

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

Answer: Yes.

(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?

Answer: Yes. The Corporate Secretary's function includes assisting the Chairman in the preparation of the board agenda, safekeeping the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation. The Corporate Secretary keeps all directors informed and updated of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to come up with intelligent decisions on matters that require their approval.

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

Answer: Yes. Mr. Dennis E. Edaño is a lawyer by profession.

(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	Reports and other data relevant to a committee are available to the Board upon request.
Audit	Reports and other data relevant to a committee are available to the Board upon request.
Nomination	Reports and other data relevant to a committee are available to the Board upon request.
Remuneration	Reports and other data relevant to a committee are available to the Board upon request.
Others (specify)	N/A

6) External Advice

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

Procedures	Details
	The Board may seek the advice or counsel of professional advisers as may be necessary in the performance of its mandate.

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
The Board has not introduced amendments to existing policies which may have an effect on its business.		

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	The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held.	
(2) Variable remuneration	NONE	
(3) Per diem allowance	NONE	
(4) Bonus	Bonuses are discretionary. This may depend on the profitability, productivity and fund availability.	
(5) Stock Options and other financial instruments	NONE	
(6) Others (specify)	NONE	

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held.		
Non-Executive Directors	Non-Executive Directors are not entitled to remuneration other than per diem for attendance in Board meetings.		

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
There is no change in the Company's remuneration policy and scheme mentioned above, and the same has been approved during the respective annual stockholders' meetings.	June 13, 2012
	June 14, 2011
	June 8, 2010

### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	NONE	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	P300,000.00	P300,000.00	P200,000.00
(d) Bonuses	VARIABLE	NONE	NONE
(e) Stock Options and/or other financial instruments	NONE	NONE	NONE
(f) Others (Specify)	N/A	N/A	N/A
<b>Total</b>			

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

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE				

**(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
NONE		

**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
Senior Management as a group (Senior Vice President, and Vice Presidents)*	Php7,091,309.20

*\*includes the following officers:*

- a. Mr. Ricky S. Libago, Senior Vice President for Property Development*
- b. Mr. Antonio E. Llantada, Vice President for Audit and Management Services*
- c. Mr. Ricardo B. Gregorio, Vice President for Human Resources and General Administrative Services*
- d. Ms. Jhoanna Lyndelou T. Llaga, Vice President for Marketing*
- e. Mr. Ermanric B. Chan, Assistant Vice President for Credit and Collection*

## E. BOARD COMMITTEES

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

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1	-		To act, by majority vote of all its members, on specific matters within the competence of the Board, as may be delegated in the By-Laws or on a majority vote of the Board, except in those instances expressly provided under Section 35 of the Corporation Code.	Acts on all matters that may be assigned by the Board	Acts on all matters that may be assigned by the Board
Audit	1	-	2	Audit Committee Charter	Oversight responsibilities for the financial reporting process, internal control, risk management, internal audit, external audit, management and legal, tax and regulatory compliance	Financial Reporting Risk Management Internal Control Internal Audit External Audit	Conduct investigation on matters within the scope of its responsibilities
Nomination	-	1	2				
Remuneration	-	1	2				
Others (specify)	-	-	-				

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ANDREW L. TAN	June 13, 2012	19	19	100	1 year
Member (ED)	ANTHONY CHARLEMAGNE C. YU	June 13, 2012	19	19	100	1 year
Member (ED)	EVELYN G. CACHO	June 13, 2012	19	19	100	1 year

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	GERARDO C. GARCIA	June 13, 2012	4	4	100	1 year
Member (ED)	EVELYN G. CACHO	June 13, 2012	4	4	100	1 year
Member (ID)	ALEJO L. VILLANUEVA, JR.	June 13, 2012	4	4	100	1 year

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

**Answer:** The Audit Committee is chaired by Mr. Gerardo C. Garcia, an Independent Director, who has extensive background in finance.

Members of the Audit Committee are Ms. Evelyn G. Cacho and Mr. Alejo L. Villanueva, Jr.

Ms. Evelyn G. Cacho is a Certified Public Accountant and is currently the Corporation's Vice President for Finance.

Mr. Alejo L. Villanueva, Jr. is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consultancy work for the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture and World Bank (Subic Conversion Program).

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

**Answer:** The Audit Committee has an oversight function over the Company's internal and external auditors. It ensures that both auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to effectively perform their function.

The Audit Committee reviews the reports submitted by the internal and external auditors and may conduct investigations on matters within the scope of its responsibilities.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ENRIQUE SANTOS L. SY	June 13, 2012	1	1	100	1 year
Member (ID)	ALEJO L. VILLANUEVA, JR.	June 13, 2012	1	1	100	1 year
Member (ID)	GERARDO C. GARCIA	June 13, 2012	1	1	100	1 year

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ANDREW L. TAN	June 13, 2012	1	1	100	1 year
Member (ID)	GERARDO C. GARCIA	June 13, 2012	1	1	100	1 year
Member (ID)	ALEJO L. VILLANUEVA, JR.	June 13, 2012	1	1	100	1 year

(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	THERE ARE NO OTHER BOARD COMMITTEES ASIDE FROM THE ABOVE-IDENTIFIED COMMITTEES.					
Member (ED)						

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	THERE IS NO CHANGE IN COMMITTEE MEMBERSHIP FOR THE COVERED PERIOD.	
Audit		
Remuneration		
Nomination		

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	Acted on all matters delegated by the Board.	Issued operational approvals within the scope of the Executive Committee's authority, as provided in the Company's By-Laws.

Audit	Implementation of the Company's Audit Committee Charter	Compliance with the Audit Committee Charter.
Nomination	Prepared the final list of candidates for election at the annual meeting of stockholders	Qualification of Nominees and finalization of the list of candidates.
Remuneration	Reviewed compensation of directors and officers	Determination of Industry Compensation and remuneration trends.

## 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	Implement the strategic direction set by the Board	Operational concerns vis-à-vis strategic direction set by the Board
Audit	Review of Risk Management System	Adherence to internal control policies
Nomination	Review of existing qualification and disqualification standards	Ensure compliance with new rules and regulations
Remuneration	Review of Organizational Structure and Company Benefits Program	Industry compensation/remuneration benchmarking
Others (specify)	NONE	NONE

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

**Answer:** The Board, thru the Audit Committee, periodically reviews the effectiveness of the Company's risk management systems with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures. Risk management review is conducted annually with the Internal Audit Department. A review for the period 2012 was conducted in the first quarter of the year. Criteria used for review are compliance with controls and accuracy of identified risks and appropriateness of risk treatment plans.

### 2) Risk Policy

#### (a) Company

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



Risk Exposure	Risk Management Policy	Objective
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool.  Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a new cash position.  Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of supplies. Efficient project management and monitoring.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.

**(b) Group**

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

Risk Exposure	Risk Management Policy	Objective
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool.  Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a new cash position.  Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of supplies. Efficient project management and monitoring.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy.

**3) Control System Set Up**

**(a) Company**

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Country Risk relating to the continued performance of	Institutional reviews of the Philippine economy particularly the real	Minimize each outlay for projects, control development costs and maintain a new

the Philippine economy and political stability.	property sector	each position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/Default reports	Revenue and property diversification.

**(b) Group**

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Country Risk relating to the continued performance of the Philippine economy and political stability.	Institutional reviews of the Philippine economy particularly the real property sector.	Minimize each outlay for projects, control development costs and maintain a new each position.  Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/Default reports	Revenue and property diversification.

**(c) Committee**

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

Committee/Unit	Control Mechanism	Details of its Functions
Board Audit Committee	The mechanism established by the company to safeguard the independence of internal auditors is such that the auditors report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. The department annually declares/undertake a non-conflict of interests by its auditors.	Provides oversight over Management's risk management process, financial reporting process and reviews internal audit plans.

**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;

Answer: Internal Control System refers to the management's ability to control particular risks or business activities that

the Company is exposed to. Internal Control is effected by the board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

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

Answer: January to December of each year

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

Answer: Internal controls are reviewed annually. The Internal Audit Group submits a post-audit report assessing the effectiveness of the internal control system of the Company to the Audit Committee of the Board.

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

Answer: N/A

**2) Internal Audit**

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

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal audit's role is to provide an independent, objective assurance and consulting services designed to add value and improve the Company's operations. It assists the Company in achieving its objectives by bringing a systematic approach to evaluate and improve the effectiveness of internal control.	The scope of work of internal audit is to determine whether the company's internal control systems, procedures and processes is adequate and functioning to ensure that significant financial, managerial and operating information is accurate, reliable and timely; that employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and resources are acquired economically, used efficiently, and adequately protected.	The Internal Audit function in the company is done in-house.		i) Initial Planning; ii) Evaluation Process; iii) Compliance Tests and Analysis of Data Gathered; iv) Reporting; v) Review and Supervision of Audit Work/Report; vi) Follow-up of Reported Issues.

(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?

Answer: Yes, as stated in the Audit Committee Charter of the Company.

(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?

Answer: Yes

(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
Brian Zarzuela (Audit Assistant)	Review for CPA exams
Roan Toledo (Audit Assistant)	Relocate back to the province with the family
Kristelle Santiago (Audit Assistant)	Relocate back to the province with the family
Daniel Maquirang (Junior Auditor)	Relocate back to the province with the family
Fressie Reyes (Junior Auditor)	Hired by SGV

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

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

Progress Against Plans	The progress of the annual internal audit plan is being monitored monthly and is reported to the President.
Issues <sup>6</sup>	Issues are discussed with the Auditor during closing meetings and their responses are incorporated in the internal audit report.
Findings <sup>7</sup>	Findings are reported to the President and concerned management through the internal audit report.
Examination Trends	Examinations are being done on the different departments of the Company and its subsidiaries regularly.

[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.]

<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.

(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
Internal Audit	Internal Audit is guided by a manual of internal control systems, policies and procedures as well as audit programs which it uses in its review and evaluation of the different departments of the Company and its subsidiaries.

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The mechanism established by the Company to safeguard the independence of internal auditors is such that the auditors report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures.			

(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.

Name	Position in the Company
Andrew L. Tan	Chairman of the Board of Directors
Anthony Charlemagne C. Yu	President
Evelyn G. Cacho	Compliance Officer
Gerardo C. Garcia	Independent Director
Alejo L. Villanueva, Jr.	Independent Director

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	To deliver innovative, responsive and high quality products in keeping with market demands.	Product innovation and focus on skill enhancement to meet market trends and ensure positive customer experience.
Supplier/contractor selection practice	Selection of suppliers and contractors on the basis of quality and pricing.	Canvassing and bid processes are observed to ensure quality and price

		competitiveness for the supply chain.
Environmentally friendly value-chain	Incorporate environmentally friendly practices as a form of corporate social responsibility.	Preference for suppliers with environmental advocacy, keeping the specific supply requirements of the Company in mind.
Community interaction	Responsible, innovative and responsive business practices with the well-being, safety and satisfaction of its clients and the community in mind.	The Company focuses on developing transit-oriented projects to maximize access to public transport, thereby reducing carbon-footprint.  The Company also utilizes an intranet system for all communications within the organization in order to reduce paper consumption.  The Company encourages the use of recycled paper in its communications.
Anti-corruption programmes and procedures?	Foster a culture of honesty and integrity.	Inculcate honesty and integrity in its workforce. Ensure compliance through the Code of Conduct.
Safeguarding creditors' rights	Full disclosure and transparency	Timely meeting of the Company's obligations and proper fund allocation.

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

Answer: Yes, the Annual Report has a corporate responsibility report.

3) Performance-enhancing mechanisms for employee participation.

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

Answer: The Company values the health and safety of its employees and provides in its Code of Conduct, standards for health and safety which must be observed by its employees.

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

Answer: There have been no reported work-related accidents or health concerns in the Company.

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

Answer: The Company encourages its officers and employees to avail of continuing education programs to further enhance and/or complement their technical knowledge.

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

Answer: NONE

- 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.

**Answer:** Complaints concerning misunderstandings and differences among members of the Company are handled by the Company's Grievance Committee, which spearheads investigations concerning such complaints.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more<sup>8</sup>

Shareholder	Number of Shares	Percent	Beneficial Owner
Megaworld Corp.	10,616,672,438	78.7809%	Megaworld Corporation
PCD Nominee Corp.	1,780,719,879	13.2138%	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients. No PCD participants owns 5% or more of the Company's shares of common stocks.

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

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

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
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.

<sup>8</sup> Figures as of May 31, 2013

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan&Araullo	Php1,560,000.00	NONE

4) Medium of Communication

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

Answer: Annual Report (both in printed and in digital format), Online Website.

5) Date of release of audited financial report: April 30, 2013

6) Company Website: <http://www.empire-east.com>

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

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

7) Disclosure of RPT

RPT	Relationship	Nature	Value
The Company's Annual Financial Statements provide a disclosure of its related party transactions. In the normal course of business, the Company enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes.			

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?

Answer: The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions.



**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>	The Company follows the quorum requirement of the Corporation Code.
------------------------	---

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

Explain the system used to approve corporate acts.

<b>System Used</b>	Corporate acts except those requiring stockholders' approval are approved by the Board.
<b>Description</b>	At least a majority vote of the directors present in a meeting is required to approve corporate acts.

**(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
The Company complies with and follows the Corporation Code provisions for Stockholders' Rights concerning Annual and/or Special Stockholders' Meeting.	

**Dividends**

Declaration Date	Record Date	Payment Date
2006	July 13, 2006	2006

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Open forum during Annual Stockholders Meeting	Verbal communication
Information Statement, Notice of Meeting	Written Communication

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

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

**Answer:** The Company complies with the requirements of the Corporation Code and requires a 2/3 vote of stockholders for amendments to the Company's Articles of Incorporation and sale of all or substantially all of the Company's assets.

Pre-emptive rights to subscribe to all stock issuances of the Company are waived in the Company's Articles of Incorporation.

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?

**Answer:** Yes

- a. Date of sending out notices: May 22, 2012
- b. Date of the Annual/Special Stockholders' Meeting: June 13, 2012

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

**Answer:** Yes, there is always a question and answer portion during the Annual Stockholders' Meeting. Below is an excerpt from the minutes of the Company's Annual Stockholders' Meeting held last June 13, 2012:

**Question:** With the booming Philippine real estate industry, and being affected by the upcoming midterm election next year, how is Empire East readying for this?

**Answer:** The Philippines is experiencing very good years, both in our economy and in the real estate industry, and the election next year should positively affect the economy. As most economists would tell you, election years are usually very good years for an economy because these are years that people spend. So we believe that the electoral exercise, if there is an effect at all, would be a very positive one to the industry and to your Company.

**Question:** Can you provide us more details about the upcoming rights issue and can we expect a cash dividend this year?

**Answer:** The Board of Directors of Empire East Land Holdings has approved a pre-emptive rights offer to holders of common shares at the proportion of 1 new share for every 4 existing common shares. The exercise price has been pegged at the par value of Php1.00 per share. The Company intends to use the proceeds of the rights offer for landbanking, project development as well as for general corporate purposes.

We will not be declaring any dividend for this year due to the fact that there is massive building in the Company, and we would like to tap all the available resources of the Company in order to ramp up the completion of our projects. Whatever capital we have, whatever money we have, we would like to use it in order for us to complete all our projects and to continue with new ventures.

**Question:** Since you are now consolidated under Megaworld, how do you differentiate your projects with respect to Megaworld?

**Answer:** Megaworld is more focused on the upward segment of the market in Metro Manila and Megaworld also caters to a lot of BPO communities. Megaworld, as a whole, has also successfully diversified into the commercial retail market segment and other ventures.

Empire East, on the other hand, has decided to remain focused on the middle-income segment of the market, which

is a very big and untapped market. As we can see, all the other developers are going to the mid-income market because of its huge potential. It is for this reason that we decided that we will continue to focus on the mid-income residential market for Empire East.

Aside from Metro Manila, we've also successfully ventured into the suburbs through our developments such as Laguna Bel Air and Sonoma. We will continue these suburb approach and we will have some suburban developments in the Calabarzon area and mostly affordable homes in Metro Manila.

Question: Do you think the impeachment of Chief Justice Corona has an effect on the Company's business and also in the real estate as a whole?

Answer: As a whole, we do not think there should be any adverse consequence in so far as the impeachment of Chief Justice Corona is concerned. If anything, I think both sides in the impeachment process have emphasized that accountability is necessary. I think that's very good for us as a whole. That we saw through such a political exercise from the start towards its end shows the level of political maturity of the Filipino people as a nation. Hopefully, this will also bring more foreign investment as they have more confidence based on what we've seen through matured political process, so I do not think there is any adverse consequence. If any, the consequence should be a positive one.

Question: Right now in Metro Manila, there are many buildings being constructed under the LEED standard, claiming that it is more green. Does Empire East have any plans like this?

Answer: LEED means Leadership in Energy and Environmental Design. LEED is a standard of architectural design made by a certain group of people in order to make things more energy efficient and more environment-friendly. It was started in the developed countries and slowly, very gradually, the developing countries are adapting those standards. The adoption of those standards is not fast in the developing countries because of two reasons: first, the cost of doing something environmental and second, the technology is very different. What works in temperate climates may not work in climates like that of the Philippines. Those are the two primary considerations. But, slowly, there has been some adaptation, and in the Philippines, there has been a few LEED buildings. We definitely believe that we should consider this LEED standard in our future projects. We believe that it is very important for us to contribute towards environmental efficiency.

At the moment, it is important for us to be able to balance what is environmental and what is affordable. We believe that affordable housing, which is a basic human right and environmental protection, which is also another constitutional right, should be balanced.

Your Company's contribution to this green effort is by coming up with transport-oriented developments (TODs). Five, six years ago, even before any developer came up with transport-oriented development, we have decided to come up with our TODs, patterned after other countries. Simply because we believe that the carbon emission brought about by vehicular traffic is so bad, mostly in the metropolis and that we have to come up with the transport-oriented developments that are directly linked to the metro transport system. As we can see, many developers have followed us in this regard. We believe that it is one big contribution for us to reduce carbon footprint in the Philippines. And we would like to continue such environmental practices in the Philippines.

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

Resolution	Approving	Dissenting	Abstaining
Increase in Authorized Capital Stock	All stockholders in attendance	None	None
Engagement of External Auditor	All stockholders in attendance	None	none

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

Answer: Results were published on June 13, 2012 or on the day the Annual Stockholders' Meeting was held.

(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	- Andrew L. Tan - Gerardo C. Garcia - Anthony Charlemagne C. Yu - Katherine L. Tan - Evelyn G. Cacho - Enrique Santos L. Sy - Alejo L. Villanueva, Jr.	06/13/2012	By nomination	73.54109%	0.0257%	73.56680%
Special	NONE					

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

Answer: Yes

(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.

Answer: Yes

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Must be signed by authorized signatory of the stockholder with accompanying resolutions designating the proxy/representative
Notary	Not necessary
Submission of Proxy	Must be submitted at least 10 days before the scheduled meeting
Several Proxies	Yes. Multiple proxies is allowed.
Validity of Proxy	Appointments shall not exceed 5 years from date of grant and may be

	revoked by the stockholder at any time before the right granted is exercised.
Proxies executed abroad	Allowed
Invalidated Proxy	Share/s shall not be counted for quorum
Validation of Proxy	At least 10 days before scheduled meeting
Violation of Proxy	Vote/s shall not be counted

**(h) Sending of Notices**

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

Policies	Procedure
The Company complies with the procedure provided in the Corporation Code and the Securities Regulation Code.	

**(i) Definitive Information Statements<sup>9</sup> and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	13,358 stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 22, 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 22, 2012
State whether CD format or hard copies were distributed	Hardcopy
If yes, indicate whether requesting stockholders were provided hard copies	

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	The Company opted to reinvest its earnings and profits, and no dividend has been declared since year 2006.
The amount payable for final dividends.	
Documents required for proxy vote.	Yes

<sup>9</sup> Based on Definitive Information Statement for 2012 Annual Stockholders Meeting.

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

Answer: NONE

2) Treatment of Minority Stockholders

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

Policies	Implementation
All stockholders are treated equally and without discrimination.	All stockholders are given the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation (Section 3(B), Manual of Corporate Governance)

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

Answer: Yes.

K. INVESTORS RELATIONS PROGRAM

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

Answer: All external and internal communications are being reviewed by the Compliance Officer, endorsed by the President/Chief Executive Officer, and approved by the Board of Directors prior to information distribution.

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 keep shareholders informed of important development in the Company.
(2) Principles	Transparency and accessibility to investors
(3) Modes of Communications	Communication may be done through corporate disclosures, press release and company statements.
(4) Investors Relations Officer	John Marson T. Hao/Tel. No. 8678826 loc. 234/ Email add: jhao@megaworldcorp.com

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?

Answer: The Company takes guidance from the Corporation Code and the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange with respect to the approval, pricing and the disclosures of acquisitions of corporate control in the capital markets and extraordinary transactions.

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

Answer: None. The Company may engage an independent appraiser as the need arises.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
Tree planting activities	Environment, stakeholders and the general public
Contribute to the reduction of carbon footprint by focusing on developing transit-oriented projects	Environment, stakeholders and the general public

**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	Self -Assessment	No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company's corporate governance practices are compliant with the best business practice guidelines.
Board Committees	Board Review	Performance of delegated functions
Individual Directors	Self-Assessment	No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company's corporate governance practices are compliant with the best business practice guidelines.
CEO/President	Board Review	Results of Operations

**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
The Company designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Director to measure or determine the level of compliance by the Company with its Manual.	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2013.

**SIGNATURES**



**ANDREW L. TAN**  
Chairman of the Board



**ANTHONY CHARLEMAGNE C. YU**  
President



**GERARDO C. GARCIA**  
Independent Director



**ALEJO L. VILLANUEVA, JR.**  
Independent Director



**EVELYN G. CACHO**  
Compliance Officer


**SUBSCRIBED AND SWORN** to before me this JUN 28 2013 day of June, 2013, affiant(s) exhibiting to me their proof of identities as follows:

Name	Proof of Identity	Date of Issue/Place Issued
ANDREW L. TAN	Taxpayer Identification No. 125-960-003 Community Tax Certificate 13755402	Issued in Manila, Philippines Issued on January 12, 2013 at Quezon City
GERARDO C. GARCIA	Taxpayer Identification No. 110-183-659	Issued in Manila, Philippines
ANTHONY CHARLEMAGNE C. YU	Taxpayer Identification No. 132-173-451 Community Tax Certificate 22021029	Issued in Manila, Philippines Issued on January 10, 2013 at Makati City
ALEJO L. VILLANUEVA, JR.	Taxpayer Identification No. 107-279-348 SSS Identification No. 03-0714112-5	both issued in Manila, Philippines
EVELYN G. CACHO	Taxpayer Identification No. 127-326-686 Community Tax Certificate 22014407	Issued in Manila, Philippines Issued on January 08, 2013 at Makati City

Doc No. 081  
Page No. 017  
Book No. N1  
Series of 2013



**NOTARY PUBLIC**

  
Ellan Mark G. Pailan  
Notary Public  
Until 31 December 2013  
IBP No. 917160; 01.04.13; Makati City  
PTR No. 3676235; 01.08.13; Makati City  
Roll No. 52791; 04.14.06  
24/F The World Centre Building  
330 Sen. Gil Puyat Ave., Makati City  
Tel. No. 857-8018