monetization of the divestment proceeds</p>
<p>1. What is Paxys Global Services, Inc. and its role with the Group?</p> <p>2. Why does it have PhP59.3M worth of advances from Paxys, Inc.</p> <p>3. What do we intend to do about the operating expenses of PGS?</p>	<p>Paxys Global Services, Inc. (PGS) is the shared services company of the Group. The advances of PhP59.3M, as of 30 June 2012, were made by Paxys to PGS in order to fund PGS' operations – consisting mainly of personnel costs. We are currently looking at ways to rationalize these expenses.</p>
<p>1. What is the current net book value of the Company?</p> <p>2. What is our outlook on the revenues moving forward?</p>	<p>With a total net assets of PhP4.353B as of 30 June 2012, the net book value of Paxys share stand at about P3.80 per share. The Company will continue to derive revenues from its two major operating subsidiaries – Stellar Global Solutions Philippines and ScopeWorks Asia.</p>

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

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of previous meeting	YES	NONE	NONE
Ratification of corporate acts	YES	NONE	NONE
Election of new directors	YES	NONE	NONE
Re-appointment of Sycip Gorres and Velayo as external auditors for the current year	YES	NONE	NONE

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

The votes taken during the annual shareholders' meeting are not published. The names of the elected directors and officers are disclosed to the PSE immediately after the annual shareholders' meeting.

(e) Modifications

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

Modifications	Reason for Modification
NONE	

(f) Stockholders' Attendance



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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	AGM Minutes	31 Aug 2013	Show of hands	0%	74%	74%
Special	None					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? *NO*

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

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	<i>As duly stated in company's by-laws, the instrument authorizing the proxy to act shall be exhibited and filed with the Corporate Secretary not later than 10 days prior to the date of meeting.</i>
Notary	<i>Company does not require notarization of proxies. As stated in the company by-laws: Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.</i>
Submission of Proxy	<i>As duly stated in company's by-laws, the instrument authorizing the proxy to act shall be exhibited and filed with the Corporate Secretary not later than 10 days prior to the date of meeting.</i>
Several Proxies	<i>Company does not require notarization of proxies. As stated in the company by-laws: Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.</i>
Validity of Proxy	
Proxies executed abroad	<i>It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</i>
Invalidated Proxy	
Validation of Proxy	<i>The Board will take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. (Manual on Corporate Governance)</i>
Violation of Proxy	

(h) Sending of Notices

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

Policies	Procedure
<i>Except as otherwise provided by law, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting and, if necessary, the general nature of the business to be considered, may be transmitted by any one of the following means: personal delivery, mail, telegraph, cable or publication in a newspaper of general circulation, at least 2 weeks before the date of the meeting. It may also be announced through email and publication in its corporate website, and PSE.</i>	<i>The office of the Corporate Secretary prepares the notices and issue to registered stockholders through any one of the means allowed it by the by-laws. Currently, the Corporate Secretary mails the notices while at the same time sends the notice to SEC.</i>
<i>Special meetings of the stockholders may be called by the President of the Corporation, or by order of the Board of Directors, whenever he or it may deem it necessary, and it shall be the duty of the President to order and call such special meeting whenever the holders of record of not more than 20% of the outstanding capital stock of corporation shall in writing so request.</i>	<i>The same as above</i>

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	723 stockholders
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	8.10.2012-8.11.2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	8.10.2012-8.11.2012
<b>State whether CD format or hard copies were distributed</b>	Hard copies were distributed
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Not Applicable

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

Each resolution to be taken up deals with only one item.	<i>Yes, each item for resolution is disclosed in the agenda, which is sent together with the AGM notice.</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes, the directors' profiles are included in the Definitive Information Statement, which is sent together with the AGM notice.</i>
The auditors to be appointed or re-appointed.	<i>Yes, appointment of auditors is included in the agenda, which is sent together with the AGM notice.</i>
An explanation of the dividend policy, if any	<i>No, the company is still formulating its dividend</i>

dividend is to be declared.	<i>policy.</i>
The amount payable for final dividends.	<i>No, the company did not declare dividends during the last AGM.</i>
Documents required for proxy vote.	<i>Yes, the proxy form is sent together with the AGM notice.</i>

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

## 2) Treatment of Minority Stockholders

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

<b>Policies</b>	<b>Implementation</b>
<i>Every stockholder shall be entitled to one (1) vote for each share of stock registered in his name in the books of the corporation.</i>	<i>Implemented, 1 share, 1 vote policy</i>
<i>Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth of the outstanding voting capital stock of the Corporation.</i>	<i>There has been no request from minority stockholders.</i>
<i>The Board will take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.</i>	<i>Proxies are not required to be notarized.</i>
<i>Presence of at least 1 Independent Director in board meetings</i>	<i>An independent director is always present in board meetings.</i>

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

*There is no provision in the by-laws nor in the Governance manual that prohibit the minority stockholders from nominating candidates for board of directors.*

## K. INVESTORS RELATIONS PROGRAM

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

*Disclosures will be coursed through the Compliance Officer and approved by the Chairman/President of the company.*

### 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 build the trust and confidence of our stakeholders in the company's ability to create value. To create understanding and awareness of the company amongst the investing community.
(2) Principles	Fair disclosure of information; bilateral communication
(3) Modes of Communications	Company website, PSE
(4) Investors Relations Officer	Compliance & Chief Information Officer

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?

- All transactions are evaluated by the Executive Committee for recommendation to the Board
- Prior board approval is secured and immediate disclosure is undertaken upon board approval; and,
- When necessary, as deemed by the board, a third party fairness opinion for divestment is secured as part of the evaluation and approval process.

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

- Multinational Investment Bank, 1 transaction

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
High School Scholarship Program	19 students from De La Salle Canlubang
College Scholarship Program	21 students from various universities in the Philippines

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	
Board Committees	Self - Assessment	Compliance to charter
Individual Directors	None	
CEO/President	Periodic assessment by the Board	Board established KPI

N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
Code of Ethics	Defined in the company's Code of Conduct and Discipline
Corporate Governance Manual	As recommended by the Compliance Officer and approved by the Board.

