



**THE PHILIPPINE STOCK  
EXCHANGE, INC. Corporate  
Governance Guidelines  
For  
Listed Companies  
Disclosure Template**

	COMPLY	EXPLAIN
<b>Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY</b>		
1.1 Have a clearly defined vision, mission and core values.	Yes	Company website; Annual Report to Stockholders; Revised Manual on Corporate Governance; Business Conduct Policy Handbook.
1.2 Have a well developed business strategy.	Yes	SEC Form 17-A: Annual Report; Revised Manual on Corporate Governance. <i>Medium Term Plan per business unit.</i>
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	Yes	SEC Form 17-A: Annual Report; Revised Manual on Corporate Governance. <i>Annual Business Plan with Key Performance Indicators.</i>
1.4 Have its board continually engaged in discussions of strategic business issues.	Yes	Revised Manual on Corporate Governance; Minutes of Board Meetings.
<b>Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD</b>		
2.1. Have a board composed of directors of proven competence and integrity.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.2. Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.3 Have at least three (3) or thirty percent (30%) of its directors as independent directors.	No	RCI currently has two (2) independent directors on its Board. However, Mr. Fernando Gaspar, a nominated and elected regular director of the Company, meets all the qualifications and none of the disqualifications of an independent director.
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	Yes	Amended By-Laws; CADP Code of Business Conduct Policy; CADP Safety Code; Revised Manual on Corporate Governance; Risk Management Policy; Roxaco Employee Handbook.
2.5 Have Audit and Risk; and Governance, Nomination & Election Committees of the board.	Yes	Revised Manual on Corporate Governance.

## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	No	The Chairman and CEO positions are held by the same person. This situation, which is temporary, was a result of the resignation of the former CEO sometime in August 2009. A search for a qualified person to occupy the CEO position is on-going.
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	Yes	Amended By-Laws; Minutes of Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
2.8	Have in place a formal board and director development program.	No	RCI does not have a formal board and director development program. However, its directors and officers attend seminars on good corporate governance, as required under SEC Memorandum Circular No. 20, Series of 2013.
2.9	Have a corporate secretary.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
<b>Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</b>			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Internal Audit Charter.
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance. <i>Finance Policies and Procedure.</i>
3.3	Institutionalize quality service programs for the internal audit function.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	Yes	Revised Manual on Corporate Governance; Roxaco Employee Handbook; CADP Business Conduct and Policy Handbook.
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Yes	SEC Form 17-A (Statement of Management Responsibility for Financial Statements)
<b>Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</b>			
4.1	Have its board oversee the company's risk management function.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Amended By-Laws.

## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance. <i>Finance Policies and Procedure.</i>
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; General Information Sheet.
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.
4.6	Seek external technical support in risk management when such competence is not available internally.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
<b>Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</b>			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.3	Ensure that the external auditor has adequate quality control procedures.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.4	Disclose relevant information on the external auditors.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings; Various disclosures to PSE.
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.



## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	Yes	Audit Committee Charter; Audited Financial Statement; Revised Manual on Corporate Governance.
5.8	Have a policy of rotating the lead audit partner every five years.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
<b>Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON- CONTROLLING GROUP</b>			
6.1	Adopt the principle of “one share, one vote.”	Yes	Amended By-Laws; Minutes of the Annual Stockholder’s Meeting; Revised Manual on Corporate Governance.
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Yes	Amended By-Laws; Minutes of the Annual Stockholder’s Meeting; Revised Manual on Corporate Governance.
6.3	Have an effective, secure and efficient voting system.	Yes	Amended By-Laws; Minutes of the Annual Stockholder’s Meeting; Revised Manual on Corporate Governance.
6.4	Have effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	No	RCI does not have a special shareholder voting policy but it complies with the minimum voting requirements for the approval of certain corporate acts as specified in the Corporation Code.
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	Yes	The Company complies with the suggested best practice and with the mandatory requirements of the Securities Regulation Code, despite its Amended By-Laws stating that the regular meetings of stockholders may be held without prior notice while notices for special meetings may be sent to its stockholders at least 10 days prior to the date of meeting.
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
6.7	Ensure that all relevant questions during the AGM are answered.	Yes	Minutes of Annual Stockholder’s Meeting; Revised Manual on Corporate Governance.

## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes	Revised Manual on Corporate Governance.
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	Yes	Company Website; SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement.
6.11	Have a communications strategy to promote effective communication with shareholders.	Yes	Company Website; Revised Manual on Corporate Governance.
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	Yes	Public Ownership Report.
6.13	Have a transparent dividend policy.	No	RCI's ability to declare and pay dividends is generally restricted and guided by the pertinent provisions of the Corporation Code.
<b>Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME</b>			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	Yes	Revised Manual on Corporate Governance.
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Yes	Revised Manual on Corporate Governance.
7.3	Disclose its director and executive compensation policy.	Yes	Revised Manual on Corporate Governance; SEC Form 17-A; Annual Report; SEC Form 17-IS: Information Statement.
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement; Top 20 Shareholders Report; Public Ownership Report.
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-Q: Quarterly Report; Audited Financial Statement.
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	Yes	Revised Manual on Corporate Governance.
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	Yes	SEC Form 17-IS: Information Statement; SEC Form 17-A: Annual Report.

## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	Yes	SEC Form 17-A: Annual Report; SEC Form 17-C: Current Report; SEC Form 17-IS: Information Statement; Various disclosures to SEC and PSE.
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Yes	Revised Manual on Corporate Governance; SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement.
<b>Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS</b>			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	Yes	CADP Code of Business Conduct Policy; Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.2	Have in place a workplace development program.	Yes	CADP Code of Business Conduct Policy; Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	Yes	Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.4	Have in place a community involvement program.	Yes	Company website on Corporate Social Responsibility ("CSR"). <i>CSR activities thru the Roxas Foundation.</i>
8.5	Have in place an environment-related program.	Yes	Company website on Corporate Social Responsibility. <i>CSR activities thru the Roxas Foundation.</i>
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	Yes	CADP Code of Business Conduct Policy; Roxaco Employee Handbook; Revised Manual on Corporate Governance.
<b>Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING</b>			

## CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**Date: **31 March 2016**

9.1	Develop and disclose a policy governing the company's transactions with related parties.	No	The RCI Board has directed management to draft a policy governing related-party transactions for the consideration of, and approval by, the Board. This project is on-going.
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	No	Same answer as in 9.1.
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	No	RCI discloses to its shareholders all its RPTs in its Annual Report/Audited Financial Statements. However, it does not have a voting system whereby a majority of non-related party shareholders approve specific types of related-party transactions.
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	Yes	Audit Committee Charter; Amended By-Laws; Revised Manual on Corporate Governance.
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes	Revised Manual on Corporate Governance.
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement; Revised Manual on Corporate Governance.
<b>Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, &amp; ENFORCEMENT</b>			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; CADP Safety Code; Roxaco Employee Handbook.
10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; Roxaco Employee Handbook.



CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **ROXAS AND COMPANY, INC.**

Date: **31 March 2016**

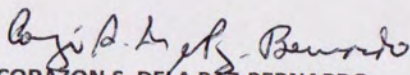
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; Roxaco Employee Handbook.
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy.
10.6	Respect intellectual property rights.	Yes	Revised Manual on Corporate Governance.
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	Yes	Revised Manual on Corporate Governance.

\*List of attached documents.

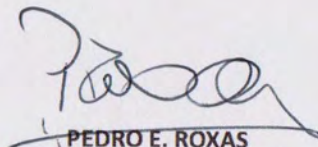
Annex	Title of Document
A	SEC Form 17-A
B	Annual Report to Stockholders
C	RCI Audit Committee Charter
D	RCI Amended By-Laws
E	CADP Code of Business Conduct Policy
F	CADP Safety Code
G	RCI Revised Manual on Corporate Governance
H	Roxaco Employee Handbook

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this \_\_\_\_\_ in Makati City.

  
CORAZON S. DELA PAZ-BERNARDO

Independent Director

  
PEDRO E. ROXAS

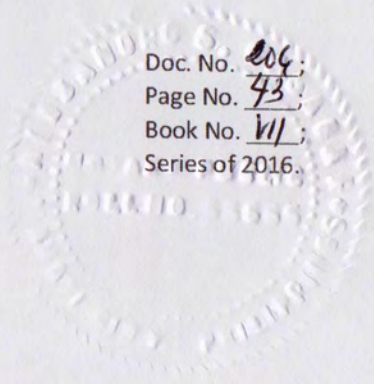
President & CEO



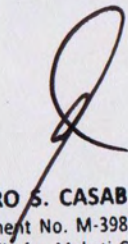
APR 13 2016

**SUBSCRIBED AND SWORN TO BEFORE ME**, a Notary Public for and in Makati City this \_\_\_\_ day of March 2016, affiants exhibiting to me their respective valid identification cards as indicated below.

Name	Valid ID	Valid Until
Corazon S. Dela Paz-Bernardo	Phil. Passport No. EB5032144	27 March 2017
Pedro E. Roxas	Phil. Passport No. EC2368933	09 October 2019



Doc. No. 004;  
Page No. 43;  
Book No. 111;  
Series of 2016.

  
**ALEJANDRO S. CASABAR**  
Appointment No. M-398  
Notary Public for Makati City  
Until December 31, 2016  
7<sup>th</sup> Floor CG Building, 101 Aguirre Street  
Legaspi Village, Makati City  
Roll of Attorneys No. 55665  
PTR No. 5341705/01-15-16/Makati City  
IBP LRN No. 07519/04-11-08/Makati Chapter  
MCLE Compliance No. IV-0013193/03-11-013



# **A N N E X “A”**

**SEC Form 17-A**

SEC Registration Number

P W - 8 3 4

Company Name

R O X A S   A N D   C O M P A N Y ,   I N C .   A N D   S U B S I  
 D I A R I E S

Principal Office (No./Street/Barangay/City/Town) Province

7 t h   F l o o r ,   C a c h o - G o n z a l e s   B u i l d i n  
 g ,   1 0 1   A g u i r r e   S t r e e t ,   L e g a s p i   V i  
 l l a g e ,   M a k a t i   C i t y

Form Type

**SEC Form 17-A**

Department requiring the report

**C R M D**

Secondary License Type, If Applicable

**Not Applicable**

**COMPANY INFORMATION**

Company's Email Address

**www.roxacompany.com.ph**

Company's Telephone Number/s

**(02) 810-8901**

Mobile Number

**-**

No. of Stockholders

**3,384**

Annual Meeting  
Month/Day

**4<sup>th</sup> Wednesday of February**

Fiscal Year  
Month/Day

**September 30**

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

**Atty. Alezandro S. Casabar**

Email Address

**asc@roxaco.com**

Telephone Number/s

**(632) 751-9536**

Mobile Number

**-**

Contact Person's Address

**7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City**

**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **30 September 2015**
2. SEC Identification Number: **PW- 834**
3. BIR Tax Identification No. : **000-269-435-000**
4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**
5. **Philippines**  
Province, Country or other jurisdiction of  
Incorporation or Organization
6. (SEC Use Only)  
Industry Classification Code
7. **7<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229**  
Address of Principal Office
8. **(632) 810-89-01 to 06**  
Registrant's telephone number, including area code
9. **CADP GROUP CORPORATION**  
6<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229  
Former name and former address.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock Common	<b>₱3,375,000,000</b>
No. of shares subscribed & outstanding: Common	1,971,501,095
Amount of loans outstanding as of 30 September 2015	<b>₱795,949,159</b>

Of the 1,971,501,095 subscribed and outstanding common shares, 1,365,990,294 shares were exempt securities under Section 10.1 of the SRC.

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes []      No []

1,971,501,095 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes []      No [  ]

(b) Has been subject to such filing requirements for the past 90 days.

Yes []      No [  ]

13. State the aggregate market value of the voting stock held by non-affiliates of the issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Assuming that the number of stockholdings of non-affiliates as of 30 September 2015 is 1,918,155,731 common shares and assuming further that the market bid price of the shares as of same date is ₱2.80 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱5,370,836,047.

14. Documents incorporated by reference. (Briefly describe them and identify the part where they are incorporated).

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries for the fiscal year ended 30 September 2015.

## PART I – BUSINESS

### 1. Business Development

In 2008, the Roxas Group of Companies, of which Roxas & Company, Inc. (RCI), Roxas Holdings, Inc. (RHI), Roxaco Land Corporation (Roxaco), and CADP Group Corporation (CADPGC) are a part, undertook a corporate reorganization. This was done to create a corporate structure that ultimately separated the sugar and the real estate businesses of the Roxas Group. The objective was to have a listed company for the sugar business and another listed company for the real estate business.

On June 23, 2009, the Securities and Exchange Commission (SEC) approved the merger between RCI (SEC Registration No. 102373), the *absorbed* corporation, and CADPGC (SEC Registration No. 834), the surviving corporation. The merger took effect on June 29, 2009. The SEC likewise allowed the surviving corporation, CADPGC, to change its corporate name to Roxas and Company, Inc. (the "Company").

With the merger of RCI and CADPGC, the Company now has interests in both (i) the real estate business of the wholly-owned subsidiary, Roxaco and (ii) the sugar business of RHI and its sugar- and ethanol-manufacturing subsidiaries.

On November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific. Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders. As at September 30, 2015, the Parent Company has 31% equity interest in RHI.

On December 3, 2013, RLC entered into a Joint Venture Agreement with Singapore's Vanguard Hotels Group to form a joint venture company, namely - RVHC [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 14, 2015, the SEC approved the incorporation of Roxas Green Energy Corporation (RGEC), which is a wholly owned subsidiary of the Company. RGEC is established to engage in the exploration, development and utilization of renewable energy resources, including but not limited to solar energy resources, for lightning and power purposes, and for selling the electric power to any power corporation and other entities.

On October 8, 2015, the Company entered into a Joint Venture Agreement (JVA) with Sigma Xynergies Corporation (SXC), a Filipino owned company, to establish Sigma Coco Xynergies, Inc., a joint venture Company, duly registered and incorporated with the SEC, primarily engaged in constructing a 200 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate for export.

## **2. Business**

### **Description of the General Nature and Business of the Company**

The Company, a holding and investment corporation, has interests in the sugar businesses of RHI, the real estate business of Roxaco and the renewable energy business of RGEC.

Since most of the real property development projects of Roxaco are already completed, it is looking into undertaking other projects for expansion and development. In 2012, it began the development of the first townhomes project with shop houses in Nasugbu, Batangas – the Landing Townhomes.

Roxaco has also expanded its Orchards project in 2013 with the launch of Phase II for The Orchards at Balayan Subdivision, also in Batangas.

Roxaco developed Anya Resort and Residences (Phases 1, 2 &3), Roxaco completed the development of Phase 1 as at September 2014. Roxaco will continue developing Anya Resort and

Residences into a boutique resort with the construction of various resort amenities and branded residences.

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the “Budget Hotel” industry in the Philippines. The joint venture is designed for the partners to put up and operate a minimum of five (5) budget hotels in Metro Manila. The company continues to explore business prospects in the CALABARZON and Metro Manila areas.

### **Business Units and Operations**

The Company directly owns (a) 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, (b) 100% of Roxas Green Energy (RGEC) and (c) 31% of the total issued and outstanding shares of RHI, under which are the various renewable energy and sugar-operating companies.

The Company, through Roxaco, has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Fuego Hotels Property and Management Corporation (FHMP), Roxaco-ACM Development Corporation (RADC), Roxaco Commercial Properties Corporation (RCPC), SAMG Memorial Management and Services, Inc. (SMMSI) and Roxaco-Vanguard Hotels Corporation (RVHC).

FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and Roxaco specifically to carry out the business plan which provides, among others, for the development of the upgraded facilities of Peninsula de Punta Fuego.

FLC was formed as 60%-30%-10% joint operation by Landco Pacific Corporation, Roxaco and Alexcy Corporation. The joint venture corporation tied up with several land owners for the expansion of the Punta Fuego project known as Terrazas de Punta Fuego.

FHPMC is a management company with expertise in managing hotels, resorts and full and limited service companies. Roxaco has a 75% equity interest in FHPMC.

RADC was formed as 50%-50% joint venture between Roxaco and ACM Landholdings (ACM) for the development of a 5-hectare property into a housing project known as Woodstock-Nasugbu.

Roxaco also has a 65% interest in a joint venture with Marilo Corporation for the development of The Orchards at Balayan in Balayan, Batangas and a 42% interest in a joint venture with ACML and ACM Columbia for the development of Goodwood Homes Subdivision.

On 02 December 2009, Roxaco entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 36,201 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). Roxaco has a 65% share in the net proceeds from the sale of 14 pre-selected lots, a 65% and 60% share in the net proceeds from the sale of remaining 12 and 28 lots respectively in Phase 1. The other 21,771 square-meter which consist of Phase 2 & 3 of Anya Resort and Residences (Tagaytay) is 100% development by Roxaco.

In July 2012, Roxaco launched its townhomes project, known as Landing Townhomes, in Nasugbu, Batangas. Landing Townhomes is a project consisting of 114 units of saleable house and lots, 21 commercial units for sale of which 2 units are to be used as Roxaco office in 1<sup>st</sup> quarter of 2015.

In December 3, 2013, Roxaco entered into a 50%-50% Joint Venture Agreement with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations over the next two or three years.

On May 14, 2015, RGEC was incorporated and registered with the SEC to primarily engage in the development and construction of renewable energy resources in Nasugbu, Batangas with a total estimated project cost of ₱1.7 billion which is estimated to be completed in 2016.

### **Principal Products and Services**

Roxaco, on its own or in joint venture with other property developers and landowners, has several projects ranging from first-class residential resort communities to open-lot residential subdivisions within the provinces of Batangas and Cavite.

Its joint venture projects include:

- (a) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;
- (b) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and Roxaco. This property is also home to Amara en Terrazas, a seaside condominium project;
- (c) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;
- (d) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between Roxaco and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;
- (e) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;
- (f) The Orchards at Balayan, a 9-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision for Phase 1, a combination of an open-lot, house and lot residential subdivision for Phase 2 developed by Roxaco in joint venture with Marilo Corporation; and

On its own, Roxaco developed the following projects:

- (a) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;
- (b) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;
- (c) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;
- (d) Palm Homes, a 10-unit house and lot project in Palm Estates;
- (e) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and
- (f) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 21 commercial units for sale of which 2 units is to be used as Roxaco office .

#### **Distribution Methods of the Products or Services**

Roxaco offers its various properties to potential buyers through its authorized sales agents and brokers.

#### **Competition**

Most of Roxaco's projects are located in the Municipality of Nasugbu, Batangas. It intends to develop the remaining land bank based on an integrated master plan, and also explore possible projects in other high-potential regions in the Philippines.

The giants of the local property market are Ayala Land, Robinsons Land, Megaworld, Filinvest Land, Vista Land and Sta.Lucia Realty. In Nasugbu, however, Roxaco's projects, which cater more to the local market, have no direct competitors. Most of the popular developments such as Pico de Loro in Hamilo Coast by SM Investments Corporation are designed as weekend homes for the Metro Manila market. In Tagaytay, SM Investments Corporation also offers premium residences that seamlessly fuse together leisure and luxury – Tagaytay Highlands.

In terms of project types, Roxaco is comparable to emerging developers like Moldex, Extra Ordinary Development Corporation, and other regional developers that are still in the process of establishing a national presence.

Roxaco does not have records on file indicative of the relative sizes and financial and market strengths of the said companies. However, financial and operational performances of publicly-listed real estate companies are available through their disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

## **Sources and Availability of Raw Materials and Names of Principal Suppliers**

Roxaco secured the services of Land Infrastructures Experts, Inc., Arlkaye Builders, R.A. Construction Corporation, Blue Development Inc., Ecoplan Inc., ECCruz Corporation and Emesae Design Corporation for its major real estate developments.

## **Transactions with and/or Dependence on Related Parties**

Roxaco is not dependent on a few customers or related parties in the sale of its properties or in offering its services. It caters to families from all economic walks of life.

## **Patents, Trademarks and Copyrights**

The Company's real property arm, Roxaco, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The application is currently on process.

## **Need for Government Approvals of Principal Products or Services**

As part of the normal course of business, Roxaco secures all the necessary permits such as but not limited to development permits from the local government, Certificate of Registration and License to Sell from the Housing and Land Use Regulatory Board, and the Environmental Compliance Certificate from the Department of Environment and Natural Resources.

## **Effect of Existing or Probable Governmental Regulations**

The real estate business is subject to a number of laws including the Civil Code of the Philippines, Presidential Decree Nos. 957 and 1216, the Maceda Law, and certain provisions of the Local Government Code. The industry is primarily regulated by the policies and rules and regulations issued by the Housing and Land Use Regulatory Board.

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction Contracts*, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 until the final Revenue Standard is issued by the IASB and after an evaluation on the requirements and guidance in the said Standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

## *Value Added Tax System*

The present value-added tax (VAT) system imposes a 12% VAT on Sale of Real Properties. Section 4.106-3 of Revenue Regulations No. 16-2005 – Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds ₱1,919,500, for residential lots and ₱3,199,200 for residential house and lots or other residential dwellings. Adjacent residential lots,

house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling. The tax consequence does not adversely affect the company's business because the tax is passed onto the buyer or consumer.

### **Costs and Effects of Compliance with Environmental Laws**

Roxaco secures the required Environmental Compliance Certificates for all of its real property developments. For the Anya Resort and Residences project in Tagaytay, Roxaco has invested in the transfer and relocation of existing landscaping and therefore ensure that the generally lush environment is maintained.

In addition, designs of the houses as well as the amenities for Anya have incorporated sustainable architectural design features that maximize natural lighting and ventilation and reduce energy costs.

### **Total Number of Employees and Number of Full-Time Employees**

As of 30 September 2015, the Company had Three (3) executives and six (6) employees.

Roxaco, on the other hand, had three (3) executives and thirty four (34) employees. Nine (11) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

### **Property**

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4,495.4 million as of 30 September 2015. Of these, 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

In April 2010, RCI filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare fourteen (14) specific geographical areas within the RCI landholdings as tourism zones. To date, this application has remained unacted upon.

In total, RCI has around 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

There are pending legal cases as at September 30, 2015. None of these contingencies are discussed in detail so as not to seriously prejudice the Company's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7<sup>th</sup> Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱179,506 while fair market value is pegged at ₱65.92 Million as of 30 September 2015. This property and 7,770 sqm of land properties in Nasugbu, Batangas with carrying amount of ₱6.9 million and ₱7.0 million as at September 30, 2015 and 2014, respectively are used as collateral for the long-term borrowings.

### **Real Estate**

As of 30 September 2015, Roxaco's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱508.6 million (historical cost).



Of these, properties with total area of 677,522 sqm and carrying costs of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

### **Legal Proceedings**

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the CARP.

Sometime in 1993, the Company filed a case questioning the Department of Agrarian Reform's (DAR) acquisition of its landholdings and asking for the cancellation of the Certificates of Land Ownership Awards (CLOAs) issued by the DAR in favor of the farmer-beneficiaries. On 17 December 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over haciendas Palico, Banilad and Caylaway/Carmen. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the DAR an application for CARP exemption of its three Haciendas in Nasugbu based on Presidential Proclamation No. 1520 which declared the entire municipality of Nasugbu as a tourist zone. RCI likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands<sup>1</sup>. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

On 08 February 2011, the Supreme Court denied the Company's Second Motion for Reconsideration and affirmed with finality its December 2009 Decision.

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption," RCI filed in April 2010 with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones ("TEZs"). This application was based on the Tourism Act of 2009.

To date, the said application has remained unacted upon primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, last July 2011, the IRR has been published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011<sup>2</sup> affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three<sup>3</sup> other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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<sup>1</sup> The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at <http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm>.

<sup>2</sup> Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

In the ordinary course of its business, the Company is a party to other cases, either as complainant or defendant. However, the Company believes that these cases do not have any material adverse effect on it.

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI. On June 27, 2014, RCI filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

The Company shall account for any legal and financial liabilities arising from the land properties subject to CARP upon the resolution of ownership by the Court.

There are pending legal cases as at September 30, 2015. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

#### Real Estate

In the ordinary course of its business, Roxaco is engaged in litigation either as complainant or defendant. Roxaco believes that these cases do not have any material adverse effect on it.

#### **Submission of Matters to a Vote of Security Holders**

No matter was submitted to a vote of security holders, through solicitation of proxies or otherwise, during the period) covered by this report.

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<sup>3</sup> These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI's application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers' Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

## PART II – SECURITIES OF THE REGISTRANT

### Market Price of and Dividends on Common Equity and Related Stockholder Matters

#### 1. Market Information.

The Company has 1,971,501,095 common shares listed and traded in the Philippine Stock Exchange under the trading symbol “RCI”.

(1) High and low share price for the last two (2) fiscal years.

	High	Low
October 2013-December 2013	5.35	4.83
January 2014-March 2014	3.38	3.37
April 2014-June 2014	2.81	2.80
July 2014-Sept 2014	2.99	2.98
October 2014-December 2014	2.80	2.80
January 2015-March 2015	2.95	2.57
April 2015-June 2015	2.89	1.70
July 2015-September 2015	2.80	1.57

(a) Holders. There were 3,384 holders of the Company’s listed shares as of 30 September 2015. The top twenty (20) holders of the Company’s common shares as of said date were:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Philippine National	642,779,593	32.60%
2	Pesan Holdings, Inc.	Philippine National <sup>4</sup>	530,893,105	26.93%
3	Cisco Holdings, Inc.	Philippine National	112,500,000	5.71%
4	CRE Holdings, Inc.	Philippine National	112,500,000	5.71%
5	IÑIGO Holdings, Inc.	Philippine National	112,500,000	5.71%
6	SRE Holdings, Inc.	Philippine National	112,500,000	5.71%
7	PCD Nominee Corporation	Philippine National	74,229,233	3.77%
8	Antonio J. Roxas	Filipino	50,000,000	2.54%
9	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.15%
10	Antonio Roxas Chua	Filipino	2,379,610	0.12%
11	Mari Carmen R. Elizalde	Filipino	1,361,241	0.07%
12	Santiago R. Elizalde	Filipino	1,210,930	0.06%
13	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
14	Francisco R. Elizalde	Filipino	1,203,013	0.06%
15	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
16	Pedro E. Roxas	Filipino	939,031	0.05%
17	Equitable Securities FAO Inigo	Filipino	933,810	0.05%

<sup>4</sup> This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 7 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 531,832,136 RCI shares representing 26.98% of the subscribed capital stock.

	Elizalde			
18	Severo A. Tuazon & Company, Inc.	Filipino	537,000	0.03%
19	Dolores Teus De M. Vara De Rey	Filipino	488,020	0.02%
20	Concepcion Teus Vda. De M. Vara De Rey	Filipino	445,650	0.02%
	<b>SUBTOTAL</b>		<b>1,762,827,117</b>	<b>89.42%</b>
	OTHER STOCKHOLDERS		208,673,978	10.58%
	<b>GRAND TOTAL</b>		<b>1,971,501,095</b>	<b>100.00%</b>

## 2. Dividends.

The ability of the Company to declare and pay dividends on its common shares is generally governed by the pertinent provisions of the Corporation Code of the Philippines, i.e. prohibition on capital impairment and the limitation on the discretion of the Board of Directors, among others. In the recent past, the Company declared and paid dividends as follows:

<i>Declaration Date</i>	<i>Dividend Per Share</i>	<i>Record Date</i>	<i>Payment Date</i>
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008
13 December 2013	₱ 0.02	06 January 2014	30 January 2014
12 December 2014	₱ 0.02	15 January 2015	30 January 2015

## 3. Recent Sales of Unregistered Securities.

### (a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

However, on 23 June 2009, the SEC has approved the increase of the authorized capital stock from Php1,962,500,000.00 divided into 1,962,500,000 shares with a par value of Php1.00 each to Php3,375,000,000.00 divided into 3,375,000,000 shares with a par value of Php1.00 each.

Pursuant to the Plan of Merger, which was likewise approved by the SEC on 23 June 2009 and became effective on 29 June 2009, (i) 1,481,521,405 CADPGC shares previously owned by RCI, (ii) 1,506,000 pre-merger treasury shares of CADPGC; and (iii) 1,365,990,294 new and still unlisted shares from the increase in the authorized capital stock, were distributed/transferred to the stockholders of the absorbed company, RCI.

### (b) Exemption from Registration Claimed.

On 30 June 2009, the Company filed with the Securities and Exchange Commission a Notice of Exempt Transaction (SEC Form 10.1) for the 1,365,990, 294 new and unlisted shares (taken from the increase in the authorized capital stock) that were issued by the Company in connection with the merger of RCI and CADPGC.

The Philippine Stock Exchange (PSE) approved on 25 November 2009 the application submitted by the Company to list the additional 1,365,990,294 common shares, with par value of Php1.00 per share, to cover the merger transaction between RCI and CADPGC.

On 09 December 2009, 1,365,990,294 Company common shares were listed with the PSE.

#### **4. Description of Registrant's Securities.**

The authorized capital stock of the company is Three Billion Three Hundred Seventy Five Million Pesos (₱3,375,000,000.00) divided into 3,375,000,000 common shares with par value of One Peso (₱1.00) per share.

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII, CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

#### **5. Management's Discussion and Analysis or Plan of Operation**

##### **2015 Corporate Updates**

On November 27, 2013, Roxas and Company, Inc. (RCI) made a strategic decision to give up majority control of its investment in Roxas Holdings, Inc. (RHI) in order to buy-out its majority shareholders, fund its expansion projects and to pay down its debts. The Company sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong based company but remained a major shareholder with 35% control as at September 30, 2014.

On February 27, 2015, First Agri Holdings Corporation, a subsidiary of First Pacific purchased additional shares to gain 50.9% majority control of RHI. In order to maintain a 31% ownership of RHI, RCI acquired 5.0 million shares on October 1, 2014 for ₱34.5 million and another 33.1 million shares on February 27, 2015 for ₱231.8 million

On May 14, 2015, RCI incorporated Roxas Green Energy Corporation (RGEC) to venture in solar power generation. RGEC plans to develop a 50MW solar power plant within the properties owned by RCI in Nasugbu, Batangas through a long term lease agreement. The 1<sup>st</sup> phase of 30MW will come on line by 2016.

On August 20, 2015, the Board approved RCI's strategic investment in a Joint Venture with Sigma Xynergies, Inc. to construct an integrated coconut processing plant located in Tupi, South Cotabato. The facility will be capable of processing 200MT per day of coconuts to produce virgin coconut oil, coconut milk, coconut cream and concentrated coconut water primarily for the export market.

#### **Results of Operation**

Consolidated sales for the fiscal year amounted to ₱250.4 million or 25% higher than last year's ₱199.8 million due to higher real estate sales of Anya Resort and Residences Phase 2 project in Tagaytay.

Gross profit for the fiscal year amounted to ₱97.3 million or 39% of sales. The Gross profit rate is lower than last year's 47% due to higher gross profit rate of Peninsula de Punta Fuego project.

General and administrative expenses of ₱91.4 million is 13% higher than last year due to increase in compensation and benefits from additional hiring and higher cost of power.

Selling and marketing expenses amounting to ₱26.6 million is 32% higher than last year due to higher commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings of ₱3.8 million represents 31% share of earnings from its investment in RHI, net of 50% share in losses from investment in RVHC, 30% share in losses from investments in FDC and FLC and 25% share in earnings from investment in CPFI for the period ended September 30, 2015.

Other income representing interest income, management fees, gain on disposal of property and equipment, rent income, interment income, net foreign exchange gains (losses), income from performance bank guarantee and other fees from realty operations amounting to ₱39.1 million is 33% higher than last year's ₱29.3 million due to higher interest from installment sales, gain on sale of property, forfeited deposits and marketing income from realty operations.

Consolidated net income for the fiscal year amounted to ₱135.1 million or a decrease of 94% from last year's net income of ₱2,289.2 million. The decrease was due to the recognition of gain on the sale of its investment in RHI amounting ₱2,036.0 million in 2014.

### **Financial Position**

Consolidated total assets amounting to ₱8,147.8 million as at September 30, 2015 is 9% higher than ₱7,472.5 million as at September 30, 2014 due to the increase in receivables from realty sales and the additional investment in stocks in RHI.

Current ratio decreased from 2.56:1 as at September 30, 2014 to 1.23:1 as at September 30, 2015 due to increase in short term debts to fund project development and investment.

Debt to equity (D/E) ratio increased from 0.08:1 to 0.14:1 for the same period due to increase in short term debts, but still within the maximum 0.75:1 DE ratio required under debt covenants of the term loan.

Book value per share is ₱3.61 and ₱3.51 as at September 30, 2015 and 2014, respectively.

Total trade and other receivables amounting to ₱304.1 million is 57% higher than the balance as at September 30, 2014 of ₱194.1 million due to increase in receivables from higher real estate sales in Landing Townhomes and the Anya Resort projects of the property group.

Total liabilities increased by 90% from ₱539.6 million to ₱1,023.5 million due to the increase of short term loans and payables to fund the property group's real estate projects and to acquire additional shares from RHI.

Total equity increased by ₱191.3 million from ₱6,933.0 million to ₱7,124.3 million due to the additional equity of ₱100.0 million from sale of 50.0 million treasury shares, net increase of ₱96.7 million in retained earnings after payment of ₱38.4 million dividends in the first quarter and the net decrease in other equity reserves of ₱5.3 million.

Other than the matters discussed above, there are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

### Top Five Performance Indicators

As maybe concluded in the foregoing description of the business of RLC, the Company's financial performance is determined to a large extent by the following key results:

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.
3. *Collection efficiency on trade receivables.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

The table below presents the top five performance indicators of the Company:

Performance Indicator	2015	2014	2013
Realized gross profit on real estate sales	₱97.3 million	₱94.2 million	₱48.7 million
Number of lots sold / reserved	72 units residential/ 92 memorial	119 units residential/ 72 memorial	121 unit residential/ 164 memorial
Collection efficiency	98%	98%	99%
EBITDA	₱153.1 million	₱2,494.4 million	₱1,776.3 million
Return on equity	2%	36%	18%

### Key Variable and Other Qualitative and Quantitative Factors

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;

2. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
3. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
4. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
5. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. The company is not aware of causes for any material changes from period to period in the financial statements.
7. Description of material commitments for capital expenditures:

For FY 2015-2016, RLC has programmed ₱579 million for project development costs of which ₱209 million is for Anya Resorts and ₱370.0 million is for new projects.

### **Plan of Operation**

To establish the property operation's continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences. Start of Anya hotel operations by 1<sup>st</sup> quarter of 2016.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.
- Completion and opening of the first five Go Hotels by the first half of 2016.
- Increase ownership in Fuego Hotels up to 100% (now 75%) and enlarge its property management operations through investment or partnership.
- Completion of the development of the 30MW Solar Power Project in Nasugbu, Batangas by 2<sup>nd</sup> quarter of 2016.



- Start of development and construction of coconut processing facility in Tupi, South Cotabato by 1<sup>st</sup> quarter of 2016. Target commencement of operation is by 2017.

### **FISCAL YEAR 2013-2014**

Roxas and Company, Inc. (RCI) or the Parent Company made a major strategic decision to give up majority control of its investment in Roxas Holdings Inc. (RHI) in order to buy-out its minority shareholders, fund the expansion of its tourism-related realty projects and to pay down its debts. RCI sold its 31% equity ownership in RHI to First Pacific Natural Resources Holdings BV (First Pacific), a Hong Kong-based company, on November 29, 2013. Proceeds from the sale amounted to ₱2,220.4 million and led to a gain of ₱2,036.0 million. As a result, RCI's consolidated net income increased by 430% to ₱2,289.2 million.

RCI remains as a major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. RCI's investment in RHI shall hence be deconsolidated as a Subsidiary and reclassified to Investment in Associate.

#### **Results of Operation**

Consolidated revenues for the fiscal year amounted to ₱199.8 million or 140% higher than last year's ₱83.1 million due to higher revenues from Roxaco Land Corporation's (RLC's) Anya Resort and Landing Townhomes projects. RLC rationalize the basis of recognizing revenues from its real estate sales from 25% to 10% of collected sales. Management believes that at 10% collection, sales collectability is reasonably assured and the risks and benefits over the asset have been transferred to the buyer.

Gross profit for the fiscal year amounted to ₱94.2 million or 47% of revenue. The Gross profit rate is slightly lower than last year's 68% due to the increase in the cost of development.

Operating expenses of ₱80.6 million is 10% lower than last year due to cost cutting measures implemented during the year and lower number of managerial employees, resulting to lower salaries and other employee benefits.

Selling and marketing expenses amounting to ₱20.1 million is higher by 5% than last year due to commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings of associate and a joint venture as of fiscal year end amounted to ₱197.0 million, which went up largely due to recognition of RHI as an Investment in associate at equity method.

Interest expenses of ₱15.5 million is 40% lower than last year due the prepayment of ₱250.0 million of long-term borrowings of the Parent Company.

Net Income from discontinued operation amounted to ₱42.0 million and 91% lower than last year due to deconsolidation of RHI from RCI starting December 2013.

Overall, the Group registered a consolidated net income of ₱2,289.2 million, substantially higher than ₱431.8 million last year due to the gain on the sale of investment in RHI and improved results of operations. Earnings per Share (EPS) increased from ₱0.09 to ₱1.18.

For the Fiscal Year ended September 30, 2014, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱2,494.4 million compared to ₱1,776.3 million last year.

### **Financial Condition**

Consolidated total assets amounted to ₱7,472.5 million, 63% lower than last year's ₱20,240.8 million as a result of the deconsolidation of RHI.

Current ratio this year improved from 2.01:1 to 2.56:1. Debt to equity (D/E) ratio likewise improved to 0.08:1 compared to last year's 1.02:1, within the allowable 0.75:1 DE ratio required in the debt covenant for term loans.

The Group likewise has existing credit lines/facilities with banks for its working capital requirements. Unused working capital lines as at September 30, 2014 amounted to ₱678.7 million.

Book value per share is ₱3.51 and ₱3.45 as at September 30, 2014 and 2013, respectively.

Cash and cash equivalents amounted to ₱139.8 million. Proceeds from sale of the Parent Company's 31% equity in RHI to First Pacific Company, Ltd., on November 29, 2013, was used for the acquisition of treasury shares of the Parent Company, payment of long-term loans and financing the capital and short-term requirements of the Group.

Total trade and other receivables, inventories and trade payables dropped in September 30, 2014 as a result of the deconsolidation of RHI.

Real estate for sale and development increased by 14% from ₱387.9 million as at September 30, 2013 to ₱441.0 million as at September 30, 2014 due to construction and development costs incurred for the Anya Resorts project.

Other current assets went down to ₱70.0 million as at September 30, 2014. Bulk of the ₱538.5 million balances as at September 2013 pertains to input taxes and CWT of the Sugar Group.

Investment in an associate increased to ₱2,167.4 million as at September 30, 2014 from ₱757.6 million as at September 30, 2013 mainly due to the reclassification of the investment in RHI and investment in the Roxaco-Vanguard Hotels Corporation amounting to ₱155.0 million.

Short and long term borrowings substantially declined as a result of the deconsolidation of RHI and RCI's prepayment of ₱250 million of its term debt.

Moreover, the Company has adopted the amendments in PAS 19, Employee Benefits resulting to recognition of net retirement liability amounting to ₱6.7 million.

Total equity decreased by 31% from ₱10,040.3 million to ₱6,933.0 million as a result of the sale of the investment in RHI and the buyback of treasury shares.

### **Top Five Performance Indicators**

As maybe concluded in the foregoing description of the business of RLC, the Company's financial performance is determined to a large extent by the following key results:

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.
3. *Collection efficiency on trade receivables.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

The table below presents the top five performance indicators of the Company:

<b>Performance Indicator</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Realized gross profit on real estate sales	₱94.2 million	₱48.8 million	₱54.3 million
Number of lots sold / reserved	119 units residential/ 72 memorial	121 unit residential/ 164 memorial	85 lots residential/ 127 memorial
Collection efficiency	98%	99%	99%
EBITDA	₱2,418.6 million	₱1,137.8 million	₱1,194.7 million
Return on equity	36%	18%	5%

#### Key Variable and Other Qualitative and Quantitative Factors

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
2. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
3. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
4. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
5. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. The company is not aware of causes for any material changes from period to period in

the financial statements.

7. Description of material commitments for capital expenditures:

For FY 2014-2015, RLC has programmed ₱919 million for project development costs of which ₱737 million is for Anya Resorts and ₱182.0 million is for new projects.

### Plan of Operation

To establish the property operation's continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential Low-to-medium-density residential development.
- Complete the construction of the 1<sup>st</sup> Go Hotel property, a joint venture project with Vanguard, which will be opened by May 2015 and start the construction of the other 4 properties with target completion in the year 2016.
- Increase ownership in Fuego Hotels up to 100% (now 75%) and enlarge its property management operations through investment or partnership.

## PART III – MANAGEMENT AND SECURITY HOLDERS

### 1. Incumbent Directors and Officers of the Issuer

**Pedro E. Roxas** is 59 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

**Antonio J. Roxas** is 73 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director

of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

**Corazon S. De la Paz-Bernardo** is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She was Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) for the 2013 elections and is Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a life member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club, MFI Foundation and other non-governmental organizations. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE scholar.

**Carlos R. Elizalde** is 47 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

**Francisco Jose R. Elizalde** is 49 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

**Guillermo D. Luchangco** is 75 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband

Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

**Renato C. Valencia** is 73 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

The directors hold office for a term of one (1) year until their successors are elected and qualified.

#### Corporate Officers

**Armando B. Escobar** is 55 years old and is a Filipino. He is the Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

**Peter D. A. Barot** is 53 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

**Alejandro S. Casabar** is 35 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

#### Significant Employees

While the Company is not highly dependent on the services of an employee who is not an Executive Officer, the Company values its human resources and expects them to do their share in achieving its objectives.

#### Family Relationships

Messrs. Pedro E. Roxas, Antonio J. Roxas, Carlos R. Elizalde, and Francisco Jose R. Elizalde are related to each other within the fourth degree of consanguinity.

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, who are brothers, are nephews of Mr. Antonio J. Roxas.

## Legal Proceedings

The Company is not aware, and none of the directors/independent directors, officers and persons nominated for election as director/independent director has informed the Company, of their involvement in any material pending legal proceedings in any court or administrative government agency, or of any of the following events:

- (a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign;
- (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and
- (d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

## Certain Relationships and Related Transactions

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Antonio J. Roxas, Pedro E. Roxas, and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owns RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas and Antonio J. Roxas, incumbent directors of the Company, are also directors of RHI. As of 30 September 2015, the Company owns 31% of the total issued and outstanding capital of RHI.

Other than the foregoing, there is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

## Parent Company

As of 30 September 2015, the Company directly owns 31% of the total issued and outstanding shares of Roxas Holdings, Inc. (RHI), and 100% of the issued and outstanding shares of Roxaco Land Corporation (Roxaco), Nasugbu Feeds Corporation, United Ventures Corporation and Roxas Green Energy Corporation.

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (77.27%) and Roxas Power Corporation (50%).

Roxaco owns 100% of the total and outstanding shares of Roxaco Commercial Properties Corporation and SAMG Memorial Management and Services, Inc. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (26.10%), Fuego Hotels Properties and Management Corporation (75.33%), Roxaco-Vanguard Hotels Corporation (50%) and Brightnote Assets Corporation (10%).

#### Disagreement with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last meeting of shareholders because of a disagreement with the Company on any matter relating to its operations, policies and practices.

## 2. Executive Compensation

### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₱50,000 for every meeting attended, broken down in cash in the amount of Php25,000.00 and shares in such numbers equivalent to the Php25,000 balance. A director of the Company who attends all meetings receives a total of roughly ₱250,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation--also receive a per diem of ₱20,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

#### b) Compensation of Executive Officers

	<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation*</b>
		2012-13			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱95,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		3,772,947	-	695,000
E	All officers & directors as group unnamed		₱3,772,947	₱ -	₱790,000



Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation*
		2013-14			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱150,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		1,526,880	-	679,730
E	All officers & directors as group unnamed		₱1,526,880	₱ -	₱829,730
		2014-15			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱250,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer				
C	Alezandro S. Casabar – Legal Manager / Compliance Officer				
D	CEO and Top Four Executives		780,000	6,016,146	
E	All officers & directors as group unnamed		₱780,000	₱6,016,146	₱1,750,000

\*Director's fees

There are no employment contracts executed by the Company with the above-named executive officers. Neither is there any other arrangement or compensatory plan between the Company and the above-named executive officers.

c) Estimated Compensation and Bonus for FY 2015-2016

The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2015-2016 are as follows:

	Salary	Bonus	Other Annual Compensation
A Pedro E. Roxas – Executive Chairman, President & CEO	₱ -	₱ -	
B Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer	-	-	-
C Alezandro S. Casabar – Legal Services Manager / Compliance Officer	-	-	-
CEO AND top 4 executives	8,944,195		
All Officers and directors as group	₱ 8,944,195	₱3,826,477	₱1,750,000

The fiscal year of the Company begins on 01 October of every year and ends on 30 September of the following year.

### 3. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 30 September 2015:

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>5</sup></i>
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc. <sup>6</sup>	Philippine National	642,779,593 (direct)	32.60%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	531,832,136 (direct & indirect)	26.98%
Common	CISCO Holdings Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Francisco R. Elizalde	Philippine National	112,500,000	5.71%
Common	CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Carlos R. Elizalde	Philippine National	112,500,000	5.71%
Common	IÑIGO Holdings, Inc.	Iñigo R. Elizalde	Philippine National	112,500,000	5.71%

<sup>5</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,971,501,095 common shares, the total outstanding shares as of 30 September 2014.

<sup>6</sup> Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, and their brothers Inigo Elizalde and Santiago Elizalde, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Common	SRE Holdings, Inc. <sup>7</sup>	Santiago R. Elizalde	Philippine National	112,500,000	5.71%
<b>TOTAL</b>				<b>1,624,611,729</b>	<b>82.40%</b>

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 30 September 2015, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 30 September 2015.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 20 September 2015:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature Of Ownership</i>	<i>Percent of Class</i>
<i>Common</i>	<i>Pedro E. Roxas Executive Chairman President / CEO</i>	<i>Filipino</i>	<i>531,832,136(direct &amp; indirect)</i>	<i>26.98%</i>
<i>Common</i>	<i>Antonio J. Roxas Director</i>	<i>Filipino</i>	<i>50,000,000 (direct)</i>	<i>2.54%</i>
<i>Common</i>	<i>Carlos Antonio R. Elizalde<sup>8</sup> Director</i>	<i>Filipino</i>	<i>113,700,320 (direct &amp; indirect)</i>	<i>5.77%</i>
<i>Common</i>	<i>Francisco Jose R. Elizalde<sup>9</sup> Director</i>	<i>Filipino</i>	<i>113,703,013 (direct &amp; indirect)</i>	<i>5.77%</i>
<i>Common</i>	<i>Corazon S. Dela Paz- Bernardo Independent Director</i>	<i>Filipino</i>	<i>1,000 (direct)</i>	<i>0.00%</i>

<sup>7</sup> SRE Holdings, Inc., INIGO Holdings, Inc., CRE Holdings, Inc., and CISCO Holdings, Inc. are the personal holding companies of the respective indicated beneficial owners, who in turn are the stockholders of SPCI Holdings, Inc.

<sup>8</sup> Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each own 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

<sup>9</sup> Please see footnote no. 4.

<i>Common</i>	<i>Guillermo D. Luchangco Independent Director</i>	<i>Filipino</i>	<i>1,000 (direct)</i>	<i>0.00%</i>
<i>Common</i>	<i>Renato C. Valencia Director</i>	<i>Filipino</i>	<i>1,000 (direct)</i>	<i>0.00%</i>
<i>Common</i>	<i>Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Peter D. A. Barot Corporate Secretary</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Alezandro S. Casabar Asst. Corp. Secretary</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Directors and Officers As a Group</i>		<i>809,238,469</i>	<i>41.05%</i>

(3) Voting Trust Holders of 5% or More.

The Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

d) Change in Control

There has been no change in control since the beginning of the last fiscal year. The Company is also not aware of the existence of any change in control agreements.

#### **PART IV - EXHIBITS AND SCHEDULES**

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements for 2014-2015

(b) Reports on SEC Form 17-C.

#### **CORPORATE GOVERNANCE**

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission (SEC). Since the effectivity of the Company's original Manual on Corporate

Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors.

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance. The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

#### **OTHER MATTERS**

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 09 March 2016:

- a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ended 30 September 2015;
- b) Minutes of the Annual Meeting of Stockholders held on 25 February 2015.

The minutes of meeting of the 25 February 2015 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

- (i) reading and approval of the minutes of the 26 February 2014 annual meeting of shareholders;
- (ii) presentation and approval of the 30 September 2014 annual report to shareholders;
- (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 26 February 2014;
- (iv) the elected members of the Board of Directors for fiscal year 2014-2015;
- (v) the external auditor for fiscal year 2014-2015; and
- (vi) the approval of the amendment to the Articles of Incorporation specifying the principal place of business of the Company to be at 7<sup>th</sup> Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

c) Acts/Resolutions of the Board of Directors since the 25 February 2015 annual meeting of shareholders, which include the following:

(i) Acts/resolutions approved during the 26 February 2014 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo to be an independent director of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman/President & CEO
Armando B. Escobar	-	Executive Vice President & CFO/Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Alejandro S. Casabar	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Marylet O. Guillermo	-	Alternate Corporate Information Officer

The following Directors were elected to the Audit & Risk; Executive Compensation; and Nomination, Election & Governance Committees:

Audit & Risk Committee

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
Renato C. Valencia	-	Member
Francisco Jose R. Elizalde	-	Member

Executive Compensation Committee

Guillermo D. Luchangco	-	Chairman (Independent Director)
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)
Pedro E. Roxas	-	Member

Nomination, Election & Governance Committee

Pedro E. Roxas	-	Chairman
Carlos R. Elizalde	-	Member
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)

During the same meeting, the Board authorized RCI to acquire additional shares in Roxas Holdings, Inc. at market price;

(ii) Acts/resolutions approved during the 14 May 2015 regular meeting of the Board: (a) consolidated financial reports of the Company for the quarter ending 31 March 2015; (b) payment to the directors of the amount of Php50,000 for each attendance in board meetings broken down into (i) cash payment of Php25,000, and (ii) Php25,000 worth of shares of stock of RCI, to be taken from RCI's treasury shares computed based on last closing price of RCI shares in the PSE immediately prior to the scheduled meeting; and (c) the sale of 50 Million treasury shares to Mr. Pedro E. Roxas at the price of Php2.00 per share;

(iii) Acts/resolutions approved during the 20 August 2015 regular meeting of the Board: (a) financial reports for the quarter ending 30 June 2015; (b) the proposed budget of the Company for FY 2015-2016; (c) the PCEO compensation package; (d) the investment in a joint venture company for the development, operation, and management of an integrated

coconut processing facility in South Cotabato; and (e) the appointment of the following key personnel: (i) Santiago R. Elizalde – PCEO of Roxaco Land Corp., (ii) Armando B. Escobar – EVP-CFO & Treasurer of RCI, (iii) Fernando L. Gaspar – Advisor to the Board of RCI.

#### VOTING PROCEDURES

(a) The vote required for the:-

- (1) Approval of the Minutes of Previous Stockholders' Meeting - majority of the shares represented at the meeting
- (2) Approval of the Chairman's and President's Report - majority of the shares represented at the meeting
- (3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting
- (4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting
- (5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares
- (6) Election of External Auditors - plurality of the shares represented at the meeting

(b) The method by which votes will be counted - Subject to cumulative voting in the election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date. Counting of votes will be done by representatives of Banco de Oro as the Company's stock transfer agent, representatives of Reyes Tacandong & Co., and the Assistant Corporate Secretary, all of whom shall serve as members of the election committee. Voting shall be done through raising of hands.

**THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229.**

#### SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ROXAS AND COMPANY, INC.**  
(formerly **CADP GROUP CORPORATION**)

By: 

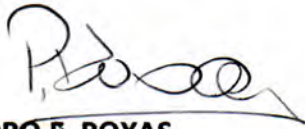
**ALEZANDRO S. CASABAR**  
Assistant Corporate Secretary

Issuer

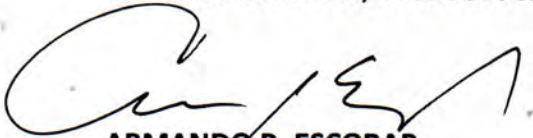
**ROXAS AND COMPANY, INC.**

Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

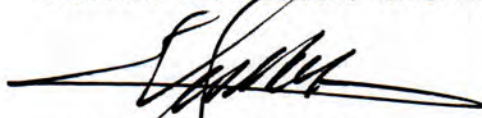
By:



**PEDRO E. ROXAS**  
Executive Chairman/ President & CEO



**ARMANDO B. ESCOBAR**  
Executive Vice President - Chief Finance Officer




**ALEZANDRO S. CASABAR**  
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this JAN 13 2016 in Makati City affiants exhibiting to me their respective competent ID's and Community Tax Certificates, as follows:

Names	Competent ID	Date of Issue/Expiry	CTC/ Issue Date	Place of Issue
Pedro E. Roxas	EC2368933	10 Oct 2014 – 09 Oct 2019	04924364/ Feb. 6, 2015	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7			
Alezandro S. Casabar	IBP Lifetime Membership ID No. 07519XX0850429			

Doc. No. 441  
Page No. 90  
Book No. 145  
Series of 2016

  
**ATTY. HERBERT N. LLUZA**  
NOTARY PUBLIC

Until December 31, 2017  
Appt. No. M-20, Makati City  
IBP #1009529, Sept. 24, 2015-RSM  
PTR #5321584, Jan. 04, 2016-Makati  
S.C. Roll No. 59597  
MCLE Compliance No. IV-0011330  
Unit 301 3<sup>rd</sup> Flr. Campos Rueda Bldg.  
101 Urban Avenue, Brgy. Pio del Pilar  
Makati City





Roxas & Company, Inc.

# **ANNEX "A"**

## **AUDIT COMMITTEE REPORT**

## Audit and Risk Committee Report

11 December 2015

The Board of Directors  
Roxas and Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirmed for the periods from 01 October 2014 to 30 September 2015 that:

- The Chairman of the Audit and Risk Committee is an independent director as determined by the Board of Directors;
- We had four (4) regular meetings during the said period;
- We have reviewed and approved the revised Audit Committee Charter which was subsequently endorsed to and adopted by the Board of Directors;
- We have discussed with RCI's internal audit group and Reyes Tacandong & Co., RCI's external auditor, the overall scope and plans for their respective audits, and the results of examinations, their evaluations of the internal controls and the overall quality of the financial reporting of Roxas and Company, Inc. and its subsidiaries (the Roxas Group);
- We have reviewed and approved all audit services rendered by Reyes Tacandong & Co. to the Roxas Group, and the related fees for such services, and concluded that the fees are not significant to impair their independence;
- We have discussed with Reyes Tacandong & Co. the matters required to be discussed by the prevailing applicable Auditing Standards, and we have received written disclosures and the letter from Reyes Tacandong & Co. as required by the prevailing applicable Independence Standards (Statements as to Independence) and have discussed with Reyes Tacandong & Co. its independence from the Roxas Group and Roxas Group's management;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the Roxas Group as of and for the year ended 30 September 2015 with the Roxas Group's management, which has the primary responsibility for the financial statements, and with Reyes Tacandong & Co., the Roxas Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Roxas Group's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- Based on the reviews and discussions referred to above, in reliance on the Roxas Group's management and Reyes Tacandong & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the Roxas Group's audited financial statements as of and for the year ended 30 September 2015 in the Roxas Group's Annual Report to the Stockholders and to the Philippines Securities and Exchange Commission (SEC) on Form 17-A; and
- Based on a review of Reyes Tacandong & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of Reyes Tacandong & Co. as the Roxas Group's independent auditor.

  
CORAZON S. DE LA PAZ-BERNARDO  
Chairperson

  
FRANCISCO JOSE R. ELIZALDE  
Member



Roxas & Company, Inc.

# **ANNEX “B”**

**Statement of Management Responsibility for Consolidated Financial Statements**

**Report of Independent Auditors**

**Consolidated Balance Sheet**

**Consolidated Statements of Income**

**Consolidated Statements of Comprehensive Income**

**Consolidated Statements of Changes in Equity**

**Consolidated Statements of Cash Flows**

**Notes to Consolidated Financial Statements**

**Retained Earnings Available for Dividend Declaration**

**Index to Consolidated Financial Statements**

**Organizational Structure**

**List of Adoption of Effective Accounting Standards and Interpretations**



December 18, 2015

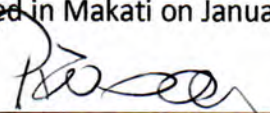
**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

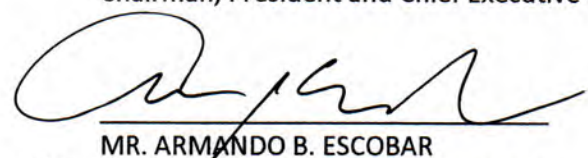
The management of Roxas and Company, Inc. (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors (BOD) reviews and approves the consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the BOD as at and for the year ended September 30, 2015, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the BOD, have expressed their opinion on the fairness of presentation upon completion of such audit.

Issued in Makati on January 13, 2016


  
\_\_\_\_\_  
MR. PEDRO E. ROXAS  
Chairman, President and Chief Executive Officer

  
\_\_\_\_\_  
MR. ARMANDO B. ESCOBAR  
VP - Chief Financial Officer/Treasurer

**SUBSCRIBED AND SWORN** to me this JAN 13 2016 day of January 2016; affiants exhibited to me their respective Community Tax Certificates, as follows:

Pedro E. Roxas	04924364	February 6, 2015	Makati City	SSS 02-6432908-7
Armando B. Escobar	109-203-427			SSS 03-6432908-7

Doc No. 442  
Page No. 90  
Book No. 141  
Series of 2016

  
**ATTY. ROBERT M. LLUZA**  
NOTARY PUBLIC  
Until December 31, 2017  
Appt. No. M-20, Makati City  
IBP #1009529, Sept-24, 2015-RSM  
PTR #5321594, Jan. 04, 2016-Makati  
S.C. Roll No. 59597  
MCLE Compliance No. IV-0011330  
Unit 301-3<sup>rd</sup> Flr. Campos Rueda Bldg.  
and IRON AVENUE, Brgy. Pio del Pilar  
Makati City

# **Roxas and Company, Inc. and Subsidiaries**

Consolidated Financial Statements  
September 30, 2015, 2014 and 2013

With independent auditor's report provided by



**REYES TACANDONG & Co.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	0	8	3	4
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**COMPANY NAME**

R	O	X	A	S		A	N	D		C	O	M	P	A	N	Y	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E						
S																																												

**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town) Province)

7	t	h		F	l	o	o	r	,		C	a	c	h	o	-	G	o	n	z	a	l	e	s		B	u	i	l	d	i	n	g	,		1	0	1						
A	g	u	i	r	r	e		S	t	r	e	e	t	,		L	e	g	a	s	p	i		V	i	l	l	a	g	e	,		M	a	k	a	t	i						
C	i	t	y																																									

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

<p>Company's Email Address</p> <p style="text-align: center;"><b>www.roxascompany.com.ph</b></p>	<p>Company's Telephone Number/s</p> <p style="text-align: center;"><b>(02) 810-8901</b></p>	<p>Mobile Number</p> <p style="text-align: center;">-</p>
<p>No. of Stockholders</p> <p style="text-align: center;"><b>3,384</b></p>	<p>Annual Meeting (Month / Day)</p> <p style="text-align: center;"><b>4th Wednesday of February</b></p>	<p>Fiscal Year (Month / Day)</p> <p style="text-align: center;"><b>September 30</b></p>

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

<p>Name of Contact Person</p> <p style="text-align: center;"><b>Atty. Alejandro S. Casabar</b></p>	<p>Email Address</p> <p style="text-align: center;"><b>asc@roxaco.com</b></p>	<p>Telephone Number/s</p> <p style="text-align: center;"><b>(632) 751-9536</b></p>	<p>Mobile Number</p> <p style="text-align: center;">-</p>
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**CONTACT PERSON'S ADDRESS**

<b>7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City</b>
---

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Roxas and Company, Inc.  
7th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Roxas and Company, Inc. and Subsidiaries as at September 30, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards.

**REYES TACANDONG & Co.**

**PROTACIO T. TACANDONG**

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015

Makati City, Metro Manila



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

		September 30	
	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	₱183,300	₱139,791
Trade and other receivables	8	304,079	194,142
Real estate for sale and development	9	508,603	441,012
Other current assets	10	80,752	70,007
Total Current Assets		1,076,734	844,952
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	32,790	2,387
Investments in associates and a joint venture	11	2,470,307	2,167,405
Property and equipment	12	60,064	4,444
Investment properties	13	4,495,444	4,448,544
Deferred tax assets	25	12,459	4,792
Total Noncurrent Assets		7,071,064	6,627,572
		<b>₱8,147,798</b>	<b>₱7,472,524</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	14	₱593,604	₱92,386
Current portion of long-term borrowings	15	63,829	56,429
Trade and other payables	16	215,680	181,471
Total Current Liabilities		873,113	330,286
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	15	138,516	202,546
Retirement liability	17	11,869	6,729
Total Noncurrent Liabilities		150,385	209,275
Total Liabilities		1,023,498	539,561
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	18	2,911,886	2,911,886
Additional paid-in capital	18	1,626,393	1,611,393
Treasury stock	18	(1,598,654)	(1,683,654)
Other equity reserves	18	283,914	289,263
Retained earnings	18	3,906,433	3,809,706
		7,129,972	6,938,594
<b>Non-controlling Interests</b>			
		(5,672)	(5,631)
Total Equity		7,124,300	6,932,963
		<b>₱8,147,798</b>	<b>₱7,472,524</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]

		Years Ended September 30		
	Note	2015	2014	2013
<b>SALE OF REAL ESTATE</b>		<b>₱250,434</b>	₱199,809	₱83,161
<b>COST OF REAL ESTATE SALES</b>	9	<b>(152,939)</b>	(105,439)	(34,446)
<b>GROSS INCOME</b>		<b>97,495</b>	94,370	48,715
<b>OPERATING EXPENSES</b>	22	<b>(118,215)</b>	(100,871)	(108,281)
<b>OTHER INCOME (CHARGES)</b>				
Gain on deemed disposal of an associate	11	<b>84,774</b>	–	–
Unrealized fair value gain (loss) on investment properties	13	<b>55,319</b>	16,050	(231)
Interest income	7	<b>11,736</b>	9,271	5,491
Interest expense	15	<b>(17,871)</b>	(15,472)	(25,756)
Equity in net earnings of associates and a joint venture	11	<b>3,823</b>	196,953	392
Gain on disposal of a subsidiary	6	–	2,036,038	–
Others - net	24	<b>27,404</b>	20,053	26,986
		<b>165,185</b>	2,262,893	6,882
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>144,465</b>	2,256,392	(52,684)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	25			
Current		<b>17,015</b>	7,539	1,285
Deferred		<b>(7,666)</b>	1,436	(240)
		<b>9,349</b>	8,975	1,045
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>		<b>135,116</b>	2,247,417	(53,729)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	6	–	41,816	485,482
<b>NET INCOME</b>		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>Net Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company		<b>₱135,157</b>	₱2,274,885	₱265,283
Non-controlling interests		<b>(41)</b>	14,348	166,470
		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	26	<b>₱0.07</b>	₱1.18	₱0.09
Continuing Operations		<b>0.07</b>	1.16	(0.08)
Discontinued Operations		–	0.02	0.17

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Note	Years Ended September 30		
		2015	2014	2013
<b>NET INCOME</b>		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Share in remeasurement gain (loss) on retirement liability of an associate	11	(5,349)	917	–
Remeasurement gain (loss) on retirement liability, net of tax	17	–	1,046	(321)
<i>Item that will be reclassified to profit or loss when realized</i>				
Share in unrealized loss on available-for-sale financial assets of an associate	11	–	(50)	–
<b>OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>		<b>129,767</b>	2,291,146	431,432
<b>OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>		–	458	(184,547)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱129,767</b>	₱2,291,604	₱246,885
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the Parent Company		₱129,808	₱2,277,099	₱143,715
Noncontrolling interests		(41)	14,505	103,170
		<b>₱129,767</b>	₱2,291,604	₱246,885

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015, 2014 AND 2013**  
**(Amounts in Thousands)**

	Note	Equity Attributable to Equity Holders of the Parent Company					Total	Non-controlling Interests	Total Equity
		Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Equity Reserves (Note 18)	Retained Earnings (Note 18)			
Balances as at October 1, 2014		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱1,683,654)</b>	<b>₱289,263</b>	<b>₱3,809,706</b>	<b>₱6,938,594</b>	<b>(₱5,631)</b>	<b>₱6,932,963</b>
Net income		–	–	–	–	<b>135,157</b>	<b>135,157</b>	<b>(41)</b>	<b>135,116</b>
Issuances of treasury shares	18	–	<b>15,000</b>	<b>85,000</b>	–	–	<b>100,000</b>	–	<b>100,000</b>
Cash dividends	18	–	–	–	–	<b>(38,430)</b>	<b>(38,430)</b>	–	<b>(38,430)</b>
Share in remeasurement loss on retirement liability of an associate	11	–	–	–	<b>(5,349)</b>	–	<b>(5,349)</b>	–	<b>(5,349)</b>
<b>Balances as at September 30, 2015</b>		<b>₱2,911,886</b>	<b>₱1,626,393</b>	<b>(₱1,598,654)</b>	<b>₱283,914</b>	<b>₱3,906,433</b>	<b>₱7,129,972</b>	<b>(₱5,672)</b>	<b>₱7,124,300</b>
Balances as at October 1, 2013		₱2,911,886	₱1,611,393	₱–	₱1,326,345	₱2,328,190	₱8,177,814	₱1,862,479	₱10,040,293
Effect of deconsolidation	6	–	–	–	(1,039,296)	(754,939)	(1,794,235)	(1,863,435)	(3,657,670)
Net income		–	–	–	–	2,274,885	2,274,885	14,348	2,289,233
Acquisition of treasury stock	18	–	–	(1,683,654)	–	–	(1,683,654)	–	(1,683,654)
Cash dividends	18	–	–	–	–	(38,430)	(38,430)	(19,180)	(57,610)
Remeasurement gain on retirement liability	17	–	–	–	1,347	–	1,347	157	1,504
Share in remeasurement gain on retirement liability of an associate	11	–	–	–	917	–	917	–	917
Share in unrealized loss on available-for-sale financial assets of an associate	11	–	–	–	(50)	–	(50)	–	(50)
<b>Balances as at September 30, 2014</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱1,683,654)</b>	<b>₱289,263</b>	<b>₱3,809,706</b>	<b>₱6,938,594</b>	<b>(₱5,631)</b>	<b>₱6,932,963</b>
Balance as at October 1, 2012		₱2,911,886	₱1,611,393	₱–	₱1,447,914	₱2,062,907	₱8,034,100	₱1,788,510	₱9,822,610
Net income		–	–	–	–	265,283	265,283	166,470	431,753
Remeasurement loss on retirement liability		–	–	–	(121,569)	–	(121,569)	(63,299)	(184,868)
Cash dividends of a subsidiary		–	–	–	–	–	–	(31,194)	(31,194)
Employee stock option by a subsidiary		–	–	–	–	–	–	1,992	1,992
<b>Balances as at September 30, 2013</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱–</b>	<b>₱1,326,345</b>	<b>₱2,328,190</b>	<b>₱8,177,814</b>	<b>₱1,862,479</b>	<b>₱10,040,293</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Note	Years Ended September 30		
		2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax:				
Continuing operations		<b>₱144,465</b>	₱2,256,392	(₱52,684)
Discontinued operations	6	–	54,027	735,697
Income before income tax		<b>144,465</b>	2,310,419	683,013
Adjustments for:				
Gain on deemed disposal of an associate	11	<b>(84,774)</b>	–	–
Unrealized fair value loss (gain) on investment properties	13	<b>(55,319)</b>	(16,050)	231
Interest expense	15	<b>17,871</b>	79,095	416,418
Interest income	7	<b>(11,736)</b>	(9,315)	(7,877)
Retirement benefits	17	<b>5,241</b>	10,910	41,231
Equity in net earnings of associates	11	<b>(3,823)</b>	(196,953)	(68,027)
Gain on sale of property and equipment	12	<b>(3,500)</b>	–	–
Depreciation and amortization	12	<b>2,471</b>	114,164	684,740
Gain on disposal of a subsidiary	6	–	(2,036,038)	–
Provision for impairment loss on real estate for sale and development	9	–	2,323	–
Provision for lease-back guarantee	27	–	1,085	–
Loss on real estate for sale and development	9	–	715	–
Provision for impairment loss on available-for-sale financial assets	10	–	688	–
Income from performance bank guarantee		–	–	(62,834)
Loss on property and equipment due to fire	24	–	–	22,305
Provision for inventory losses and obsolescence		–	–	13,544
Provision for impairment losses on receivables		–	–	6,236
Employee stock option		–	–	1,991
Operating income before working capital changes		<b>10,896</b>	261,043	1,730,971
Decrease (increase) in:				
Trade and other receivables		<b>(136,840)</b>	(290,955)	(502,783)
Real estate for sale and development		<b>(59,172)</b>	(54,891)	(47,410)
Inventories		–	310,874	(785,102)
Other current assets		<b>(10,745)</b>	(266,784)	(59,358)
Increase in trade and other payables		<b>33,979</b>	880,521	14,106
Net cash generated from (used for) operations		<b>(161,882)</b>	839,808	350,424
Income taxes paid, including application of creditable withholding and final taxes		<b>(17,015)</b>	(24,196)	(75,212)
Interest received		<b>11,736</b>	8,625	7,877
Retirement contributions paid	17	<b>(101)</b>	(1,074)	(124,403)
Net cash provided by (used in) operating activities		<b>(167,262)</b>	823,163	158,686

(Forward)

		<b>Years Ended September 30</b>		
	Note	2015	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investments in associates and a joint venture	11	(P301,235)	(P155,000)	P-
Property and equipment	12	(58,091)	(42,443)	(217,749)
Dividends received	11	81,581	38,201	22,958
Proceeds from:				
Disposal of a subsidiary	6	-	2,220,388	-
Disposal of property and equipment and investment properties		-	-	164
Cash and cash equivalents of the disposed subsidiary as at the date of disposal	6	-	(170,472)	-
Decrease in other noncurrent assets		-	2,261	20,456
<b>Net cash provided by (used in) investing activities</b>		<b>(277,745)</b>	<b>1,892,935</b>	<b>(174,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net availments (payments) of short-term borrowings				
		<b>577,300</b>	(712,323)	(173,973)
Payments of:				
Long-term borrowings		<b>(132,711)</b>	(271,112)	(182,368)
Dividends		<b>(38,202)</b>	(37,576)	(140,451)
Interest		<b>(17,871)</b>	(70,268)	(418,571)
Proceeds from:				
Issuance of treasury stock		<b>100,000</b>	-	-
Long-term borrowings		-	-	930,001
Acquisition of treasury stock		-	(1,683,654)	-
<b>Net cash provided by (used in) financing activities</b>		<b>488,516</b>	<b>(2,774,933)</b>	<b>14,638</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>43,509</b>	(58,835)	(847)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>139,791</b>	198,626	199,473
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>7</b>	<b>P183,300</b>	P139,791	P198,626
<b>NONCASH INVESTING INFORMATION</b>				
Reclassification of investment in a subsidiary to investment in an associate				
	11	P-	P1,709	P-

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Corporate Information**

Roxas and Company, Inc. (the Parent Company), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years until October 7, 2018.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

The Parent Company is owned by various individual shareholders and domestic corporations, namely: Pesian Holdings, Inc. and SPCI Holdings, Inc., among others. As at September 30, 2015 and 2014, the Company has 3,384 and 3,402 shareholders, respectively.

The following are the subsidiaries of the Parent Company:

	Percentage of Ownership		Line of Business
	2015	2014	
Roxaco Land Corporation (RLC)	100.00	100.00	Real estate
United Ventures Corporation (UVC)	100.00	100.00	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)	100.00	100.00	Manufacturing
Roxas Green Energy Corporation (RGEC)	100.00	–	Generation and distribution of energy
Roxaco Commercial Properties Corporation (RCPC)	100.00	100.00	Real estate
SAMG Memorial Management & Services Inc. (SMMSI)	100.00	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	75.33	Hotel and resort management

On November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company (see Note 6). The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 11). Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders (see Note 11). As at September 30, 2015, the Parent Company has 31% equity interest in RHI.

The corporate office of the Parent Company is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

**Approval of the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015 have been approved and authorized for issue by the Board of Directors (BOD) on December 18, 2015, as reviewed and recommended for approval by the Audit and Risk Committee on December 4, 2015.

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## 2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment properties that are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group. All amounts are rounded to the nearest thousands, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including the SEC provisions.

The financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

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## 3. Summary of Changes in Accounting Policies

### Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective October 1, 2014 as summarized below.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of “currently has a legally enforceable right of set-off”; and (2) that some gross settlement systems may be considered equivalent to net settlement.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.
- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached.

Effective for annual periods beginning on or after July 1, 2014:

- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarify that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.



- Amendments to PFRS 10 *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements - Investment Entities*, provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value through profit or loss. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.
- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of PAS 40 and PFRS 3, *Business Combination*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

#### New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2015 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate Joint Venture*, require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify that a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual Improvements to PFRS (2012 to 2014 cycle):

- Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should be considered as a continuation of the original plan of disposal rather than a new plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- Amendments to PAS 19, *Employee Benefits - Regional Marketing Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 15, *Revenue from Contracts with Customers* - This standard establishes the principles that an entity should apply to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS, except for PFRS 15, is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Group is in the process of determining and quantifying the impact of the adoption of PFRS 15 on the consolidated financial statements of the Group.

#### 4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the consolidated financial statement are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls as at September 30 of each year. The Parent Company has control over the investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The following is the list of the subsidiaries:

	Percentage of Ownership			Line of Business	Year End
	2015	2014	2013		
Roxaco Land Corporation (RLC)	<b>100.00</b>	100.00	100.00	Real estate	September 30
United Ventures Corporation (UVC)	<b>100.00</b>	100.00	100.00	Warehouse leasing	December 31
Nasugbu Feeds Corporation (NAFECOR)	<b>100.00</b>	100.00	100.00	Manufacturing	December 31
Roxas Green Energy Corporation (RGEC)**	<b>100.00</b>	–	–	Generation, collection and distribution of energy	December 31
Roxaco Commercial Properties Corporation (RCPC)***	<b>100.00</b>	100.00	100.00	Real estate	December 31
SAMG Memorial Management & Services Inc. (SMMSI)***	<b>100.00</b>	100.00	100.00	Funeral and related services	September 30
Fuego Hotels and Properties Management Corporation (FHPMC)***	<b>75.33</b>	75.33	75.33	Hotel and resort management	December 31

\* On April 10, 2008, the BOD approved the cessation of operations, closure of business and dissolution of NAFECOR. The application for dissolution is still pending with the SEC.

\*\* RGEC was incorporated on May 14, 2015 and has not started commercial operations. The required subscribed capital was paid in December 2015.

\*\*\* Considered a subsidiary of the Parent Company through its effective interest in RLC

All the subsidiaries are incorporated and domiciled in the Philippines.

The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, except for RGEC, RCPC, FHPMC and UVC, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, including significant transactions for the intervening period for RGEC, RCPC, FHPMC and UVC, where necessary, are made to ensure consistency with the policies adopted by the Group. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests represent the portion of profit or loss and net assets of FHMPC in 2015 and FHPMC and RHI in 2014 and 2013, respectively, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from the Parent Company's equity. Total comprehensive income (loss) is attributed to the portion held by the Parent Company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses. The excess of the cost of acquisition over the fair value of the Parent Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Parent Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

*Common Control Transactions.* Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Comparatives balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

*Goodwill.* Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

The goodwill on investments in associates is included in the carrying amount of the related investments.

*Discontinued Operations.* A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are presented as if the operation had been discontinued from the start of the comparative year. In the consolidated statement of income of the reporting year, and of the comparable previous year, income and expenses from discontinued operations are reported separately from income and expenses of continuing operations down to the level of net income, even when the Parent Company retains a non-controlling interest in the subsidiary after the sale. The resulting net profit or loss is reported separately in the consolidated statement of income.

#### Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

*Initial Recognition.* Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

*Day 1 Difference.* Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a day 1 difference.

*Classification.* Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group classifies its financial assets in the following categories: FVPL financial assets, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Group determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have financial instruments classified as financial assets or liabilities at FVPL and HTM investments as at September 30, 2015 and 2014.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss using effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the cash in banks, cash equivalents and receivables (see Notes 7, 8 and 19).

Cash equivalents include short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition and subject to insignificant risk in fluctuations in value.

Trade receivables with average credit terms of 30 days are recognized and carried at original invoice amount less any allowance for impairment.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. The unrealized gains and losses arising from the fair valuation of AFS financial assets, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest, are excluded, from reported earnings, and are reported in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established.

These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

AFS financial assets consisting of unlisted shares of stock, which are unquoted and have no reliable sources of market value, are stated at cost, net of any impairment losses.

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2015 and 2014 (see Note 10).

*Other Financial Liabilities.* Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating (e.g., trade and other payables) and financing (e.g., short and long-term borrowings, due to related parties, dividends payable) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting year.

Trade and other payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

This category includes trade and other payables (excluding statutory liabilities) and short-term and long-term borrowings as at September 30, 2015 and 2014 (see Notes 14, 15, 16 and 19).

*Impairment of Financial Assets.* The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

a. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



b. Financial assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the consolidated statement of changes in equity.

*Derecognition of Financial Assets and Liabilities.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*Offsetting of Financial Instruments.* Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related financial assets and liabilities are presented gross in the consolidated statement of financial position.

#### Fair Value Measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes:

- Note 5, Significant Judgments, Accounting Estimates and Assumptions - Determination of Fair Value of Investment Properties
- Note 12, Property and Equipment
- Note 13, Investment Properties
- Note 28, Financial Instruments

#### Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and Net realizable value (NRV), and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

#### Other Current Assets

This account consists of creditable withholding taxes (CWT), input value-added tax (VAT) and prepayments. Other current assets are carried at face value.

*Creditable Withholding Taxes.* CWT represents the total accumulated tax credits for current and prior year's excess credit and deducted from income tax payable on the same year the revenue was recognized.

*Prepayments.* Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expenses as these are consumed in operations or expire with the passage of time.

Prepayments are classified as current asset when the cost of goods or services related to the prepayment is expected to be incurred within one year. Otherwise, prepayments are classified as noncurrent assets.

#### Investments in Associates

Investments in associates are recognized initially at cost and subsequently accounted for using the equity method.

An associate is an entity in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of the entity.

The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates are prepared for the same reporting year of the Parent Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The Group determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

#### Joint Arrangements

*Investment in a Joint Venture.* RLC has interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the interest is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the interest and recoverable amount and recognizes the difference in profit or loss.

*Investment in a Joint Operation.* RLC has investments in a joint operation, which pertains to agreements with joint venture partners, VJ Properties, Inc. (VJPI) and Marilo Realty Development Corporation and Landco Pacific Corporation (LPC), for the development of various projects. A joint operation is when a joint arrangement is not structured through a separate vehicle whereby parties have rights to the assets and obligations for the liabilities related to the joint arrangement. Assets, liabilities, revenues and expenses are recognized in relation to its interest in the joint operation.

#### Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land. Land is measured initially at cost and subsequently stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year incurred.

Construction in progress, which represents properties under construction, is stated at cost and depreciated only from such time as the relevant assets are completed and put into intended operational use. Upon completion, these properties are reclassified to the appropriate property, plant and equipment account.

Depreciation and amortization on depreciable property and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

<u>Asset Category</u>	<u>Number of Years</u>
Buildings and improvements	5 to 40
Machinery and equipment	5
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Major renovations that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss.

Fully depreciated property and equipment are retained in the books until these are no longer in use.

#### Investment Properties

Investment properties comprise land that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss in the year in which these arise.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property should reflect market conditions at the end of the reporting year.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in profit or loss.

Transfers are made to investment property when, and only when, there is change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

#### Impairment of Nonfinancial Assets

The carrying amount of investments in associates and a joint venture, property and equipment and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, should not be reversed at year end.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Equity

*Capital Stock.* Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

*Additional Paid-in Capital.* Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

*Treasury Stock.* Where any entity of the Group purchases the Parent Company's capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Parent Company's equity holders.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated or restricted retained earnings represent that portion, which has been appropriated or restricted and are not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent that portion, which can be declared as dividends to shareholders.

*Dividend Distribution.* Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as event after the reporting year.

#### Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These include revaluation increment on land, share in changes in fair value of AFS financial assets of an associate and remeasurement loss on retirement liability, which are presented as part of "Other Equity Reserves" account in the consolidated statement of changes in equity.

#### Revenue Recognition

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's operations. Revenue is shown net of output VAT, returns and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

*Sale of Real Estate.* The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments gives the buyer a stake in the property sufficient that the risk of loss through default that motivates the buyer to honor its obligation to the Group. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond

preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Revenue is recognized when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 10% or more of the total contract price.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the in the liabilities section of the consolidated statement of financial position.

For income tax purposes, full recognition of sale of real estate is applied when more than 25% of the sales price has been collected in the year of sale. Otherwise, the installment method is applied.

*Rent income.* Rent income from operating lease is recognized using the straight-line method over the term of the lease.

*Interest Income.* Interest income is recognized on a time proportion basis using the effective interest rate method.

*Other Income.* Other income is recognized when services are rendered and when goods are received.

#### Cost and Expense Recognition

Cost and expenses are recognized in profit or loss upon receipts of goods, utilization of services, or as the date the cost and expenses are incurred.

*Cost of Real Estate Sales.* Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Contract costs include all direct materials, labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions, estimated probability, including those arising from contract penalty provisions, and final contract settlements, which may result in revisions to estimated costs and gross profit, are recognized in the year in which the changes are determined.

*Selling, General and Administrative Expenses.* Selling expenses are costs incurred to sell or distribute goods. General and administrative expenses are costs of administering the business such as salaries and wages of administrative department, professional fees and rental and utilities and general office expenses. These costs are expensed when incurred.



## Employee Benefits

*Short-Term Employee Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Parent Company and RLC have individual and separate defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

*Termination Benefits.* Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of reporting period are discounted to present value.

### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as expense when incurred.

Capitalization of borrowing costs is suspended during extended periods in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

### Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

### Foreign Currency-Denominated Transactions

Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

### Income Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting year.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

#### Value-added Tax (VAT)

Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” account or “Trade and other payables” account, respectively, in the consolidated statement of financial position.

#### Related Parties Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

#### Earnings (Loss) per Share attributable to the Equity Holders of the Parent Company

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

#### Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 6), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 29).

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

### Events after the Reporting Year

Post year-end events that provide additional information about the Group's financial position at the end of the reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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## 5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

### Judgments

In the process of applying the Group's accounting policies, management has exercised judgment on the following items, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Determination of Operating Segments.* Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that

reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 6), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 29).

*Determination of the Classification of the Lease Arrangements.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership over the assets held for lease are retained by the Group. Lease contracts which the Group retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, the leases are considered as finance leases.

The Group, as a lessor, has existing property leases where it has determined that it retains all the significant risks and benefits of ownership over the leased properties. Accordingly, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱1.1 million, ₱1.6 million and ₱0.8 million in 2015, 2014 and 2013, respectively (see Note 24).

The Group, as a lessee, had various property leases where it has determined that the significant risks and benefits related to those properties are retained with the lessors. Accordingly, the lease agreements were accounted for as operating leases.

No rent expense was recognized in 2015. Rent expense amounted to ₱16.2 million and ₱83.2 million in 2014 and 2013, respectively (see Notes 21 and 22).

*Determination of the Classification of Properties.* Management determines the classification of a property depending on its use. The Group classifies its owner-occupied properties as property and equipment. Properties held to earn rentals or for capital appreciation are classified as investment properties. The change of use of properties will trigger a change in classification and accounting of these properties.

The Group classified and accounted for the land properties of the Group, which are held for rental and/or capital appreciation, as investment properties. As at September 30, 2015 and 2014, the carrying value of investment properties amounted to ₱4,495.4 million and ₱4,448.5 million, respectively (see Note 13).

*Determination and Assessment of the Revenue Recognition.* Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue should be recognized in full when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price. In 2014, the Group reviewed the collectability of the sales price based on historical trends. Management, then, assessed that collectability of the sales price is reasonably assured when the Group collects at least 10% or more of the total contract price. The change in accounting estimate was accounted prospectively and resulted to an increase in net income amounting to ₱25.6 million in 2014.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.

*Estimation of Impairment losses of Receivables.* Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

As at September 30, 2015 and 2014, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from Land Bank of the Philippines (LBP) in 2014) amounted to ₱336.9 million and ₱196.5 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱13.4 million as at September 30, 2015 and 2014 (see Note 8).

*Determination of NRV of Real Estate for Sale and Development.* The NRV of real estate for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate for sale and development are expected to be realized and/or sold. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting year to the extent that such events confirm conditions at the end of the reporting year. A new assessment of NRV is made in each subsequent period. When the circumstances that previously caused real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The real estate for sale and development that are carried at cost amounted to ₱508.6 million and ₱441.0 million as at September 30, 2015 and 2014, respectively (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2015 and 2014 (see Note 9).

*Estimation of Useful Lives of Property and Equipment.* The useful life of each of the Group's items of property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ

from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A change in the estimated useful life of any item of property and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in the estimated useful lives of property and equipment in 2015 and 2014.

The carrying value of the depreciable property and equipment as at September 30, 2015 and 2014 amounted to ₱60.1 million and ₱4.4 million, respectively (see Note 12).

*Determination of Fair Value of the Investment Properties.* The fair value of the investment properties was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting year. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction is based on cash or its equivalent consideration.

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of approximately 2,300.6 hectares and total value of ₱4,046.0 million as at September 30, 2015 and 2014, respectively, are stated at fair value amounting to ₱4,495.4 million and ₱4,448.5 million as at September 30, 2015 and 2014, respectively (see Note 13).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the CA (see Note 27).

*Assessment of Impairment of Nonfinancial Assets.* The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets listed below, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the parent company financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.



The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	Note	2015	2014
Investments in associates and a joint venture	11	<b>₱2,470,307</b>	₱2,167,405
Property and equipment	12	<b>60,064</b>	4,444

There were no impairment indicators for the foregoing nonfinancial assets in 2015 and 2014. Accordingly, the Group has not recognized any impairment loss.

*Determination of Retirement Liability.* The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability as at September 30, 2015 and 2014 amounted to ₱11.9 million and ₱6.7 million, respectively (see Note 17). Retirement benefits amounted to ₱5.2 million, ₱10.9 million and ₱41.2 million in 2015, 2014 and 2013, respectively (see Note 17).

*Estimation of Provisions and Evaluation of Contingencies.* The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

The Group shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court (see Note 27).

*Assessment of Realizability of Deferred Tax Assets.* The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets amounted to ₱18.1 million and ₱7.4 million as at September 30, 2015 and 2014, respectively (see Note 25).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱46.2 million and ₱50.5 million as at September 30, 2015 and 2014, respectively (see Note 25). Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

## 6. Disposal of a Subsidiary

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific for a total consideration of ₱2,220.4 million. The sale resulted to a gain amounting to ₱2,036.0 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million was classified and accounted for as investment in an associate (see Note 11).

Consequently, the Parent Company has lost its control over RHI with the dilution of its equity interest from 65% to 35%. The loss of control is considered as a deemed disposal of a subsidiary in accordance with the Amended PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The related accounts of RHI as at November 29, 2013 (the date control was lost) have been excluded in the 2014 consolidated statements of financial position. The carrying amounts of the assets and liabilities of RHI as at November 29, 2013 were as follows:

	Note	Amount
Cash and cash equivalents		₱170,472
Trade and other receivables		1,426,161
Inventories		1,240,020
Other current assets	10	785,267
Investment in an associate		614,268
Property, plant and equipment		10,577,770
Investment properties	13	191,837
Net deferred tax assets		30,082
Other noncurrent assets		15,818
Borrowings		(7,098,848)
Trade and other payables		(1,442,836)
Retirement liabilities	17	(196,676)
Net deferred tax liabilities		(690,654)
Revaluation increment on land		(1,216,115)
Share in revaluation increment on land of an associate	11	(207,492)
Effect of change in equity interest in subsidiaries		81,066
Other comprehensive loss	17	232,075
Retained earnings		(754,939)
Noncontrolling interests		(1,863,431)
Net assets		1,893,845
Total consideration		(2,220,388)
Remaining investment		(1,709,495)
Gain on disposal		₱2,036,038

The 2014 consolidated statements of comprehensive income include the results of operations of RHI up to November 29, 2013.

The results of operations of RHI for the two-month period ended November 29, 2013 and years ended September 30, 2013 and 2012 included under “Net income from discontinued operations” account are summarized below:

	Note	2014 (Two Months)	2013 (One Year)
Sales	20	₱1,194,430	₱6,064,728
Cost of sales	21	(954,041)	(4,450,154)
Gross income		240,389	1,614,574
General and administrative expenses	22	(128,708)	(623,164)
Interest expense	15	(63,623)	(390,662)
Selling expenses	22	(5,687)	(40,361)
Interest income	7	44	2,386
Equity in net earnings of an associate		–	67,635
Other income - net	24	11,612	105,289
Income before income tax		54,027	735,697
Income tax expense	25	12,211	250,215
Net income		41,816	485,482
Remeasurement gain (loss) on retirement liability, net of deferred tax		458	(184,547)
Revaluation increment on land		–	–
<b>Total comprehensive income</b>		<b>₱42,274</b>	<b>₱300,935</b>
Net income attributable to:			
Parent Company		₱41,866	₱485,032
Noncontrolling Interest		(50)	450
		<b>₱41,816</b>	<b>₱485,482</b>
Total comprehensive income attributable to:			
Parent Company		₱42,324	₱300,482
Noncontrolling Interest		(50)	453
		<b>₱42,274</b>	<b>₱300,935</b>

The net cash provided by (used in) the operations of RHI (discontinued operations) for the two-month period ended November 29, 2013 and year ended September 30, 2013 are as follows:

	2014 (Two Months)	2013 (One Year)
Net cash provided by (used in):		
Operating activities	<b>(₱51,784)</b>	₱80,431
Investing activities	<b>217,295</b>	(95,498)
Financing activities	<b>(160,992)</b>	16,612
Net increase in cash and cash equivalents	<b>4,519</b>	1,545
Cash and cash equivalents at beginning of period	<b>165,953</b>	164,408
Cash and cash equivalents at end of period	<b>₱170,472</b>	₱165,953

## 7. Cash and Cash Equivalents

This account consists of:

	<b>2015</b>	2014
Cash on hand	<b>₱130</b>	₱256
Cash in banks	<b>180,745</b>	36,972
Cash equivalents	<b>2,425</b>	102,563
	<b>₱183,300</b>	₱139,791

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2015 and 2014.

Total interest income recognized in the consolidated statements of income follows:

	Note	<b>2015</b>	2014	2013
Continuing operations:				
Trade and other receivables	8	<b>₱7,624</b>	₱4,759	₱5,182
Due from related parties	19	<b>4,038</b>	3,841	-
Cash in banks and cash equivalents		<b>74</b>	671	309
		<b>11,736</b>	9,271	5,491
Discontinued operations:				
Cash in banks and cash equivalents		-	44	986
Trade and other receivables		-	-	1,400
		-	44	2,386
		<b>₱11,736</b>	₱9,315	₱7,877

## 8. Trade and Other Receivables

This account consists of:

	Note	<b>2015</b>	2014
Trade		<b>₱234,583</b>	₱133,410
Due from:			
Related parties	19	<b>75,306</b>	61,246
Supplier		<b>20,681</b>	-
Employees		<b>9,213</b>	1,225
Dividends	19	<b>4,624</b>	4,624
Others		<b>5,865</b>	9,427
		<b>350,272</b>	209,932
Allowance for impairment losses		<b>(13,403)</b>	(13,403)
		<b>₱336,869</b>	₱196,529

Breakdown as to current and noncurrent portion follows:

	<b>2015</b>	2014
Current	<b>₱304,079</b>	₱194,142
Noncurrent	<b>32,790</b>	2,387
	<b>₱336,869</b>	₱196,529

Trade receivables mainly represent customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract.

Due from supplier pertains to advances made for services to be rendered, which are refundable upon noncompliance of the agreed terms.

Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits," which is presented as part of "Trade and other payables" account in the consolidated statements of financial position. Interest income amounted to ₱7.3 million, ₱4.8 million and ₱5.2 million in 2015, 2014 and 2013, respectively (see Note 7).

The aggregate future installment receivables, included as part of trade receivables, under the sales contracts for real estate business are as follows:

	<b>2015</b>	2014
Current	<b>₱154,272</b>	₱128,064
Noncurrent	<b>32,790</b>	2,387
	<b>₱187,062</b>	₱130,451

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans of RHI extended in 2008 that was deconsolidated in 2014, which bear interest of 8.0% and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (see Note 7).

Receivable from LBP amounting to ₱6.2 million represents the unquoted debt security issued by LBP and received by the Parent Company as a consideration for the investment property expropriated by the Philippine government in 2012. The unquoted debt security, which is receivable in 10 equal annual installments until 2019, earns interest ranging from 0.1% to 1.0% in 2013 based on 91-day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013 (see Note 7).

In 2014, the Parent Company rediscounted the said security for a total consideration of ₱5.3 million. Interest expense incurred from discounting amounted to ₱0.9 million, which is included as part of "Interest expense" (see Note 15).

Other receivables, which are normally settled within one year, also include advances to suppliers and other nontrade receivables.

Movements of allowance for impairment losses of receivables follow:

	2015					Total
	Trade	Due from Related Parties				
Balance at beginning and end of year	<b>₱762</b>	<b>₱12,641</b>				<b>₱13,403</b>

	2014					Total
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	
Balance at beginning of year	₱52,925	₱15,751	₱14,130	₱1,342	₱11,362	₱95,510
Effect of deconsolidation	(52,163)	(3,110)	(14,130)	(1,342)	(11,362)	(82,107)
Balance at end of year	<b>₱762</b>	<b>₱12,641</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,403</b>

## 9. Real Estate for Sale and Development

This account consists of:

	2015	2014
Raw land and land improvements - at cost	<b>₱470,454</b>	₱402,603
Real estate properties for sale - at NRV	<b>38,149</b>	38,409
	<b>₱508,603</b>	₱441,012

The cost of real estate properties, which were carried at NRV, amounted to ₱40.5 million and ₱40.7 million as at September 30, 2015 and 2014, respectively. Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2015 and 2014.

Cost of sales from continuing operations pertain to cost of real estate sales amounting to ₱152.9 million, ₱105.4 million and ₱34.4 million in 2015, 2014 and 2013.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱3.4 million, ₱3.4 million and ₱2.0 million in 2015, 2014 and 2013, respectively, were capitalized using a weighted average rate of 2.06% and 3.84% and 2015 and 2014, respectively (see Note 15).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 22). Also, the Company recognized provision for impairment loss on pre-development cost of a project amounting to ₱2.3 million in 2014 (see Note 22). No provision was recognized in 2015.

Aggregate cash price values and related aggregate carrying costs of real estate properties held for sale follow:

	2015	2014
Aggregate cash price values	<b>₱66,831</b>	₱71,088
Aggregate carrying costs	<b>(38,149)</b>	(38,409)
Excess of aggregate cash price values over aggregate carrying costs	<b>₱28,682</b>	₱32,679

Certain properties for sale and development owned by RLC amounting to ₱181.5 million as at September 30, 2015 and 2014 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 15).

## 10. Other Current Assets

This account consists of:

	2015	2014
Creditable withholding taxes, net	₱51,325	₱49,838
Input VAT	12,734	6,154
AFS financial assets, net	7,534	7,534
Prepaid expenses	6,906	1,054
Others	2,253	5,427
	<b>₱80,752</b>	<b>₱70,007</b>

Input VAT mainly arises from construction and purchases of goods and services for operations.

AFS financial assets of the Parent Company amounting to ₱0.7 million was fully provided with an allowance in 2014.

Prepaid expenses pertain to advances made for rent, insurance, taxes and to suppliers.

No provision for impairment losses was recognized in 2015 and 2014. As at September 30, 2015 and 2014, allowance for impairment loss on creditable withholding taxes and AFS financial assets amounted to ₱5.6 million.

Certain other current assets amounting to ₱785.3 million including creditable withholding taxes and the related allowance for impairment loss amounting to ₱13.6 million were derecognized in 2014 as a result of deconsolidation of RHI (see Note 6).

## 11. Investments in Associates and a Joint Venture

Movements in this account follow:

	Note	2015	2014
<b>Associates</b>			
Acquisition cost			
Balance at beginning of year		₱1,889,724	₱308,162
Additions		266,235	-
Gain on deemed disposal of RHI		84,774	-
Remaining investment in RHI	6	-	1,709,495
Effect of deconsolidation of RHI	6	-	(127,933)
Balance at end of year		<b>2,240,733</b>	1,889,724

(Forward)

	Note	2015	2014
Cumulative equity in net earnings:			
Balance at beginning of year		<b>₱190,886</b>	₱310,989
Dividends received		<b>(81,581)</b>	(38,201)
Equity in net earnings		<b>5,743</b>	196,941
Effect of deconsolidation of RHI	6	–	(278,843)
Balance at end of year		<b>115,048</b>	190,886
Unrealized loss on transfer of land		<b>(59,030)</b>	(59,030)
Other comprehensive income			
Balance at beginning of year		<b>6,046</b>	212,671
Share in remeasurement gain (loss) on retirement liability		<b>(5,349)</b>	917
Share in unrealized loss on AFS financial assets of an associate		–	(50)
Effect of deconsolidation	6	–	(207,492)
Balance at end of year		<b>697</b>	6,046
		<b>2,297,448</b>	2,027,626
Allowance for impairment losses		<b>(15,233)</b>	(15,233)
		<b>2,282,215</b>	2,012,393
<b>Joint Venture</b>			
Balance at beginning of year		<b>155,012</b>	–
Additions		<b>35,000</b>	155,000
Equity in net earnings (losses)		<b>(1,920)</b>	12
Balance at end of year		<b>188,092</b>	155,012
		<b>₱2,470,307</b>	₱2,167,405

The following are the associates of the Group:

	Percentage of Ownership		Line of Business
	2015	2014	
Roxaco-ACM Development Corporation (RADC)	<b>50.00</b>	50.00*	Real estate
RHI and subsidiaries	<b>31.00</b>	35.00	Production and selling of sugar and related products
Fuego Land Corporation (FLC)	<b>30.00</b>	30.00*	Real estate
Fuego Development Corporation (FDC)	<b>30.00</b>	30.00*	Real estate
Club Punta Fuego, Inc. (CPFI)	<b>25.00</b>	25.00*	Social recreational and athletic activities

\* Effective ownership through RLC.

The following are the subsidiaries of RHI:

	Percentage of Ownership		Line of Business
	2015	2014	
Central Azucarera Don Pedro, Inc. (CADPI) <sup>(1)</sup>	<b>100.00%</b>	100.00%	Manufacturing and selling of sugar
Central Azucarera de la Carlota, Inc. (CACI)	<b>100.00%</b>	100.00%	Manufacturing and selling of sugar
CADP Insurance Agency, Inc. (CIAI)	<b>100.00%</b>	100.00%	Insurance agency
Roxol Bioenergy Corp. (RBC) <sup>(1)</sup>	<b>100.00%</b>	100.00%	Production and selling of bioethanol fuel

(Forward)



	Percentage of Ownership		Line of Business
	2015	2014	
CADP Port Services, Inc. (CPSI)	<b>100.00%</b>	100.00%	Providing ancillary services
RHI Agri-Business Development Corporation (RABDC) <sup>(2)</sup>	<b>100.00%</b>	–	Agricultural business
Roxas Pacific Bioenergy Corporation (RPBC) <sup>(2)</sup>	<b>100.00%</b>	–	Holding company for bioethanol investments
RHI Pacific Commercial Corp. (RHIPCC) <sup>(2)</sup>	<b>100.00%</b>	–	Selling arm
San Carlos Bioenergy, Inc. (SCBI) <sup>(3)</sup>	<b>93.68%</b>	–	Production and selling of bioethanol fuel
NAVI	<b>77.38%</b>	77.38%	Agricultural and industrial development
Roxas Power Corporation (RPC)	<b>50.00%</b>	50.00%	Sale of electricity

<sup>(1)</sup> Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%

<sup>(2)</sup> Newly incorporated wholly owned subsidiaries in 2015.

<sup>(3)</sup> In April 2015, the Group entered into a Sale and Purchase Agreement and acquired 93.69% indirect interest in SCBI through RPBC

The carrying amount of investments in associates and a joint venture are as follow:

	2015	2014
<b>Associates</b>		
RHI and subsidiaries	<b>₱2,142,583</b>	₱1,872,760
FLC	<b>97,804</b>	97,804
CPFI	<b>18,460</b>	18,460
FDC	<b>14,942</b>	14,942
RADC	<b>8,427</b>	8,427
<b>Joint Venture</b>		
Roxaco Vanguard Hotel Corporation (RVHC)	<b>188,091</b>	155,012
	<b>₱2,470,307</b>	₱2,167,405

#### Associates

As discussed in Note 6, the remaining 35% investment in RHI amounting to ₱1,023.0 million is classified and accounted for as an investment in an associate beginning November 29, 2013.

On October 1, 2014, the Parent Company bought 5.0 million shares of stock of RHI for ₱34.5 million increasing its equity interest to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares at ₱7.00 a share amounting to ₱1,692.6 million to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 1). As a result, the Parent Company recognized a dilution gain on deemed disposal amounting to ₱84.8 million in 2015. Also, on the same date, the Parent Company purchased 33.1 million shares of RHI from various stockholders for a total purchase price of ₱231.8 million. As at September 30, 2015, the Parent Company has 31% equity interest in RHI (see Note 1).

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱127.5 million and ₱150.0 million as at September 30, 2015 and 2014, respectively (see Note 15).

Investments in CPFI, RADC and FLC amounting to ₱7.9 million, ₱3.7 million and ₱3.7 million were fully provided with allowance for impairment loss as at September 30, 2015 and 2014.

### Joint Venture

On December 3, 2013, RLC entered into a Joint Venture Agreement with Singapore's Vanguard Hotels Group to form a joint venture company, namely - RVHC [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million. Share in net earnings amounted to ₱1.9 million as its share in net loss in RVHC in 2015.

In 2015 and 2014, RVHC is in the construction stage. Total cost to complete the Projects amounted to ₱1,115.3 million. As at September 30, 2015 and 2014, total costs incurred on the Projects amounted to ₱1,302.0 million and ₱373.3 million, respectively.

The accumulated equity in net earnings of associates and a joint venture amounting to ₱115.0 million and ₱190.9 million as at September 30, 2015 and 2014, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates and a joint venture are as follows:

	Associates		Joint Venture	
	2015	2014	2015	2014
Current assets	<b>₱3,765,822</b>	₱4,235,197	<b>₱322,994</b>	₱131,820
Noncurrent assets	<b>17,954,317</b>	11,555,940	<b>988,276</b>	385,766
Current liabilities	<b>6,723,188</b>	2,273,464	<b>28,497</b>	207,500
Noncurrent liabilities	<b>5,641,112</b>	7,633,865	<b>908,189</b>	2,564
Net assets	<b>9,355,839</b>	5,883,808	<b>374,584</b>	307,522
Revenue	<b>8,397,860</b>	1,136,139	-	25
Net income (loss)	<b>25,434</b>	21,667	<b>(3,841)</b>	24

## 12. Property and Equipment

Details and movements of this account follows:

	2015						Total
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>							
Balance at beginning of year	₱12	₱10,345	₱2,423	₱9,258	₱13,916	₱-	₱35,954
Additions	-	3,239	-	1,943	1,600	51,309	58,091
Disposal	-	-	(2,423)	-	-	-	(2,423)
Balance at end of year	<b>12</b>	<b>13,584</b>	<b>-</b>	<b>11,201</b>	<b>15,516</b>	<b>51,309</b>	<b>91,622</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	-	8,907	2,423	7,215	12,965	-	31,510
Depreciation and amortization	-	805	-	987	679	-	2,471
Disposal	-	-	(2,423)	-	-	-	(2,423)
Balance at end of year	-	<b>9,712</b>	<b>-</b>	<b>8,202</b>	<b>13,644</b>	-	<b>31,558</b>
<b>Net Book Value</b>	<b>₱12</b>	<b>₱3,872</b>	<b>₱-</b>	<b>₱2,999</b>	<b>₱1,872</b>	<b>₱51,309</b>	<b>₱60,064</b>

2014								
	Note	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance at beginning of year		12	2,786,167	12,065,825	34,587	85,047	101,929	15,073,567
Effect of deconsolidation of RHI	6	-	(2,774,870)	(12,063,402)	(27,389)	(71,837)	(141,606)	(15,079,104)
Additions		-	-	-	2,060	706	39,677	42,443
Reclassifications		-	(952)	-	-	-	-	(952)
Balance at end of year		12	10,345	2,423	9,258	13,916	-	35,954
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year		-	1,087,762	5,985,281	29,591	74,358	-	7,176,992
Effect of deconsolidation of RHI	6	-	(1,184,235)	(5,982,858)	(29,458)	(63,095)	-	(7,259,646)
Depreciation and amortization		-	105,380	-	7,082	1,702	-	114,164
Balance at end of year		-	8,907	2,423	7,215	12,965	-	31,510
<b>Net Book Value</b>		12	1,438	-	2,043	951	-	4,444

Construction in progress mainly pertains to the sales office of RLC's projects in Batangas and the construction of RCPC's building in 2015.

Certain land of RHI carried at revalued amount amounting to ₱2.8 million and regular plant improvements and rehabilitation of milling equipment of RHI's subsidiaries were deconsolidated in 2014.

No capitalized borrowing cost was recognized on property and equipment in 2015 and 2014. Unamortized capitalized borrowing cost of RHI's subsidiaries as at September 30, 2013 amounting to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million were deconsolidated in 2014.

The depreciation and amortization are allocated as follows:

	Note	2015	2014	2013
Cost of goods sold	21	₱-	₱105,102	₱627,555
General and administrative expenses	22	2,471	9,062	57,185
		<b>₱2,471</b>	<b>₱114,164</b>	<b>₱684,740</b>

In 2015, a fully depreciated machinery and equipment was sold at a gain amounting to ₱3.5 million (see Note 24).

As at September 30, 2015 and 2014, fully depreciated property and equipment with an aggregate cost of ₱16.3 million and ₱19.2 million, respectively, are still being used in the operations.

As at September 30, 2015 and 2014, certain assets were mortgaged and used as collateral to secure the loan obligations of the Parent Company with the local banks (see Note 15).

### 13. Investment Properties

This account consists of:

	2015	2014
Land properties	₱4,495,444	₱4,440,125
Building	-	8,419
	<b>₱4,495,444</b>	<b>₱4,448,544</b>

Movements on investment properties are as follows:

	Note	2015	2014
Balance at beginning of year		<b>₱4,448,544</b>	₱4,624,331
Unrealized fair value gain		<b>55,319</b>	16,050
Reclassification		<b>(8,419)</b>	–
Effect of deconsolidation of RHI	6	–	(191,837)
Balance at end of year		<b>₱4,495,444</b>	₱4,448,544

#### The Parent Company

This account consists of land properties located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation.

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,095.7 million and ₱4,046.0 million as at September 30, 2015 and 2014, respectively (see Note 27).

As at September 30, 2015 and 2014, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at November 23, 2015 and October 27, 2014, respectively, as determined by a professionally qualified independent appraiser. The fair value measurement for investment properties has been categorized under Level 2, which was determined by using the Sales Comparison Approach. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 18). The SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three cropyears. Rent income recognized amounted to ₱0.9 million in 2015 and 2014 (see Notes 24 and 27).

Investment properties with carrying value of ₱6.8 million as at September 30, 2015 and 2014 are used as collateral for the long-term borrowings (see Note 15).

#### RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at September 30, 2014 are based on the appraisal reports dated November 17, 2013, as determined by a professionally qualified independent appraiser. Management believes that the fair value as at September 30, 2014 does not significantly differ from the fair value obtained in 2013.

In 2015, RLC has reclassified the carrying value of its investment property amounting to ₱8.4 million to real estate held for sale (see Note 9).

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013.

Rent income from this investment property amounted to ₱0.2 million and ₱0.7 million in 2015 and 2014, respectively (see Note 24).

#### 14. Short-term Borrowings

This account represents unsecured short-term loans obtained from various local banks for its working capital requirements. These short-term borrowings are payable within 360 days in 2015 and 30 days to 180 days in 2014 and bear annual interest ranging from 2.75% to 3.50% in 2015 and 3.0% to 6.5% in 2014.

Interest expense arising from short-term borrowings amounted to ₱4.0 million, ₱11.6 million and ₱61.2 million in 2015, 2014 and 2013, respectively (see Note 15).

#### 15. Long-term Borrowings

Long-term borrowings consist of loans from:

	2015	2014
Parent Company - Bank of the Philippine Islands (BPI)	₱127,500	₱150,000
RLC - Banco de Oro Unibank, Inc. (BDO)	74,845	108,975
	<b>202,345</b>	258,975
Current portion	<b>(63,829)</b>	(56,429)
Noncurrent portion	<b>₱138,516</b>	₱202,546

##### Loan of the Parent Company

The bank loan is classified as follows:

	2015	2014
Current portion	₱30,000	₱22,500
Noncurrent portion	97,500	127,500
	<b>₱127,500</b>	₱150,000

On September 20, 2012, the Parent Company obtained a short-term loan from BPI amounting to ₱400.0 million, which bore interest at prevailing market rate (initially at 4.50%) with a maturity period of 30 days.

On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loan into a long-term loan, which bears interest ranging from 4.50% to 5.50% and is payable quarterly in arrears. The principal is payable in 20 equal amortization starting January 20, 2015 until December 20, 2019. Advance payment of ₱250.0 million was made in 2014.

As at September 30, 2015 and 2014, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	Note	2015	2014
Shares of stock of RHI (99.6 million shares)	11	<b>₱322,265</b>	₱322,265
Real estate for sale and development of RLC	9	<b>178,821</b>	178,821
Investment properties	13	<b>6,838</b>	6,838
Property and equipment	12	<b>78</b>	224
		<b>₱508,002</b>	<b>₱508,148</b>

#### Loan of RLC

The bank loan is classified as follows:

	2015	2014
Current portion	<b>₱33,829</b>	₱33,929
Noncurrent portion	<b>41,016</b>	75,046
	<b>₱74,845</b>	<b>₱108,975</b>

In 2013, RLC obtained a new term loan facility from BDO amounting to 130.0 million. The loan facility was released on a staggered basis from November 2012 to April 2013. The loan bears fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amount is payable quarterly after the one year grace period for five years until 2018.

In 2013, RLC obtained a new term loan facility from BDO amounting to ₱130.0 million. The loan facility was released on a staggered basis, with the ₱85.0 million released in November 2012, the ₱20.0 million released in January 2013 and the remaining ₱25.0 million released in April 2013. The loans bear fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period as allowed by the bank for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 million as at September 30, 2015 and 2014 (see Note 9).

#### *Suretyship Agreements and Mortgage Trust Indenture*

In relation to the BDO loan facility, the Parent Company, RHI and RLC entered in a Continuing Suretyship Agreement with BDO. Under the Agreement, BDO should have the right to proceed against the surety for the payment of the secured obligations. The suretyship should remain in full force and effect to secure any future indebtedness until released by the bank at the request of the surety.

*Interest Expense*

Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC amounting to ₱3.4 million, ₱3.4 million and ₱2.0 million in 2015, 2014 and 2013 (see Note 9), are as follows:

	Note	2015	2014	2013
<b>Continuing Operations:</b>				
Long-term loans		<b>₱13,899</b>	₱14,262	₱24,872
Short-term loans	14	<b>3,972</b>	310	884
Receivable from LBP	8	–	900	–
		<b>17,871</b>	15,472	25,756
<b>Discontinued Operations:</b>				
Long-term loans		–	52,324	330,346
Short-term loans	14	–	11,299	60,316
		–	63,623	390,662
		<b>₱17,871</b>	<b>₱79,095</b>	<b>₱416,418</b>

*Loan Covenants*

The long-term loan of the Parent Company is subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1:1 and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

As at September 30, 2015 and 2014, the Group is in compliance with the foregoing loan covenants, particularly on the required financial ratio.

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the Parent Company's 31% equity interest in RHI in favor of First Pacific (see Note 6).

*Maturities*

The maturities of the long-term borrowings are as follow:

	2015	2014
Less than one year	<b>₱35,501</b>	₱22,500
Between one and two years	<b>94,129</b>	172,725
Between two and five years	<b>72,715</b>	63,750
	<b>₱202,345</b>	<b>₱258,975</b>

## 16. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade		<b>₱62,221</b>	₱61,689
Due to related parties	19	<b>48,030</b>	54,479
Deferred income		<b>21,418</b>	16,278
Accrued expenses:			
Payroll and other benefits		<b>9,972</b>	22,266
Interest		<b>2,988</b>	1,515
Outside services		<b>1,961</b>	864
Others		<b>4,124</b>	3,654
Customers' deposits		<b>15,201</b>	12,898
Payable to government agencies for taxes and statutory contributions		<b>14,405</b>	982
Retention payable		<b>14,176</b>	–
Dividends	18	<b>5,527</b>	5,298
Others		<b>15,657</b>	1,548
		<b>₱215,680</b>	₱181,471

Trade payables are noninterest-bearing and are generally settled within 30 days.

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Details of customers' deposits follow:

	2015	2014
Real estate properties	<b>₱15,201</b>	₱12,799
Others	–	99
	<b>₱15,201</b>	₱12,898

Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties and cash deposits from buyers of the sugar, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue. Deposits from buyers of sugar and molasses of RHI's subsidiaries were deconsolidated in 2014 (see Note 6).

Payable to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Company.



## 17. Retirement Benefits

The Parent Company and RLC maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

### Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

	2015	2014	2013
Current service cost	<b>₱4,867</b>	₱8,882	₱32,142
Interest cost	<b>374</b>	2,028	2,871
Adjustment due to curtailment	-	-	6,218
	<b>₱5,241</b>	₱10,910	₱41,231

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

		2014	
	Note	Cumulative Loss	Deferred Tax (see Note 25)
			Net
Balance as at September 30, 2013		(₱328,994)	₱98,698
Remeasurement gains		1,924	(577)
Effect of deconsolidation	6	331,535	(99,460)
Balance as at September 30, 2014 and 2015		₱4,465	(₱1,339)

### Retirement Liability

Retirement liability recognized in the consolidated statements of financial position follows:

	2015	2014
Present value of obligation	<b>₱22,635</b>	₱16,967
Fair value of plan assets	<b>(10,766)</b>	(10,238)
Retirement liability	<b>₱11,869</b>	₱6,729

Movements in the defined benefit obligation follow:

	Note	2015	2014
Balance at beginning of year		<b>₱16,967</b>	₱529,865
Current service cost		<b>4,867</b>	8,882
Interest cost		<b>801</b>	4,642
Benefits paid		-	(2,950)
Actuarial gain		-	(4,749)
Effect of deconsolidation of RHI	6	-	(518,723)
Balance at end of year		<b>₱22,635</b>	₱16,967

Movements in the fair value of plan assets follow:

	Note	2015	2014
Balance at beginning of year		<b>₱10,238</b>	₱298,033
Actual return on plan assets		<b>427</b>	758
Contributions		<b>101</b>	1,074
Benefits paid		-	(2,950)
Actuarial loss		-	35,370
Effect of deconsolidation	6	-	(322,047)
Balance at end of year		<b>₱10,766</b>	₱10,238

Plan assets of the Parent Company and RLC as at September 30, 2015 and 2014 consist of:

	2015	2014
Cash and cash equivalents	<b>99%</b>	100%
Receivables	<b>1%</b>	-
	<b>100%</b>	100%

The Parent Company and RLC are expected to contribute a total of ₱1.0 million to its respective funds for fiscal year ending September 30, 2016.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each year follows:

	2015	2014
Discount rate	<b>4.70% to 4.85%</b>	3.84% to 3.89%
Future salary increases	<b>5.00%</b>	5.00% to 6.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2015 are as follows:

	Change in Assumption	Effect on Retirement Liability
Discount Rate	+0.5%	(₱127,357)
	-0.5%	140,776
Salary Rate	+1%	277,971
	-1%	(232,257)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

Weighted average duration of the defined benefit liability is 15 years.

The expected return of plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the fund's past performance.

## 18. Equity

### a. Capital Stock

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
"Class A" Common stock - ₱1 par value				
Authorized	<b>3,375,000</b>	<b>₱3,375,000</b>	3,375,000	₱3,375,000
Issued -				
Balance at beginning and end of year	<b>2,911,886</b>	<b>₱2,911,886</b>	2,911,886	₱2,911,886
Treasury stock:				
Balance at beginning of year	<b>(990,385)</b>	<b>(1,683,654)</b>	-	-
Issuances	<b>50,000</b>	<b>85,000</b>	(990,385)	(1,683,654)
Balance at end of year	<b>(940,385)</b>	<b>(1,598,654)</b>	(990,385)	(1,683,654)
Issued and outstanding	<b>1,971,501</b>	<b>₱1,313,232</b>	1,921,501	₱1,228,232

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, amounting to ₱1,683.7 million and representing 34% of the issued and outstanding capital stock of RCI. The BOD approved the plan to buy back shares on November 13, 2013.

Consequently, the BOD approved the appropriation of a portion of retained earnings amounting to ₱1,683.7 million for the cost of treasury shares acquired.

On May 18, 2015, the Company has issued 50.0 million treasury shares for ₱2.00 a share aggregating ₱100.0 million, resulting to an increase in additional paid-in capital amounting to ₱15.0 million.

### b. Other equity reserves

Details of other equity reserves follow:

	Note	2015	2014	2013
<b>Revaluation Increment on Land</b>				
Balance at beginning of year		<b>₱280,091</b>	₱1,496,206	₱1,496,206
Effect of deconsolidation	6	-	(1,216,115)	-
Balance at end of year		<b>280,091</b>	280,091	1,496,206
<b>Cumulative Remeasurement Gain (Loss) on Retirement Liability</b>	17			
Balance at beginning of year		<b>3,126</b>	(230,296)	(108,727)
Effect of deconsolidation	6	-	232,075	-
Remeasurement gain (loss)		-	1,347	(121,569)
Balance at end of year		<b>3,126</b>	3,126	(230,296)
<b>Share in Changes in Fair Value of AFS financial assets of an Associate</b>	11			
Balance at beginning of year		<b>5,129</b>	5,179	5,179
Share in unrealized loss on available-for-sale financial assets		-	(50)	-
Balance at end of year		<b>5,129</b>	5,129	5,179

(Forward)

	Note	2015	2014	2013
<b>Share in Revaluation Increment on Land of an Associate</b>				
Balance at beginning of year	11	₱—	₱136,322	₱136,322
Effect of deconsolidation	6	—	(136,322)	—
Balance at end of year		—	—	136,322
<b>Effect of Change in Equity Interest in Subsidiaries</b>				
Balance at beginning of year		—	(81,066)	(81,066)
Effect of deconsolidation	6	—	81,066	—
Balance at end of year		—	—	(81,066)
<b>Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates</b>				
Balance at beginning of year	11	917	—	—
Share in remeasurement gain (loss)		(5,349)	917	—
Balance at end of year		(4,432)	917	—
		<b>₱283,914</b>	<b>₱289,263</b>	<b>₱1,326,345</b>

Restructuring on equity and revaluation increment on land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADP Group Corporation (CADPGC) with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's equity interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to

₱280.0 million from ₱150.6 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under “Other equity reserve,” which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the debit balance in the “Other equity reserve” arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in the “Other equity reserve” arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the “Other equity reserve,” consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 13).

c. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

\* Par value was subsequently reduced to ₱1.00

d. Retained Earnings

Details of retained earnings follow:

	Note	2015	2014	2013
<b>Appropriated/Restricted</b>				
Balance at beginning of year		₱2,170,274	₱486,620	₱486,620
Appropriation (reversal of appropriation) for treasury stock		(85,000)	1,683,654	–
Balance at end of year		₱2,085,274	₱2,170,274	₱486,620
<b>Unappropriated</b>				
Balance at beginning of year		₱1,639,432	₱1,841,570	₱1,576,287
Net income		135,157	2,274,885	265,283
Reversal of appropriation		85,000	–	–
Cash dividends		(38,430)	(38,430)	–
Appropriation for the acquisition of treasury stock		–	(1,683,654)	–
Effect of deconsolidation	6	–	(754,939)	–
Balance at end of year		1,821,159	1,639,432	1,841,570
		₱3,906,433	₱3,809,706	₱2,328,190

*Restricted and/or Appropriated Retained Earnings*

Retained earnings that are not available for dividend declaration are as follows:

	Note	2015	2014	2013
Appropriation for treasury stock		<b>₱1,598,654</b>	₱1,683,654	₱-
Net unrealized fair value gains on investment properties included in the retained earnings	13	<b>283,545</b>	283,545	283,545
Application of revaluation increment against deficit		<b>203,075</b>	203,075	203,075
		<b>₱2,085,274</b>	₱2,170,274	₱486,620

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired. In 2015, the Parent Company issued 50 million treasury shares and reversed the related appropriation amounting to ₱85.0 million.

On October 14, 1999, the SEC approved the Parent Company's quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company should be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve" (see Note 13).

*Dividend Declaration*

Cash dividends declared by the Parent Company against the unappropriated retained earnings are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Payable
December 12, 2014	₱0.02	₱38,430,022	January 15, 2015	January 30, 2015

Dividends payable amounted to ₱5.5 million and ₱5.3 million as at September 30, 2015 and 2014, respectively (see Note 16).

e. Share Prices

The principal market for the Parent Company's share of stock is the PSE. The high and low trading prices of the Parent Company's share for each quarter within the last three fiscal years are as follows:

Quarter	High	Low
October 2014 through September 2015		
First	₱2.80	₱2.80
Second	2.95	2.57
Third	2.89	1.70
Fourth	2.80	1.57

Quarter	High	Low
October 2013 through September 2014		
First	₱5.35	₱4.83
Second	3.38	3.37
Third	2.81	2.80
Fourth	2.99	2.98
October 2012 through September 2013		
First	3.50	1.68
Second	2.39	2.25
Third	3.00	2.27
Fourth	2.25	1.51

## 19. Related Party Transactions and Balances

The transactions and related balances of the Group with other related parties are as follows:

Related Party	Nature of Transaction	Year	Transactions during the Year	Trade and Other Receivables (see Note 8)	Net Amount Due to Related Parties (see Note 16)
<b>Associates</b>					
FDC	Noninterest-bearing advances	2015	₱-	₱40,362	₱2,388
		2014	2,238	40,362	2,388
	Noninterest-bearing advances	2015	-	-	10,822
		2014	-	-	10,822
RADC	Noninterest-bearing advances	2015	-	-	10,966
		2014	-	-	10,966
CACI	Interest income on advances	2015	4,038	-	-
		2014	3,841	-	-
<b>Joint Venture Partners</b>					
VJPI	Noninterest-bearing advances	2015	5,377	6,459	-
		2014	-	7,552	1,906
Marilo Realty Development Corporation	Noninterest-bearing advances	2015	12,701	13,373	-
		2014	2,102	581	3,000
LPC	Defrayment of cost and expenses for restructuring	2015	1,903	3,112	21,985
		2014	-	3,112	23,850
Others	Noninterest-bearing advances	2015	12,000	12,000	1,869
		2014	19,088	9,639	1,547
	2015		₱75,306	₱48,030	
	2014		61,246	54,479	
<b>Associate</b>					
FLC	Dividends receivable	2015	₱-	₱4,624	₱-
		2014	-	4,624	-

In the normal course of business, the Parent Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are noninterest-bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. Interest income recognized amounted to ₱4.0 million and ₱3.8 million in 2015 and 2014, respectively (see Note 7).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2015, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2015 and 2014.

Outstanding balances at yearend are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each financial year. As at September 30, 2015 and 2014, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Compensation of key management personnel is as follows:

	2015	2014	2013
<b>Continuing Operations</b>			
Salaries and short-term benefits	₱17,316	₱12,720	₱4,412
Retirement benefits	3,840	1,413	490
	<b>21,156</b>	14,133	4,902
<b>Discontinued Operations</b>			
Salaries and short-term benefits	-	45,175	55,484
Retirement benefits	-	5,019	5,943
	-	50,194	61,427
	<b>₱21,156</b>	₱64,327	₱66,329

#### *Directors' Remuneration*

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration, payable in cash and shares of stock of the Parent Company.

On May 14, 2015, the BOD of the Parent Company approved to settle the directors' remuneration for the period August 13, 2013 to February 20, 2015 in cash, equivalent to the market value of the shares, which is the closing price of shares on the last trading day immediately preceding the board meeting. Details are as follows:

Date of Meeting	Number of Shares	Market Value	
		a Share	Amount
May 14, 2015	90,674	₱1.9	₱175,000
August 20, 2015	68,681	1.8	125,000

The expense recognized on the foregoing amounted to ₱1.1 million and ₱908,210 in 2015 and 2014, respectively, presented as part of "Salaries and employee benefits" account in the consolidated statements of comprehensive income.

In December 2015, the Parent Company settled the outstanding liability through issuance of 121,452 treasury shares amounting to ₱300,000.



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## 20. Sale

Revenue from discontinued operations (see Note 6) consists of:

	2014	2013
Sale of:		
Refined sugar	₱587,102	₱3,728,423
Raw sugar	432,770	1,577,317
Alcohol	121,881	375,104
Molasses	52,677	363,763
Tolling fees	-	19,246
Others	-	875
	₱1,194,430	₱6,064,728

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## 21. Cost of Sales

Cost of goods sold from discontinued operations (see Note 6) consists of:

	Note	2014	2013
Cost of goods sold:			
Direct materials used		₱396,137	₱1,604,554
Cost of transporting cane to mill		138,361	848,113
Materials and consumables		106,653	233,984
Depreciation and amortization	12	105,102	627,555
Salaries, wages and other employee benefits	23	66,426	301,663
Repairs and maintenance		54,810	156,435
Fuel and oil		26,351	290,320
Taxes and licenses		19,818	77,827
Rent		13,417	60,713
Communication, light and water		8,767	77,875
Insurance		7,790	25,780
Outside services		-	120,833
Provision for inventory losses and obsolescence		-	12,114
Others		10,409	12,388
		₱954,041	₱4,450,154

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## 22. Operating Expenses

Operating expenses consist of general and administrative expenses and selling expenses.

General and administrative expenses

General and administrative expenses from continuing operations consist of:

	Note	2015	2014	2013
Salaries, wages and other employee benefits	23	<b>₱48,240</b>	₱34,056	₱40,866
Outside services		<b>10,255</b>	16,369	13,157
Taxes and licenses		<b>10,186</b>	3,263	9,615
Communication, light and water		<b>5,492</b>	3,163	3,842
Depreciation and amortization	12	<b>2,471</b>	2,365	2,491
Representation and entertainment		<b>2,295</b>	2,907	3,762
Travel and transportation		<b>2,170</b>	1,597	1,716
Repairs and maintenance		<b>2,165</b>	3,314	1,773
Materials and consumables		<b>825</b>	607	3,066
Corporate social responsibility		<b>350</b>	179	60
Provision for impairment of pre-development cost	9	–	2,323	–
Loss on insurance claims	9	–	715	–
Provision for impairment loss on AFS financial asset	10	–	688	–
Insurance		–	151	202
Others		<b>7,150</b>	9,068	8,547
		<b>₱91,599</b>	₱80,765	₱89,097

Others include professional fees, training and development and other miscellaneous charges.

General and administrative expenses from discontinued operations (see Note 6) consist of:

	Note	2014	2013
Salaries, wages and other employee benefits	23	₱54,524	₱193,762
Taxes and licenses		23,522	95,529
Depreciation and amortization	12	6,697	54,694
Transfer cost		4,651	–
Outside services		4,272	109,261
Materials and consumables		3,572	25,356
Training		2,947	–
Corporate social responsibility		2,836	11,043
Rent		2,737	22,511
Insurance		2,303	27,774
Communication, light and water		1,787	10,373
Research and Development		1,190	–
Travel and transportation		885	6,517
Repairs and maintenance		768	8,079
Provision for impairment losses on receivables		–	6,236
Representation and entertainment		–	1,953
Provision for inventory losses and obsolescence		–	1,430
Others		16,017	48,646
		<b>₱128,708</b>	₱623,164

Selling Expenses

Selling expenses from continuing and discontinued operations follow:

	Note	2015	2014	2013
Continuing operations		<b>₱26,616</b>	₱20,106	₱19,184
Discontinued operations:	6			
Sugar liens and monitoring fees		–	₱5,662	₱35,800
Advertising and shipping cost		–	25	4,561
		<b>₱–</b>	₱5,687	₱40,361

**23. Personnel Costs**

The components of employee benefits from continuing operations presented under “General and administrative expenses” account (see Note 22) in the consolidated statements of income are as follows:

	Note	2015	2014	2013
Salaries and wages		<b>₱21,939</b>	₱13,817	₱32,711
Allowances and other employee benefits		<b>21,060</b>	16,828	4,882
Retirement benefits	17	<b>5,241</b>	3,411	3,273
		<b>₱48,240</b>	₱34,056	₱40,866

The components of employee benefits from discontinued operations are as follows:

	Note	2014	2013
Salaries and wages	21, 22	₱76,407	₱412,096
Allowances and other employee benefits	21, 22	37,044	45,371
Retirement benefits	17	7,499	37,958
		₱120,950	₱495,425

Employee benefits from discontinued operations are allocated as follows:

	Note	2014	2013
Cost of sales	21	₱66,426	₱301,663
General and administrative expenses	22	54,524	193,762
		₱120,950	₱495,425

## 24. Other Income (Charges)

Other income (charges) from continuing operations consists of:

	Note	2015	2014	2013
Management fees		<b>₱13,883</b>	₱13,161	₱23,878
Gain on disposal of property and equipment	12	<b>3,500</b>	-	-
Rent income		<b>1,114</b>	1,602	835
Interment income		<b>401</b>	246	326
Net foreign exchange gains (losses)		<b>(31)</b>	3	6
Income from performance bank guarantee		-	-	65,837
Others		<b>8,537</b>	5,041	(63,896)
		<b>₱27,404</b>	₱20,053	₱26,986

Other income (charges) from discontinued operations (see Note 6) consists of:

	Note	2014	2013
Net foreign exchange gains (losses)		₱50	(₱607)
Recovery from insurance claims		-	40,900
Sugar and molasses handling fees		-	22,940
Loss on property and equipment due to fire		-	(22,305)
Rent income		-	6,625
Income from performance bank guarantee		-	(3,003)
Sale of scrap		-	1,998
Others		11,562	58,741
		₱11,612	₱105,289

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of irreparable equipment. Others pertain mainly to replenishment fees in 2014 and 2013.

In September 2013, RBC received the proceeds from performance bank guarantee issued by a local bank in behalf of the plant contractor amounting to USD\$2.1 million (₱90.4 million). Of the total amount, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱65.8 million was recognized as other income.

## 25. Income Taxes

- a. The components of the Group's recognized deferred tax assets and liabilities represent the tax effects of the following temporary differences:

	2015	2014
	Net Deferred Tax Assets	Net Deferred Tax Assets
Deferred tax assets on:		
Cash advances from customers	₱11,070	₱1,767
Retirement liabilities	3,511	2,140
Allowance for:		
Impairment losses on investments in associates	1,213	1,213
Impairment losses of receivables	933	933
Inventory losses and obsolescence	697	697
Various accruals	634	634
Net unrealized foreign exchange loss	9	8
	<b>18,067</b>	7,392
Deferred tax liabilities on:		
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	(5,525)	(2,482)
Prepaid commission	(83)	(118)
	<b>(5,608)</b>	(2,600)
Net deferred tax assets	<b>₱12,459</b>	₱4,792

Presentation of deferred tax expense (benefit) is as follows:

	2015	2014
Through profit or loss	₱7,666	₱1,436
Through other comprehensive income	-	(577)
	<b>₱7,666</b>	₱859

- b. The reconciliation between the income tax expense (benefit) from continuing operations computed at the applicable statutory tax rate and income tax expense presented in the consolidated statements of income follows:

	2015	2014	2013
Income tax expense (benefit) at statutory rate	₱43,340	₱676,918	(₱15,805)
Adjustments resulting from:			
Expired NOLCO	13,537	3,283	-
Tax effects of:			
Gain on deemed disposal of an associate	(25,432)	-	-
Nontaxable gain on change in fair value of investment properties	(16,596)	(4,815)	-

(Forward)

	2015	2014	2013
Equity in net earnings of associates	<b>(P1,147)</b>	(P59,078)	(P20,408)
Interest income already subjected to final tax and dividend income exempt from tax	<b>(18)</b>	(80)	(621)
Nondeductible interest expense	<b>8</b>	63	216
Gain on disposal of a subsidiary	-	(610,811)	-
Deficiency taxes	-	-	13,177
Others	-	2,225	7,023
Changes in unrecognized deferred tax assets	<b>(4,343)</b>	1,270	17,463
<b>Income tax expense</b>	<b>P9,349</b>	<b>P8,975</b>	<b>P1,045</b>

The reconciliation between the income tax expense from discontinued operations (see Note 6) computed at the applicable statutory tax rate and income tax expense presented in the consolidated statement of income follows:

	2014	2013
Income tax expense at statutory tax rate	P16,208	P220,709
Tax effects of:		
Equity in net earnings of an associate	(2,502)	(20,291)
Interest subjected to final tax and dividend income exempt from tax	(13)	(460)
Nondeductible interest expense	5	167
Nondeductible deficiency taxes	-	13,208
Nondeductible unrealized gross profit on inventories	-	12,957
Nondeductible expenses	-	11,699
Adjustments resulting from:		
Application of MCIT	-	20,571
Expiration of excess MCIT	-	-
Others	(1,487)	(1,455)
Changes in unrecognized deferred tax assets	-	(6,890)
<b>Income tax expense</b>	<b>P12,211</b>	<b>P250,215</b>

- c. Details of NOLCO, excess MCIT and other deductible differences for which no deferred tax assets were recognized are as follows:

	2015	2014
NOLCO	<b>P28,659</b>	P33,017
Allowance for impairment losses on:		
Investments in associates	<b>14,262</b>	14,262
Receivables	<b>2,813</b>	2,813
AFS financial assets	<b>206</b>	206
Excess MCIT	<b>214</b>	199
	<b>P46,154</b>	P50,497

Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

- d. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

#### NOLCO

Year Incurred	Balance at Beginning of Year	Applied	Expired	Balance at the End of the Year	Tax Effect	Available Until
September 30, 2012	₱45,122	₱-	₱45,122	₱-	₱-	September 30, 2015
September 30, 2013	43,787	3,190	-	40,597	12,179	September 30, 2016
September 30, 2014	24,338	-	-	24,338	7,301	September 30, 2017
September 30, 2015	30,597	-	-	30,597	9,179	September 30, 2018
	<b>₱143,844</b>	<b>₱3,190</b>	<b>₱45,122</b>	<b>₱95,532</b>	<b>₱28,659</b>	

#### MCIT

Year Incurred	Balance as at Beginning of Year	Applied	Balance as at the End of the Year	Available Until
September 30, 2013	₱1,172	₱1,157	₱15	September 30, 2016
September 30, 2014	184	-	184	September 30, 2017
September 30, 2015	15	-	15	September 30, 2018
	<b>₱1,371</b>	<b>₱1,157</b>	<b>₱214</b>	

## 26. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share are computed as follows:

	Note	2015	2014	2013
Net income (loss) attributable to the equity holders of the Parent Company:		<b>₱135,157</b>	₱2,274,885	₱265,283
<i>Continuing operations</i>		<b>135,157</b>	2,233,018	(214,792)
<i>Discontinued operations</i>	6	-	41,866	485,032
Weighted average number of shares issued and outstanding		<b>1,938,167</b>	1,921,501	2,911,886
Basic/diluted earnings (loss) per share:		<b>₱0.07</b>	₱1.18	₱0.09
<i>Continuing operations</i>		<b>0.07</b>	1.16	(0.08)
<i>Discontinued operations</i>		-	0.02	0.17

There are no potential dilutive common shares as at September 30, 2015 and 2014.

## 27. Contingencies and Commitments

### Contingencies

*Land Properties Subjected to the CARL.* The CARL provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOA) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOA. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOA that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the exemption with the CARL of its three haciendas in Nasugbu, Batangas. The application for exemption was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu, Batangas as a Tourist Zone. The Parent Company likewise filed applications for exemption for certain smaller land areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that the PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to the PP No. 1520, for possible exemption."

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the landholdings of the Parent Company as tourism zones. To date, this application has remained unacted upon by the TIEZA.

In February 2012, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (Republic Act - RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court.



In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

On May 14, 2013, the BOD approved to authorize management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses in 2015 and 2014.

#### Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

Total costs incurred for the project as at September 30, 2014 amounted to ₱101.4 million and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" account in the consolidated statements of financial position (see Note 9).

#### Lease-back Guarantee

In 2014, the Company entered into a lease-back guarantee with buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The hotel operator will be RCPC, wholly owned subsidiary of the Company.

The guaranteed funds will be distributed each quarter reckoned from the date of full opening of operations of the resort.

In 2014, the Company recognized provision for yield guarantee amounting to ₱1.1 million. In 2015, the provision for yield guarantee was derecognized.

### Lease Commitments

The Group, as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱4.0 million in 2013 (see Note 22).

On December 20, 2013, the Group leased a portion of its investment property to a third party, which runs for a period of three cropyears and is renewable for another three cropyears. Rent income recognized amounted to ₱0.9 million in 2015 and 2014 (see Note 14).

### Unused Credit Lines

As at September 30, 2015 and 2014, the Group has unused lines of credit with local banks amounting to ₱278.86 million and ₱678.64 million, respectively (see Notes 14 and 15).

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## 28. Financial Instruments

### Risk Management, Objectives and Policies

The principal financial instruments comprise of cash in banks and cash equivalents, receivables and payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The Group monitors the market price risk arising from all financial instruments. The Group is also exposed to commodity price risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

*Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 14 and 15).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as at September 30, 2015 and 2014:

	2015					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Short-term borrowings*	₱-	₱622,170	₱-	₱-	₱-	₱622,170
Trade and other payables**	137,074	10,644	-	-	-	147,718
Due to related parties	48,030	-	-	-	-	48,030
Dividends payable	5,527	-	-	-	-	5,527
Long-term borrowings	-	35,501	166,844	-	-	202,345
	<b>₱190,631</b>	<b>₱668,315</b>	<b>₱166,844</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,025,790</b>

	2015					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Cash in bank and short-term placements	₱183,170	₱-	₱-	₱-	₱-	₱183,170
Trade receivables***	185,060	-	102,994	-	-	288,054
Due from:						
Related parties	75,306	-	-	-	-	75,306
Employees	3,810	4,559	844	-	-	9,213
Other receivables	5,865	-	-	-	-	5,865
	<b>₱453,211</b>	<b>₱4,559</b>	<b>₱103,838</b>	<b>₱-</b>	<b>₱-</b>	<b>₱561,608</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱2.8 million and ₱25.8 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱14.4 million.

\*\*\* Includes due from contractors amounting to ₱20.7 million and noncurrent portion of installment contract receivables amounting to ₱32.8 million.

	2014					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Short-term borrowings*	₱93,150	₱-	₱-	₱-	₱-	93,150
Trade and other payables**	107,814	12,898	-	-	-	120,712
Due to related parties	54,479	-	-	-	-	54,479
Dividends payable	5,298	-	-	-	-	5,298
Long-term borrowings	-	36,330	172,918	74,708	-	283,956
	<b>₱260,741</b>	<b>₱49,228</b>	<b>₱172,918</b>	<b>₱74,708</b>	<b>₱-</b>	<b>₱557,595</b>

Cash in bank and short-term placements	₱139,535	₱-	₱-	₱-	₱-	₱139,535
Trade receivables***	26,377	99,671	8,317	3,269	2,787	140,421
Due from:						
Related parties	10,946	50,300	-	-	-	61,246
Employees	124	929	172	-	-	1,225
Other receivables	9,427	-	-	-	-	9,427
	<b>₱186,409</b>	<b>₱150,900</b>	<b>₱8,489</b>	<b>₱3,269</b>	<b>₱2,787</b>	<b>₱351,854</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱0.8 million and ₱25.0 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱1.0 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to ₱2.4 million.

**Credit risk.** Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price. The financial effect of this arrangement is equivalent to the total contracts receivables amounting to ₱71.4 million as at September 30, 2013.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	2015	2014
Cash in banks and cash equivalents	<b>₱183,171</b>	₱139,535
Trade receivables*	<b>233,821</b>	132,648
Due from:		
Related parties*	<b>75,306</b>	48,605
Employees*	<b>9,213</b>	1,225
Dividend receivable	<b>4,624</b>	4,624
Other receivables*	<b>5,865</b>	9,427
AFS financial assets*	<b>7,543</b>	7,543
	<b>₱519,543</b>	₱343,607

\* Net of allowance for impairment losses totaling ₱14.0 million in 2015 and 2014.

*Collaterals and other credit enhancements.* The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

*Credit quality per class of financial assets.* The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	2015						Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired		Impaired		
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days			
Cash in banks and cash equivalents	<b>₱183,170</b>	₱-	₱-	₱-	₱-	₱-	<b>₱183,170</b>	
Trade receivables	<b>141,841</b>	<b>70,882</b>	-	-	<b>21,098</b>	<b>762</b>	<b>234,583</b>	
Due from:								
Related parties	<b>75,306</b>	-	-	-	-	<b>12,641</b>	<b>87,947</b>	
Employees	<b>9,213</b>	-	-	-	-	-	<b>9,213</b>	
Dividend receivables	<b>4,624</b>	-	-	-	-	-	<b>4,624</b>	
Other receivables	<b>5,865</b>	-	-	-	-	-	<b>5,865</b>	
AFS financial assets	<b>7,534</b>	-	-	-	-	<b>688</b>	<b>8,222</b>	
	<b>₱427,553</b>	<b>₱70,882</b>	₱-	₱-	<b>₱21,098</b>	<b>₱14,091</b>	<b>₱533,624</b>	

	2014						Total
	Neither past due nor impaired			Past due but not impaired		Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		
Cash in banks and cash equivalents	₱138,317	₱1,218	₱-	₱-	₱-	₱139,535	
Trade receivables	97,498	8,122	-	18,710	8,318	133,410	
Due from:							
Related parties	48,605	-	-	-	-	12,641	61,246
Employees	980	245	-	-	-	-	1,225
Dividend receivables	4,624	-	-	-	-	-	4,624
Other receivables	7,691	1,604	-	37	95	-	9,427
AFS financial assets	7,534	-	-	-	-	688	8,222
	₱305,249	₱11,189	₱-	₱18,747	₱8,413	₱14,091	₱357,689

*Impairment assessment.* The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectability.

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.7 million in 2014 (see Note 10).

*Commodity price risk.* The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices and, thus, have no impact on the consolidated cash flows in the next 12 months.

*Interest rate risk.* Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2015 and 2014. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2015 and 2014.

2015		
Increase (Decrease)	Effect on Income Before Tax	Effect on Equity
0.5%	(₱842)	(₱35,787)
(0.5%)	842	35,787

2014		
Increase (Decrease)	Effect on Income Before Tax	Effect on Equity
0.5%	(P11,282)	(P34,693)
(0.5%)	11,282	34,693

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

#### Capital Management

The primary objective of the capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2015 and 2014.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

	2015	2014
Total liabilities	<b>P1,023,498</b>	P539,561
Total equity	<b>7,124,300</b>	6,932,963
Total liabilities and equity	<b>P8,147,798</b>	P7,472,524
Debt-to-equity ratio	<b>0.14:1.0</b>	0.08:1.0

#### Fair Values

The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash on hand	<b>P130</b>	<b>P130</b>	P256	P256
Loans and receivables:				
Cash in banks and cash equivalents	<b>183,170</b>	<b>183,170</b>	139,535	139,535
Trade receivables	<b>233,821</b>	<b>233,821</b>	132,648	132,648

(Forward)

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due from:				
Related parties	<b>₱75,306</b>	<b>₱75,306</b>	₱48,605	₱48,605
Employees	<b>9,213</b>	<b>9,213</b>	1,225	1,225
Dividend receivable	<b>4,624</b>	<b>4,624</b>	4,624	4,624
Other receivables	<b>5,865</b>	<b>5,865</b>	9,427	9,427
AFS financial assets	<b>7,543</b>	<b>7,543</b>	7,543	7,543
	<b>₱519,672</b>	<b>₱519,672</b>	₱343,863	₱343,863
<b>Financial Liabilities</b>				
Other financial liabilities:				
Short-term borrowings	<b>₱593,604</b>	<b>₱593,604</b>	₱92,386	₱92,386
Trade and other payables*	<b>147,718</b>	<b>147,718</b>	120,712	120,712
Due to related parties	<b>48,030</b>	<b>48,030</b>	54,479	54,479
Dividends payable	<b>5,527</b>	<b>5,527</b>	5,298	5,298
Long-term borrowings	<b>202,345</b>	<b>202,345</b>	283,956	283,956
	<b>₱997,224</b>	<b>₱997,224</b>	₱556,831	₱556,831

\*\* Excludes payable to government agencies amounting to ₱14.4 million and ₱1.0 million in 2015 and 2014, respectively.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

*Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties.* The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

*Long-term borrowings* - Fair values of long-term borrowings as at September 30, 2015 and 2014 were determined based on Level 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at September 30, 2015 and 2014.

## 29. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: FHPMC, SMMSI and RCPC.

b. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and RGEC, an entity established primarily for renewable energy and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

The Group's main revenue stream comes from the real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

	2015			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Sale of Real Estate</b>	<b>₱250,434</b>	<b>₱-</b>	<b>₱-</b>	<b>₱250,434</b>
<b>Cost of Real Estate Sales</b>	<b>(152,939)</b>	<b>-</b>	<b>-</b>	<b>(152,939)</b>
Interest income	7,669	4,451	(384)	11,736
Interest expense	(6,413)	(11,073)	(385)	(17,871)
Others	(81,345)	212,209	(81,582)	49,282
Income before income tax	17,406	205,587	(82,351)	140,642
Income tax expense	(9,616)	267	-	(9,349)
<b>Segment Income</b>	<b>7,790</b>	<b>205,854</b>	<b>(82,351)</b>	<b>131,293</b>
Equity in net earnings of associates and a joint venture	-	-	3,823	3,823
<b>Consolidated Net Income</b>	<b>₱7,790</b>	<b>₱205,854</b>	<b>(₱78,528)</b>	<b>₱135,116</b>



2015				
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Other Information</b>				
Major costs and expenses -				
Depreciation and amortization	₱1,707	₱764	₱-	₱2,471
Additions to noncurrent assets:				
Property and equipment	51,280	6,811	-	58,091
Investments in associates and a joint venture	35	476,486	(175,286)	301,235
<b>Assets and Liabilities</b>				
Current assets	₱1,307,668	₱335,682	(₱566,616)	₱1,076,734
Noncurrent assets	414,005	6,836,189	(179,130)	7,071,064
<b>Total Assets</b>	<b>₱1,721,673</b>	<b>₱7,171,871</b>	<b>(₱745,746)</b>	<b>₱8,147,798</b>
Current liabilities	₱613,699	₱177,280	₱82,134	₱873,113
Noncurrent liabilities	9,799	175,848	(35,262)	150,385
<b>Total Liabilities</b>	<b>₱623,498</b>	<b>₱353,128</b>	<b>₱46,872</b>	<b>₱1,023,498</b>
2014				
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Sale of Real Estate</b>	₱199,809	₱-	₱-	₱199,809
<b>Cost of Real Estate Sales</b>	(105,439)	-	-	(105,439)
Interest income	4,867	4,545	(141)	9,271
Interest expense	(4,388)	(11,225)	141	(15,472)
Others	(43,883)	1,374,014	641,139	1,971,270
Income before income tax	50,966	1,367,334	641,139	2,059,439
Income tax expense	(8,267)	(708)	-	(8,975)
<b>Segment Income</b>	42,699	1,366,626	641,139	2,050,464
Equity in net earnings of associates and a joint venture	-	16,050	180,903	196,953
<b>Consolidated Net Income</b>	<b>₱42,699</b>	<b>₱1,382,676</b>	<b>₱822,042</b>	<b>₱2,247,417</b>
<b>Other Information</b>				
Major costs and expenses -				
Depreciation and amortization	₱1,494	₱871	₱-	₱2,365
Additions to noncurrent assets:				
Property and equipment	2,502	236	-	2,738
Investments in associates and a joint venture	155,000	1,709,495	302,883	2,167,378
<b>Assets and Liabilities</b>				
Current assets	₱718,307	₱148,645	(₱22,000)	₱844,952
Noncurrent assets	302,365	5,927,202	398,005	6,627,572
<b>Total Assets</b>	<b>₱1,020,672</b>	<b>₱6,075,847</b>	<b>₱376,005</b>	<b>₱7,472,524</b>
Current liabilities	₱543,791	₱35,542	(₱249,047)	₱330,286
Noncurrent liabilities	5,612	128,617	75,046	209,275
<b>Total Liabilities</b>	<b>₱549,403</b>	<b>₱164,159</b>	<b>(₱174,001)</b>	<b>₱539,561</b>

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**30. Events after Reporting Year**

On October 8, 2015, the Parent Company entered into a Joint Venture Agreement (JVA) with Sigma Xynergies Corporation (SXC), a Filipino owned company, to establish Sigma Coco Xynergies, Inc., a joint venture Company, duly registered and incorporated with the SEC, primarily engaged in constructing a 200 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate for export.

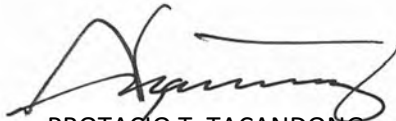
On December 18, 2015, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.01 a share to all stockholders of record as at January 15, 2016. The cash dividend is payable on February 5, 2016.

## REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors  
Roxas and Company, Inc.  
7th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing the separate financial statements of Roxas and Company, Inc. as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015 and have issued our report thereon dated December 18, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of unappropriated retained earnings available for dividend declaration for the year ended September 30, 2015 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

### REYES TACANDONG & Co.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC.**

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**SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Unappropriated retained earnings at beginning of year	P622,854,724
Deferred tax asset at beginning of year	918,723
<hr/>	
Unappropriated retained earnings at beginning of year as adjusted	623,773,447
Net income during the year closed to retained earnings, net of deferred tax amounting to P1,204,799 at end of year	103,868,729
<hr/>	
	727,642,176
Dividend declaration during the year	(38,430,022)
<hr/>	
Unappropriated retained earnings available for dividend declaration at end of year	P689,212,154

Reconciliation:

Unappropriated retained earnings at end of year as shown in the separate financial statements	P774,498,230
Reversal of appropriation during the year	(85,000,000)
Deferred tax asset, movement during the year	(286,076)
<hr/>	
	P689,212,154

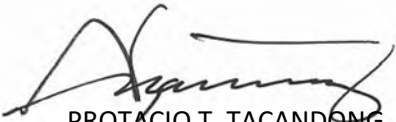
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## REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Roxas and Company, Inc.  
7th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, and have issued our report thereon dated December 18, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedules listed in the Index to Consolidated Financial Statements, Supplementary Schedules on Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

### REYES TACANDONG & Co.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

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Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015

Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**  
**As at and For the Year Ended September 30, 2015**

Table of Contents

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	3
D	Intangible Assets - Other Assets	N/A
E	Long-term Borrowings	5
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6

N/A - Not applicable

## SCHEDULE B

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**
**(OTHER THAN RELATED PARTIES)**
**SEPTEMBER 30, 2015**
**(AMOUNTS IN THOUSANDS)**

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱–	₱13,235	₱10,713	₱–	₱2,522	₱–	₱2,522

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE  
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**(AMOUNTS IN THOUSANDS)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at end of year
Nasugbu Feeds Corporation	P345	P-	P-	P345	P-	P345
Roxas Green Energy, Inc.	-	7,773	-	7,773	-	7,773
United Ventures Corporation	-	3,500	-	3,500	-	3,500
	P345	P11,273	P-	P11,618	P-	P11,618



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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**LONG-TERM BORROWINGS****SEPTEMBER 30, 2015****(AMOUNTS IN THOUSANDS)**

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term borrowings" in related consolidated statement of financial position	Amount shown under caption "Long-term borrowings" in related consolidated statement of financial position
Loans payable to local banks:		
Bank of the Philippine Islands (BPI)	₱30,000	₱97,500
Banco de Oro Unibank, Inc.	33,829	41,016
	<u>₱63,829</u>	<u>₱138,516</u>

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Note 15 to consolidated financial statements.

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**CAPITAL STOCK**  
**SEPTEMBER 30, 2015**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares – “Class A” at ₱1 par value	3,375,000,000	1,971,501,095	–	–	53,345,364	1,918,155,731

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

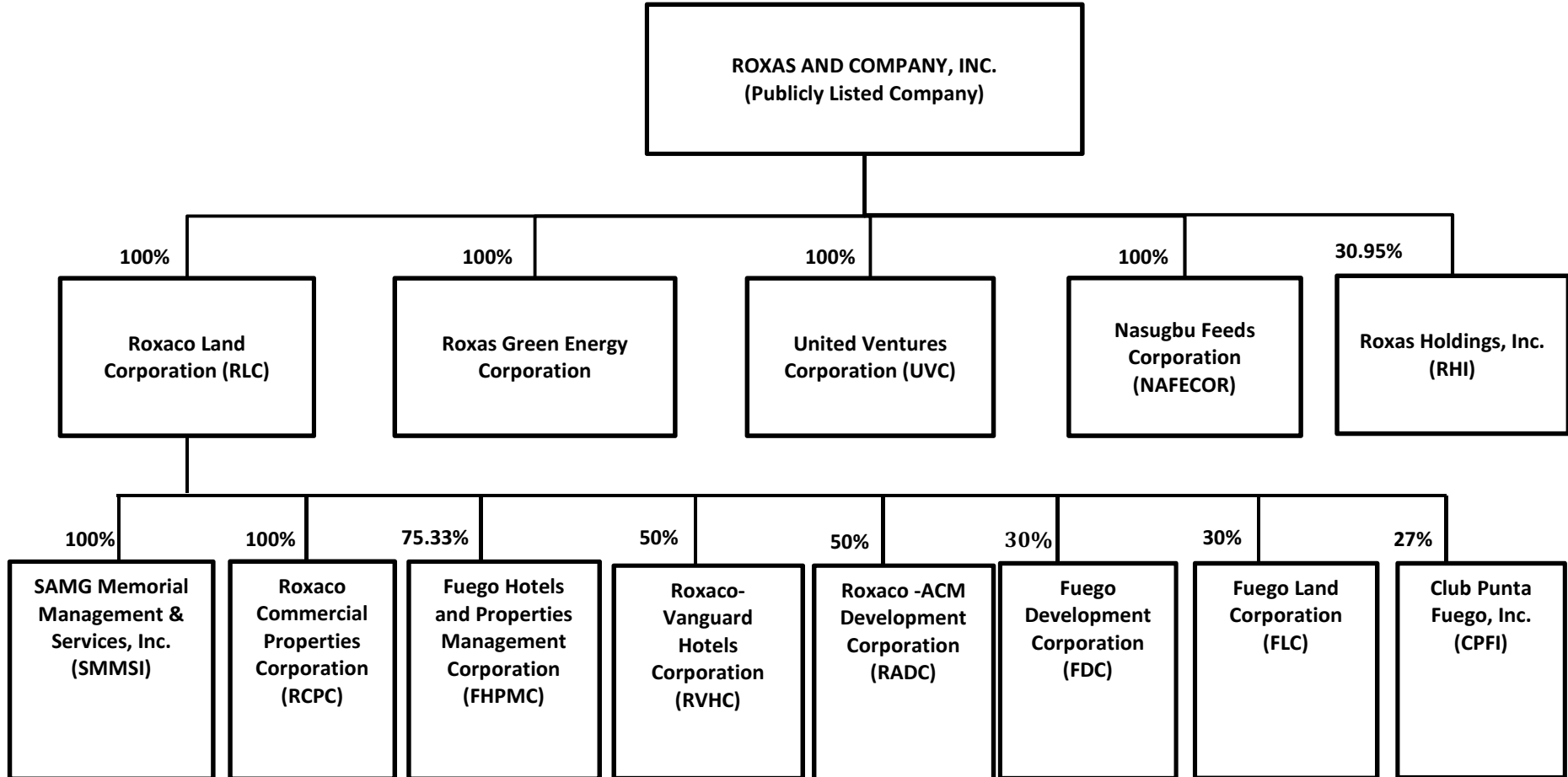
**FINANCIAL SOUNDNESS INDICATORS**

SEPTEMBER 30, 2015

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	2015	2014
<b>Liquidity ratio</b>		
Current ratio	<b>1.27:1</b>	3:1
<b>Solvency ratio</b>		
Debt to equity ratio	<b>0.14:1</b>	0.08:1
<b>Asset to Equity ratio</b>	<b>1.14</b>	1.08
<b>Debt Service Coverage ratio</b>	<b>0.18</b>	6.15
<b>Interest Rate Coverage ratio</b>	<b>8.08</b>	31.15
<b>Probability ratios</b>		
Return on Assets	<b>1.66%</b>	30.82%
Return on Equity	<b>1.90%</b>	33.23%

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**ORGANIZATIONAL STRUCTURE**  
 September 30, 2015



**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors  
Roxas and Company, Inc.  
7th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, and have issued our report thereon dated December 18, 2015. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

  
PROTACIO T. TACANDONG

Partner  
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Issued January 5, 2015, Makati City

December 18, 2015  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
SEPTEMBER 30, 2015**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

**Philippine Financial Reporting Standards (PFRSs)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓

<b>PFRS</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9*	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10*	Consolidated Financial Statements	✓		
PFRS 11*	Joint Arrangements	✓		
PFRS 12*	Disclosure of Interests in Other Entities	✓		
PFRS 13*	Fair Value Measurement	✓		

## Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓



<b>PAS</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)*	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

## PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

No.	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



101132016001878



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Name ROXAS AND COMPANY, INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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R O X A S A N D C O M P A N Y , I N C .  
( F O R M E R L Y C A D P G R O U P  
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(Company's Full Name)

7 T H F L O O R C G B U I L D I N G  
1 0 1 A G U I R R E S T R E E T L E G A S P I  
V I L L A G E M A K A T I C I T Y

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

ATTY. ALEZANDRO S. CASABAR

810-8901

September 30  
Month Day  
Fiscal Year

SEC Form 17-L  
Form Type

February 4<sup>th</sup> Wednesday  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,377

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-L  
NOTIFICATION OF INABILITY TO FILE ALL OR  
ANY PORTION OF SEC FORM 17-A OR 17-Q**

Check One:

Form 17-A [] Form 17-Q []

Period-Ended/Date of Required Filing: 30 September 2015 / 13 January 2016.

Date of this Report: 13 January 2016.

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: N/A

1. SEC Identification Number: 834 2. BIR Tax Identification No. 000-269-435.
3. **ROXAS AND COMPANY, INC.**  
Exact name of issuer as specified in its charter
4. Makati City, Philippines  
Province, country or other jurisdiction of incorporation
5. Industry Classification: \_\_\_\_\_ (SEC Use Only)
6. 7F, CG Bldg., 101 Aquirre St., Legaspi Village, Makati City  
Address of principal office Postal Code 1229
7. PLDT: (632) 810-89-01  
Issuer's telephone number, including area code
8. **CADP GROUP CORPORATION**  
6F, CG Bldg., 101 Aquirre St., Legaspi Village, Makati City  
Former name, former address, and former fiscal year, if changed since last report.
9. Are any of the issuer's securities listed on a Stock Exchange?  
Yes [] No []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Securities registered with the Philippine Stock Exchange:

Securities registered:	No. of shares
Common shares	1,971,501,095

SEC Form 17-L Instructions  
February 2001



### Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [ ]

(b) The subject amended annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date []; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth (5<sup>th</sup>) day following the prescribed due date. [ ]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [ ]

### Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

**RCI will not be able to file its Annual Report on SEC Form 17-A for the fiscal year ended 30 September 2015 on or before the 13 January 2016 deadline because Management and the External Auditors are still reviewing and finalizing with accuracy the material information on the Company's business risks, financial conditions, and results of operations.**

**In view of this, RCI requests as additional period of 15 calendar days, or until 28 January 2016, within which to file its Annual Report or SEC Form 17-A.**

### Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification:

**Atty. Alejandro S. Casabar**  
Assistant Corporate Secretary/ Compliance Officer  
7<sup>th</sup> Floor, Cacho-Gonzales Bldg.  
101 Aguirre Street, Legaspi Village  
1229 Makati City, Metro Manila  
810-8901 / 751-9537

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [] No []

Reports: .....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No []

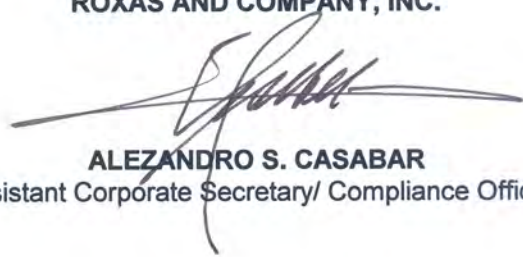
If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

**SIGNATURE**

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ROXAS AND COMPANY, INC.**

By:



**ALEZANDRO S. CASABAR**

Assistant Corporate Secretary/ Compliance Officer

13 January 2016.



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: 2015
2. Exact Name of Registrant as Specified in its Charter: ROXAS AND COMPANY, INC.  
(FORMERLY CADP GROUP CORPORATION)
3. 7<sup>th</sup> Floor CG Building, 101 Aguirre Street  
Legaspi Village, Makati City  
Address of Principal Office  
1229   
Postal Code
4. SEC Identification Number: 834
5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: 000-269-435-000
7. (632) 810-89-01 to 06  
Issuer's Telephone number, including area code
8. CADP GROUP CORPORATION  
6FCacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229  
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	7
---	---

Actual number of Directors for the year	7
---	---

#### (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
Pedro E. Roxas	ED	n/a	Ms. Ellen Comia	18 Oct. 1995	25 Feb. 2015	Annual Meeting	19.5
Antonio J. Roxas	NED	n/a	Ms. Ellen Comia	18 Oct. 1995	25 Feb. 2015	Annual Meeting	19.5
Carlos R. Elizalde	NED	n/a	Ms. Ellen Comia	20 Nov. 2002	25 Feb. 2015	Annual Meeting	12.5
Francisco Jose R. Elizalde	NED	n/a	Ms. Ellen Comia	25 June 2009	25 Feb. 2015	Annual Meeting	5.5
Guillermo D. Luchangco	ID	n/a	Ms. Ellen Comia (no relationship)	18 Nov. 2009	25 Feb. 2015/3 years	Annual Meeting	5.25
Corazon S. De La Paz-Bernardo	ID	n/a	Mr. Pedro E. Roxas (no relationship)	11 April 2013	25 Feb. 2015/1 year	Annual Meeting	1.25

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

The Board of Directors has adopted a Revised Manual on Corporate Governance (the "MCG") in accordance with SEC Circular No. 9, Series of 2014. The MCG contains, among others, the following provisions:

1. The recognition of rights of stockholders to elect, remove and replace directors, through cumulative voting, and vote on certain corporate acts in accordance with the Corporation Code;
2. The recognition of the stockholders' pre-emptive rights, unless the same is denied in the Articles of Incorporation, as well as the power of inspection, right to information, right to dividends and appraisal rights;
3. The recognition of the right to meaningfully participate in stockholders' meetings in person or by proxy;
4. The recognition of the right of all stockholders to be treated equally, but at the same time giving the minority stockholders the right to propose the holding of meetings and items for discussion in the agenda that relate directly to the business of the corporation.

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

5. All material information about the corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed by the company's Compliance Officer through the SEC and the PSE. The minority shareholders are provided access to any and all information relating to matters for which management is accountable for and to those relating to matters which should have been included in the agenda of the annual meeting. If not included in the agenda, the minority shareholders will be allowed to propose such matters in the agenda of the stockholders' meeting for legitimate purposes.
6. The duties and responsibilities of the Board of Directors, in general, are to foster the long-term success of the corporation, to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders, to formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management's performance. In particular, the Board's duties include, but not limited to, the following:
  - (i) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
  - (ii) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
  - (iii) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
  - (iv) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.
  - (v) Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
  - (vi) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
  - (vii) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
  - (viii) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, 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.
  - (ix) Constitute an Audit & Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
  - (x) 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.
  - (xi) Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
  - (xii) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer (Revised Manual on Corporate Governance)

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

As a long-term and enduring guide towards the company's sustainable growth and profitability, the company's vision and mission statements are intended to endure over a long period of time. Nevertheless, the Board of Directors reviews and approves the company's vision and mission statements as the need arises in response or in anticipation of changes in circumstances which affect the business of the company.

**(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.
Pedro E. Roxas	Roxas Holdings, Inc. Central Azucarera Don Pedro, Inc. Central Azucarera de la Carlota, Inc. Roxol Bioenergy Corp. Roxaco Land Corp. Hawaiian Philippine Company	Chairman & President (Executive) Chairman (Executive) Chairman (Executive) Chairman (Executive) Chairman & President (Executive) Chairman (Executive)
Antonio J. Roxas	Roxas Holdings, Inc. Central Azucarera Don Pedro, Inc. Roxaco Land Corp.	Director (Non-Executive) Director (Non-Executive) Director (Non-Executive)
Francisco Jose R. Elizalde	Roxaco Land Corp.	Director (Non-Executive)
Renato C. Valencia	Roxas Holdings, Inc. Central Azucarera Don Pedro, Inc. Central Azucarera de la Carlota, Inc. Roxol Bioenergy Corp.	Director (Executive) Director (Executive) Director (Executive) Director (Executive)

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

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Pedro E. Roxas	Philippine Long Distance Company Manila Electric Co.	Director (Independent) Director (Independent)
Guillermo D. Luchangco	Globe Telecom, Inc. Ionics, Inc. Phinma Corporation Trans-Asia Oil and Energy Development	Director (Independent) Director (Non-Executive) Director (Independent) Director (Independent)

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

	Corporation	
--	-------------	--

**(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
Pedro E. Roxas*	<ul style="list-style-type: none"> <li>- Pesian Holdings, Inc.</li> <li>- Francisco Jose R. Elizalde</li> <li>- Carlos R. Elizalde</li> </ul>	<ul style="list-style-type: none"> <li>- Mr. Roxas is the controlling stockholder of Pesian Holdings, Inc.</li> <li>- The other persons are related to Mr. Pedro E. Roxas within the fourth degree of consanguinity.</li> </ul>
Antonio J. Roxas*	<ul style="list-style-type: none"> <li>- Pedro E. Roxas</li> </ul>	<ul style="list-style-type: none"> <li>- They are related to each other within the fourth degree of consanguinity.</li> </ul>
Francisco Jose R. Elizalde*	<ul style="list-style-type: none"> <li>- SPCI Holdings Inc.</li> <li>- Carlos R. Elizalde</li> <li>- Pedro E. Roxas</li> <li>- Antonio J. Roxas</li> </ul>	<ul style="list-style-type: none"> <li>- Mr. Francisco Jose and Carlos R. Elizalde are brothers and each owns 24.99% of SPCI Holdings Inc.</li> <li>- They are related to each other within the fourth degree of consanguinity.</li> </ul>
Carlos R. Elizalde*	<ul style="list-style-type: none"> <li>- SPCI Holdings Inc.</li> <li>- Francisco Jose R. Elizalde</li> <li>- Pedro E. Roxas</li> <li>- Antonio J. Roxas</li> </ul>	<ul style="list-style-type: none"> <li>- Mr. Francisco Jose and Carlos R. Elizalde are brothers and each owns 24.99% of SPCI Holdings Inc.</li> <li>- They are related to each other within the fourth degree of consanguinity.</li> </ul>

(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? **No. However, the CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full time executives in other corporations.**

In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **Yes.** If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	Pursuant to the company's Revised Manual on Corporate Governance, the	The company has not yet set a definite limit on the number of



	<p>executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. In any case, the capacity of the director to serve diligently shall not be compromised (Revised Manual on Corporate Governance).</p>	<p>board seats which the members of the Board of Directors or its CEO may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (Revised Manual on Corporate Governance).</p> <p>The limit of five (5) board seats in the other publicly-listed is not imposed but, as herein above indicated, the members of the Board of Directors who are also directors in other publicly-listed companies are holding board seats in such companies up to a maximum of five (5) only.</p>
<b>Non-Executive Director</b>	<p>Pursuant to the company's Revised Manual on Corporate Governance, the non-executive directors who serve as full time executives in other corporations shall submit themselves to a low indicative limit on memberships in other corporations. In any case, the capacity of the director to serve diligently shall not be compromised (Revised Manual on Corporate Governance).</p>	<p>The company has not yet set a definite limit on the number of board seats which the members of the Board of Directors or its CEO may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (Revised Manual on Corporate Governance).</p> <p>The limit of five (5) board seats in the other publicly-listed is not imposed but, as herein above indicated, the members of the Board of Directors who are also directors in other publicly-listed companies are holding board seats in such companies up to a maximum of five (5) only.</p>
<b>CEO</b>	<p>Pursuant to the company's Revised Manual on Corporate Governance, the CEO shall submit himself to a low indicative limit on membership in</p>	<p>The company has not yet set a definite limit on the number of board seats which the members of the Board of Directors or its CEO</p>

	other corporate boards. In any case, the capacity of the CEO to serve diligently shall not be compromised (Revised Manual on Corporate Governance).	may simultaneously hold in other companies. However, the Revised Manual on Corporate Governance of the company requires that the CEO and all other directors shall submit themselves to a low indicative limit on membership in other corporate boards (Revised Manual on Corporate Governance).
--	---	--

**(e) Shareholding in the Company**

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Antonio J. Roxas	50,030,659	-	2.53%
Pedro E. Roxas	2,969,690	- 340,593,270 through Pesan Holdings, Inc. - 189,537,618 through Pesan Holdings, Inc. (PCD Lodged) - 762,217 (PCD Lodged)	- 0.15% direct -17.26% through Pesan Holdings, Inc. -9.60% Pesan Holdings, Inc. (PCD Lodged) - 0.00% (PCD Lodged)
Carlos R. Elizalde*	1,220,858	642,779,582 through SPCI Holdings, Inc.	- 0.06% direct -32.57% through SPCI Holdings, Inc.
Francisco Jose R. Elizalde*	1,233,672	642,779,582 through SPCI Holdings, Inc.	- 0.06% direct -32.57% through SPCI Holdings, Inc.
Guillermo D. Luchangco	11,121	-	-
Corazon De La Paz-Bernardo	21,242	-	-
Fernando L. Gaspar	11,417	-	-
<b>TOTAL</b>		<b>1,229,171,346**</b>	<b>62.28%**</b>

\* Carlos and Francisco Jose R. Elizalde each own 24.99% of SPCI Holdings, Inc.

\*\* These numbers reflect the consolidated direct and indirect holdings of the Board of Directors.

**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

It is the policy of the Board that the roles of the Chairperson and CEO be separate. However, due to the resignation of Mr. Francisco Del Rosario, the former CEO, the positions of Chairperson and CEO/President had to be performed by the same person. The Board is still in the process of searching for an adequate replacement for CEO. Meanwhile, Mr. Pedro E. Roxas serves concurrently as Chairperson and CEO/President of the Company. In any event, the Board is ever mindful that it has the balancing power to ensure the expression of independent views for the protection and betterment of the Company.

**Identify the Chair and CEO:**

Chairman of the Board	Pedro E. Roxas
CEO/President	Pedro E. Roxas

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

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

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<b>Role</b>	In general, he provides leadership to the Board and the Company. He exercises such powers and performs such duties and functions as the Board may assign to him.	He is responsible for the general supervision, administration, and management of the business of the Company.
<b>Accountabilities</b>	<p>He presides over meetings of the Board and the stockholders.</p> <p>He ensures that the meetings of the Board are held in accordance with the by-laws or as he may deem necessary.</p> <p>He supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary.</p> <p>In the preparation of the agenda, he takes into consideration the suggestions of management and other directors.</p> <p>He maintains qualitative and timely lines of communication and information between the Board and management.</p>	<p>He shall initiate and develop programs for management training and development, as well as executive compensation plans.</p> <p>If so authorized by the Board, he shall attend and act and vote in person or by proxy, for and in behalf of the Company, at any meeting of shareholders of any corporation in which the Company may hold stock. And at any such meeting, to exercise any and all rights and powers incident to the ownership of stock which the owner thereof might possess or exercise if present.</p> <p>He may also exercise such powers and perform such duties and functions as may be assigned to him by the Board.</p>
<b>Deliverables</b>	<p>He must ensure that the meeting agenda is timely made and reflects the suggestions of management and other directors.</p> <p>He must preside in all Board and stockholders' meetings.</p> <p>He must also deliver such items and matters assigned to him by the Board.</p>	<p>He shall make regular reports to the Board on the business operations of the Company.</p> <p>He recommends specific projects for the accomplishment of corporate objectives and policies for approval of the Board.</p> <p>He ensures the implementation of programs for management training and development.</p> <p>He implements the approved policies and programs are carried out by the</p>

		<p>Company management and other personnel.</p> <p>He must also deliver such items and matters assigned to him by the Board.</p>
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**3) Explain how the board of directors’ plan for the succession of the CEO/Managing Director/President and the top key management positions?**

The Board of Directors will adopt an effective succession planning program for the top key management positions of the company. The Board of Directors through the Nomination Committee reviews and evaluates the qualifications of officers whose appointments require the approval of the Board of Directors. The Board of Directors also defines the duties and responsibilities of the CEO who is ultimately accountable for the corporation’s organizational and operational controls and selects the person who possesses the ability, integrity and expertise essential for the position of CEO. Further, the Board of Directors also evaluates proposed senior management appointments, the selection and appointment of qualified and competent management officers and the company’s human resource policies, conflict of interest situations, compensation program for employees, and management succession plan (Revised Manual On Corporate Governance).

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

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

Yes. In addition to the qualifications for membership in the Board as provided in the By-laws of the corporation (Article III, Section 2 of the By-Laws), the Corporation Code, Securities Regulation Code and other relevant laws, the company considers the college education or equivalent academic degree of the person, his practical understanding of the business of the company, membership in good standing in the industry, business or professional organizations and previous business experience (Revised Manual on Corporate Governance).

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

Yes. The Company requires that its non-executive directors should possess qualifications and stature to enable them to participate in the deliberations of the Board (Revised Manual on Corporate Governance). As a practice, the Board and management provides an orientation to its newly elected non-executive directors to apprise them of the business operations of the Company.

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

	Executive	Non-Executive	Independent Director
Role	The Board of Directors handles and manages all the business and properties of the company (Art. III, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner	The Board of Directors handles and manages all the business and properties of the company (Art. III, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner	The Board of Directors handles and manages all the business and properties of the company (Art. III, ABL). The Board of Directors also ensures the long-term success of the corporation and sustains its competitiveness and profitability in a manner

	consistent with the corporate objectives and the best interests of the stockholders (Revised Manual on Corporate Governance).	consistent with the corporate objectives and the best interests of the stockholders (Revised Manual on Corporate Governance).	consistent with the corporate objectives and the best interests of the stockholders (Revised Manual on Corporate Governance).
Accountabilities	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the</p>	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the</p>	<p>The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the</p>

	<p>corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by</p>	<p>corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by</p>	<p>corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.</p> <p>Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by</p>
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	<p>members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control Responsibilities.</i> The Board shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to,</p>	<p>members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control Responsibilities.</i> The Board shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to,</p>	<p>members of the Board.</p> <p>Constitute an Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p><i>Internal Control Responsibilities.</i> The Board shall continue and enhance its internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to,</p>
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	<p>the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p>	<p>the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p>	<p>the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.</p> <p>Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.</p>
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	<p>The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>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.</p> <p>Observe confidentiality.</p>	<p>The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>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.</p> <p>Observe confidentiality.</p>	<p>The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p> <p>Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>Act judiciously.</p> <p>Exercise independent judgment.</p> <p>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.</p> <p>Observe confidentiality.</p>
<p>Deliverables</p>	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>A process for the selection of directors who can add value and contribute independent</p>	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>A process for the selection of directors who can add value and contribute independent</p>	<p>The corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>A process for the selection of directors who can add value and contribute independent</p>

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	<p>corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, 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.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with</p>	<p>corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, 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.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with</p>	<p>corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>Identification of key risk areas and performance indicators and monitoring of these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>Policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, 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.</p> <p>An Audit &amp; Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>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>Meet at such times or frequency as may be needed.</p> <p>Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with</p>
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	<p>existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size</p>	<p>existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size</p>	<p>existing laws, rules and regulations.</p> <p>Appoint a Compliance Officer who shall have the rank of at least vice president.</p> <p>Enhance the company's internal control environment by observing the following measures:</p> <p>Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:</p> <p>Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;</p> <p>Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;</p> <p>Evaluation of proposed senior management appointments;</p> <p>Selection and appointment of qualified and competent management officers; and</p> <p>Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size</p>
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**Provide the company’s definition of "independence" and describe the company’s compliance to the definition.**

The Company defines “independence” in relation to an Independent Director in its Compensation Committee Charter, as follows:

**“Independent Director”** means a person who is independent of Management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company and includes, among other persons, one who:

- (i) is not a director or officer of the Company or any of its related companies or any of its substantial shareholders (other than as an Independent Director/Advisor of any of the foregoing);
- (ii) was not a director (other than an Independent Director) of the Company who resigned or whose term ended within the last two (2) years;
- (iii) was not the chairman *emeritus* or an *ex-officio* director/officer or a member of the advisory board of the Company or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last one (1) year;
- (iv) does not own more than two percent (2%) of the shares of stock of the Company or any of its related companies or any of its substantial shareholders;
- (v) is not a relative of any director, officer or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders. For this purpose, “relatives” includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

- (vi) is not acting as a nominee or representative of any director or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
- (vii) has not been employed in any executive capacity by the Company or any of its related companies or any of its substantial shareholders within the last five (5) years;
- (viii) is not retained, or within the last five (5) years, has not been retained, as a professional adviser by the Company or any of its related companies or any of its substantial shareholders, either personally or through his firm;
- (ix) has not engaged and does not engage in any transaction with the Company or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;
- (x) is not employed as an officer or executive of another entity where any of the Company's officers or executives serves on that entity's Compensation Committee;
- (xi) is not affiliated with or employed, or within the last five (5) years, has not been affiliated with or employed, by the Company's present or former External Auditor or their affiliates; or
- (xii) is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange ("Exchange"), associated person or salesman, and an authorized clerk of the broker or dealer.

When used in relation to a company, "related company" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

To qualify for nomination as an Independent Director, a person must possess all of the qualifications and have none of the disqualifications for directorship in the Company as set forth in Annexes B and C, respectively, and must meet the independence criteria enumerated above and such other criteria provided under applicable law or regulation or determined by the Board of Directors or its Nomination, Election and Governance Committee.

An incumbent Independent Director shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Nomination, Election and Governance Committee: (a) he ceases to meet any of the independence criteria provided above, or (b) he becomes disqualified from directorship based on any of the grounds for disqualification in accordance with Annex C."

The Company adheres to and complies with the above definition.

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

Yes, the Company is mindful of the term limits for independent directors set in SEC Memorandum Circular No. 9, Series of 2011, allowing an independent director to serve for five (5) consecutive years. After the "cooling off" period, however, the Company subscribes to the foregoing Memorandum Circular allowing the independent director to serve for another five (5) consecutive years.

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

**(a) Resignation/Death/Removal**

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

Name	Position	Date of Cessation	Reason
Renato C. Valencia	Director	12 November 2015	Personal

**(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	<p>The Board of Directors may make nominations for the election of directors. Nominations for election of directors may be made by any shareholder entitled to vote for the election of a director.</p> <p>Nominations to the Board shall be received by the Chairman of the Board of Directors through the Corporate Secretary at least fifteen (15) working days prior to any meeting of the shareholders for the election of directors.</p> <p>Each nomination shall set forth the name, age, occupation or employment of each nominee, the number of shares of stock of the company which are beneficially owned by each nominee and such other information which may be required by the company.</p> <p>The Board, by a majority vote, unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a</p>	<p>Art. III of the company’s By-laws provides that a shareholder having at least one thousand shares registered in his name may be elected director of the company provided that he does not possess any of the disqualifications enumerated in the Revised Manual on Corporate Governance of the company.</p> <p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he possesses all the qualifications and none of the disqualifications for a Director as stated in the Company’s Articles, By-Laws, Revised Manual of Corporate Governance, and applicable laws, rules, and regulations.</p> <p>The membership of the Board may be a combination of executive and non-executive directors, which include independent directors, in order that no director or small group of directors can</p>

	<p>nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.</p> <p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board. The committee also considers the nature of the business of the corporation of which the shareholder is a director, if any; the age of the shareholder; the number of directorships/active memberships and offices in other corporations or organizations, if any; and possible conflict of interest.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.(Revised Manual on Corporate Governance)</p> <p>The election of directors is conducted every year during the annual meeting of shareholders set on the fourth Wednesday of February of every year.</p>	<p>dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. (Revised manual on Corporate Governance).</p>
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.



<b>b. Re-appointment</b>		
(i) Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(ii) Non-Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(iii) Independent Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.(Revised Manual on Corporate Governance).</p>	<p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged.</p> <p>1.0. If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of any shares of any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths vote determines to be competitive or antagonistic to that of the Corporation; or</p> <p>2.0. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or any other entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the</p>

		<p>Board of Directors; or.</p> <p>3.0. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths vote that he is the nominee of any person set forth in paragraph 1.0 or 2.0.</p> <p>In determining whether or not a person is controlling a person, beneficial owner or the nominee of another, the Board may take into account such factors as business and family relationships. (Art. 13, ABL)</p> <p>In addition to the relevant provisions of the Corporation Code, the Revised Manual on Corporate Governance of the company provides for the following grounds for the permanent disqualification of a shareholder from being elected/appointed as director:</p> <p>a. Conviction 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 identified in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. When by reason of misconduct, after hearing, is permanently enjoined by a</p>
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		<p>final judgment or order of the Securities and Exchange Commission (“Commission”) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or <i>Bangko Sentral ng Pilipinas</i> (“BSP”), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c. Conviction by final judgment or order by a court</p>
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		<p>or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. When adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, included or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission of BSP, or any of its rule, regulation or order;</p> <p>e. A shareholder who was earlier elected as independent director who becomes an officer, employee or consultant of the company;</p> <p>f. A shareholder judicially declared as insolvent;</p> <p>g. A shareholder found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;</p> <p>h. 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 date of his election or appointment. (Revised Manual on Corporate Governance).</p>
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(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the qualification of the persons or shareholders who are nominated for election to the Board.</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.(Revised Manual on Corporate Governance).</p>	<p>The following are the grounds for the temporary disqualification of a director:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>d. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</p> <p>e. If any of the judgments or orders cited in the grounds for</p>

		<p>permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. (Revised Manual on Corporate Governance).</p>
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>e. Removal</b>		
(i) Executive Directors	<p>A director of the company may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock of the company provided that the removal shall take place either at a regular meeting of the company or at a special meeting of the company called for the purpose, and in either case, after previous notice to the stockholders of the intention to propose such removal of the director.</p> <p>A special meeting of the stockholders for the purpose of removal of a director or directors must be called by the Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock of the company. Should the Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no Secretary, the call for the meeting may be addressed</p>	<p>The removal may be with or without cause provided that removal without cause may not be used to deprive the minority stockholders of the right to representation to which they may be entitled. (Sec. 28, Corporation Code of the Philippines).</p> <p>A director may be removed from his Office for a third violation of the provisions of the Revised Manual on Corporate Governance. (Revised Manual on Corporate Governance)</p>

	directly to the stockholders by any stockholder signing the demand. Notice of the time and place of such meeting, as well as the intention to propose such removal, must be given by publication or by written notice. (Sec. 28, Corporation Code of the Philippines).	
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.
<b>f. Re-instatement</b>		
(i) Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(ii) Non-Executive Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
(iii) Independent Directors	The same procedure as in the selection/appointment of directors.	The same criteria as in the selection/appointment of directors.
<b>g. Suspension</b>		
(i) Executive Directors	<p>The Nomination, Election and Governance Committee of the company reviews and evaluates the offense committed by the Board of Director. A notice and hearing will be conducted to afford the director concerned due process of law. (Revised Manual on Corporate Governance)</p> <p>The findings and recommendations of the Nomination, Election &amp; Governance Committee are submitted to the Board for approval provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.(Revised Manual on Corporate Governance).</p>	A director may be suspended for a second violation of the provisions of the Revised Manual on Corporate Governance. (Revised Manual on Corporate Governance)
(ii) Non-Executive Directors	The same procedure.	The same criteria.
(iii) Independent Directors	The same procedure.	The same criteria.

### Voting Result of the last Annual General Meeting

During the Annual Stockholders' Meeting of the Company, held last 25 February 2015, the following nominated persons received the corresponding votes:

Name of Director	Votes Received
Antonio J. Roxas	1,485,457,715
Pedro E. Roxas	1,485,457,75
Carlos R. Elizalde	1,485,457,75
Francisco Jose R. Elizalde	1,485,457,75
Renato C. Valencia	1,485,457,75
Corazon S. De La Paz-Bernardo	1,485,457,75
Guillermo D. Luchangco	1,485,457,75

### 6) Orientation and Education Program

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

The company, as a matter of practice, conducts an orientation or a briefing for its newly elected members of the Board of Directors. The orientation or briefing is usually conducted by the Senior Management composed of the PCEO and the Vice-Presidents who orient the new members of the Board generally on the a) corporate structure of the group; b) complete background of the businesses of the group; c) Sales and Marketing Operations; d) Plant or Factory Operations; e) Financial condition of the company and f) such other related matters.

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

The Company has not conducted any in-house training for its Directors and Senior Management.

In compliance with the directives of the SEC that all Directors, Officers, and Senior Management of the Company must attend one corporate governance seminar, the following persons attended the indicated courses:

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

Name of Director/Officer	Date of Training/Seminar/forum	Program	Name of Training Institution
Pedro E. Roxas	November 22, 2012	Navigating the New World Business	Meralco in coordination with Dr. Thomas Donaldson, Professor of Business Ethics, Wharton School, University of Pennsylvania, USA.
Renato C. Valencia	January 30, 2013	Philippine Investment Summit 2013	Dr. Nouriel Roubini

<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.



	February 5, 2013	Finex Economic /Briefing	Mr. Jonathan L. Ravelas, BDO Universal Bank
	February 21, 2013	MAP Economic Briefing 2013 & General Membership Meeting	Sec. Arsenio M. Balisacan, NEDA and ADB
	March 15, 2013	FMIC 2013 Risk Management Brief Seminar and Cybercrime Prevention & Data Privacy Act	Mr. Third Librea, Punongbayan & Araullo
	April 23, 2013	Managing Risks in Changing times	Financial Executives of the Philippines (Finex)
	May 23, 2013	Anti-Money Laundering Act	AMLA Council

## 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	A Director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A Director who has a continuing material conflict of interest shall seriously consider resigning from his position.	Business transactions must be undertaken solely in the best interest of the Company. Senior management and employees are expected to avoid any and all transactions for their own benefit on Company time or when such business or professional activities go against the interest of the Company regardless of whether it occurs during Company time or not.	Same as for senior management.
(b) Conduct of Business and Fair Dealings	A Director is expected to conduct fair business	The Company recognizes the many benefits of a	Same as for senior management.

	dealings with the Company and must avoid any and all conflict of interest situations.	competitive environment. It recognizes that the best markets flourish only within an ethical framework and no one in the Company is permitted to disparage a competitor or to use unethical means to obtain any advantage for the Company.	
(c) Receipt of gifts from third parties	A Director must avoid situations that may compromise his impartiality and he must fully disclose an actual or potential conflict of interest if such a situation arises from receipt of gifts from third persons.	The Company expects the highest levels of personal conduct by all its employees. While it is recognized that limited corporate hospitality is given and received as part of building normal business relationships, employees should avoid accepting hospitality or gifts which might appear to place them under an obligation.	Same as for senior management.
(d) Compliance with Laws & Regulations	A Director must have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and by-laws, and the rules and regulations of the Commission. Moreover, the Board must keep its activities and decisions within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules, and regulations.	The Company expects all its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, corporation, or institution if that business is connected with activities which are illegal or which could be regarded as unethical.  Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his or her particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances.	Same as for senior management.
(e) Respect for Trade			Same as for senior

<p>Secrets/Use of Non-public Information</p>	<p>A Director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.</p>	<p>Employees who have access to or control over Company transactions and assets, including trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions.</p> <p>Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly against Company policy.</p>	<p>management.</p>
<p>(f) Use of Company Funds, Assets and Information</p>	<p>The Board shall provide sound and strategic policies and guidelines to the Company on major capital expenditures. It shall periodically evaluate such policies and strategies, operating budgets and management's overall performance.</p> <p>A Director is expected to keep the confidentiality of non-public material information.</p>	<p>Employees who have access to or control over Company transactions and assets, including trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions.</p> <p>Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly against Company policy.</p>	<p>Same as for senior management.</p>
<p>(g) Employment &amp; Labor Laws &amp; Policies</p>	<p>The Board shall ensure the Company's faithful</p>	<p>The Company aims to provide all its employees</p>	<p>Same as for senior management.</p>

	compliance with all applicable laws, regulations, and best business practices. This includes compliance with employment and labor laws.	with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities and the avoidance of discrimination. Sexual or any other form of harassment is unacceptable.	
(h) Disciplinary action	A Director who commits misconduct shall be subject to removal in appropriate cases and upon compliance with Section 28 of the Corporation Code.	An employee who commits a violation of the Business Conduct Policy Handbook and Employee Handbook shall, after due process is observed, be meted with the appropriate disciplinary action such as suspension, demotion, and termination.	Same as for senior management.
(i) Whistle Blower	he Board operates under the policy of transparency and observance of the appropriate disclosure rules and procedures.	Employees are expected to disclose promptly any acts or transactions known to them which may be in violation of the Company's policies. All employees have a right and moral responsibility to report improper actions and omissions. Public Interest Disclosure is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal.	Same as for senior management.
(j) Conflict Resolution	A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position.	The responsibility of maintaining discipline and implementing the provisions of the business conduct policy of the company as well as the responsibility to take corrective measures rests with line management.	Same as for senior management.

	Corollarily, he shall support plans and ideas that he thinks are beneficial to the corporation. (Revised Manual on Corporate Governance)	Issues or concerns on matters covering the meaning, application and implementation of the principles in the policy should be coured through the Human Resources/Personnel Department.	
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**2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

The Company's Business Conduct Policy Handbook has been distributed to all its employees.

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

The responsibility of maintaining discipline and implementing the policies of the Company, as well as the responsibility to take corrective actions for breach thereof rests with line management. The Company also holds periodic compliance review briefings in order to discuss and monitor compliance with the Company's Business Conduct Policy and Employee Handbooks.

**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	The Company is the parent company of the Group.
(2) Joint Ventures	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.
(3) Subsidiaries	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.
(4) Entities Under Common Control	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.
(5) Substantial Stockholders	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.
(6) Officers including spouse/children/siblings/parents	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for

	transparency.
(7) Directors including spouse/children/siblings/parents	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.
(8) Interlocking director relationship of Board of Directors	Major investments and substantial operational transactions require approval of the Board. Disclosures are always provided in the audited financial statements for transparency.

**(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.

	<b>Details of Conflict of Interest (Actual or Probable)</b>
Name of Director/s	There are no actual or probable conflict of interest to which the directors of the company may be involved.
Name of Officer/s	There are no actual or probable conflict of interest to which the officers of the company may be involved.
Name of Significant Shareholders	There are no actual or probable conflict of interest to which the holders of 5% or more of its outstanding capital stock may be involved

**(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.

	<b>Directors/Officers/Significant Shareholders</b>
Company	<p>Possible conflicts of interest of the directors of the company are determined and resolved by the Nomination, Election &amp; Governance Committee at the time that they are considered for election to the Board of Directors. Conflicts of Interest that may arise after their election to the Board are disclosed as they occur and these are addressed by the Board of Directors.</p> <p>The company requires all officers and employees to execute an annual Disclosure of Relatives and Disclosure of Conflict of Interest. The results of the disclosures are being processed by the Human Resources/Personnel Department. Those who are determined to have conflicts of interest are transferred to jobs or positions within the company that do not place them in conflict of interest.</p> <p>All transactions within the Group are subject to the</p>

	approval of the Board of Directors of the companies involved.
Group	<p>Possible conflicts of interest of the directors of the company are determined and resolved by the Nomination, Election &amp; Governance Committee at the time that they are considered for election to the Board of Directors. Conflicts of Interest that may arise after their election to the Board are disclosed as they occur and these are addressed by the Board of Directors.</p> <p>The company requires all its officers and employees to execute an annual Disclosure of Relatives and Conflict of Interest. The results of the disclosures are being processed by the Human Resources/Personnel Department. Those who are determined to have conflicts of interest are transferred to jobs or positions that do not place them in conflict of interest.</p> <p>All transactions within the Group are subject to the approval of the Board of Directors of the companies involved.</p>

**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:

The company does not have any knowledge or information of any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

(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:

The company does not have any knowledge or information of any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description

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

The company does not have any knowledge or information of any shareholder agreement that may impact on the control, ownership and strategic direction of the company.

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

**6) Alternative Dispute Resolution**

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

Alternative Dispute Resolution System	
<b>Corporation &amp; Stockholders</b>	The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders. (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the resolution of disputes or controversies that may arise between the company and its stockholders. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of the Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.
<b>Corporation &amp; Third Parties</b>	The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and third parties (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the resolution of disputes or controversies that may arise between the company and third parties. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of the



	Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.
<b>Corporation &amp; Regulatory Authorities</b>	The company will establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and the regulatory authorities (p. 8, Revised Manual on Corporate Governance). In the meantime, the company adopts the provisions of Republic Act 9285, otherwise known as the Alternative Dispute Resolution System in the Philippines, in the resolution of disputes or controversies that may arise between the company and the regulatory bodies. R.A. 9285 and its Implementing Rules and Regulations were enacted and issued principally to actively promote the use of the Alternative Dispute Resolution (ADR) as an important means to achieve a speedy and impartial justice and as an efficient tool and an effective alternative procedure for the resolution of all disputes or controversies.

### C. BOARD MEETINGS & ATTENDANCE

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

Art. III, Section 4 of the By-laws of the Company provides that the regular meetings of the Board of Directors shall be held quarterly. The meetings of the Board of Directors every fiscal year are determined and conveyed to the directors at the beginning of every year.

#### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Pedro E. Roxas	25 Feb. 2015	7	7	100%
Member	Antonio J. Roxas	25 Feb. 2015	7	7	100%
Member	Francisco Jose R. Elizalde	25 Feb. 2015	7	6	85.7%
Member	Carlos R. Elizalde	25 Feb. 2015	7	6	85.7%
Member	Renato C. Valencia	25 Feb. 2015	7	6	85.7%
Independent	Guillermo D. Luchangco	25 Feb. 2015	7	6	85.7%
Independent	Corazon De La Paz-Bernardo	25 Feb. 2015	7	7	100%

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

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

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

No. Art. III, Section 5 of the By-laws of the Company provides that unless the law requires a greater number, the majority of the directors in the Articles of Incorporation shall constitute a quorum to finalize corporate decisions, and any decision made and approved by the majority of the directors present in the meeting wherein a quorum exists shall be valid.

**5) Access to Information**

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

The Board of Directors are provided the board papers or materials at least two (2) days before the meeting of the Board of Directors.

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

Yes, the members of the Board of Directors have independent access to Management and 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 By-laws of the company provides:

The Secretary, who must be a citizen and a resident of the Philippines, shall have the following duties and functions:

1. Record the minutes of all meetings of the Board of Directors, the Executive Committee, the stockholders and the special and standing committees of the Board, and to maintain separate Minutes books in the form and manner required by law at the principal office of the Corporation.
2. Give or cause to be given, all notices required by the law or by the By-Laws of the Corporation, as well as notices required of meetings of the Directors and of the stockholders.
3. Keep records indicating the details required by law with respect to the certificates of stock of the Corporation, including ledgers and stock transfers and the date of each issuance and transfer.
4. Fill and countersign all certificates of stock issued and to make the corresponding annotations on the margins or stubs of such certificates upon their issuance.
5. Take note of all stock transfers and cancellations, and keep in alphabetical or numerical order all certificates of stock so transferred as well as the names of stockholders, their addresses and the number of shares owned by each, keeping up to date all the addresses of the stockholders.
6. Prepare the various reports, statements, certifications and other documents which may from time to time be required by government rules and regulations, except those required to be made by the Treasurer, and to

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<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.

submit the same to the proper government agencies.

7. Keep and affix the corporate seal to all paper and documents requiring seal and to attest by his signature all corporate documents requiring the same.
8. Pass upon the form and the manner of voting proxies, the acceptability and the validity of their issuance and use, and to decide all contests and returns relating to the election of the members of the Board of Directors.

The Secretary shall perform such duties and functions as may, from time to time, be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

On the other hand, the Revised Manual On Corporate Governance of the company provides:

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall have the following responsibilities:

1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
2. Be loyal to the mission, vision and objectives of the corporation;
3. Work fairly and objectively with the Board, Management and stockholders;
4. Have appropriate administrative and interpersonal skills;
5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
6. Have a working knowledge of the operations of the corporation;
7. Inform 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;
9. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
10. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
11. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.
12. Submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

The Corporate Secretary or in his absence, the Assistant Corporate Secretary, assists the Chairman in the preparation of the board agenda, facilitates the training of the directors and updates the directors on any relevant statutory and regulatory changes. The Chairman supervises the preparation of the board agenda taking into consideration the suggestions of the Chief Executive Officer and the directors (Revised Manual on Corporate Governance).

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

the answer be in the negative.

Yes, the Company's Corporate Secretary is trained in legal, accountancy and corporate secretarial practices.

**(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
Compensation	On his initiative or as requested by the CEO/President, the Committee Chairperson shall convene the committee to discuss matters brought before it. Management and/or resource persons are invited to present the important issues. The presentation materials are provided to the Committee Members within a reasonable time before the Committee meeting. Management and/or the resource person are available for consultation of the members.
Audit & Risk	The Committee meetings are scheduled before or at the beginning of the fiscal year. The presentation materials are made available to the members within a reasonable time before the scheduled meeting. At the same time, Management, the internal and external auditors, and/or resource persons are available for consultation of the members.
Nomination, Election & Governance	The Nomination Committee is convened not less than 15 days prior to the election of directors. The Committee may summon the shareholder making the nomination to provide such other information requested by the members.

**6) External Advice**

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

The company does not have a fixed or definite procedure whereby its directors can receive external advise. However, should there be a need for external advise, the same is coursed through and facilitated by Senior Management.

Procedures	Details

**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:

There has been no change on existing policies during the Board's most recent term.

Existing Policies	Changes	Reason

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#### 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 Compensation Committee determines the fixed remuneration of the CEO taking into account the company's salary structure as well as the prevailing compensation of the CEO in the industry.	The President & CEO, in consultation with the Chairman of the Board of Directors, determines the fixed remuneration of the top 4 highest paid management officers of the company taking into account the company's salary structure as well as the prevailing compensation for the same level of officers in the industry.
(2) Variable remuneration	n/a	n/a
(3) Per diem allowance	Per diem allowance of management officers is determined on the basis of existing company rules and regulations on per diems that they are entitled during official business trips.	Per diem allowance of management officers is subject to existing company rules and regulations on per diems that they are entitled during official business trips.
(4) Bonus	1.5 Million to 2.5 Million shares of the Company upon accomplishing certain targets set for each year	n/a
(5) Stock Options and other financial instruments	n/a	n/a
(6) Others (specify)	None	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	<p>The monthly compensation/salaries of the Executive Directors is determined by the Compensation Committee and approved by the Board of Directors taking into account the company's salary structure and benefit package as well as the prevailing compensation benefit for the same position in the market.</p> <p>Article III, Section 7 of the By-Laws of the Company provides that the Board of Directors shall be given 2% of the net income of the corporation before tax which shall be distributed among the directors. Presently, the members of the Board of Directors receive a per diem of Php50,000.00 for each meeting of the Board that they attend, divided into cash of Php25,000 and the remainder in shares equivalent to the remaining balance. The determination of the number of shares to be issued depends on the last closing price of the shares in the Exchange. Committee Members are paid a per diem of Php20,000.00 for each meeting of the committee they attend.</p>
Non-Executive Directors	<p>Article III, Section 7 of the By-Laws of the Company provides that the Board of Directors shall be given 2% of the net income of the corporation before tax which shall be distributed among the directors. Presently, the members of the Board of Directors receive a per diem of Php50,000.00 for each meeting of the Board that they attend, divided into cash of Php25,000 and the remainder in shares equivalent to the remaining balance. The determination of the number of shares to be issued depends on the last closing price of the shares in the Exchange. Committee Members are paid a per diem of Php20,000.00 for each meeting of the committee they attend.</p>

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

Remuneration Scheme	Date of Stockholders' Approval
The same scheme as above mentioned.	Annual meeting of shareholders held on 27 February 2013
The same scheme as above mentioned.	Annual meeting of shareholders held on 26 February 2014
The same scheme as above mentioned.	Annual meeting of shareholders held on 25 February 2015

### 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	Php250,000	Ph1,250,000	Php650,000

(b) Variable Remuneration	n/a	n/a	n/a
(c) Per diem Allowance	n/a	n/a	n/a
(d) Bonuses	n/a	n/a	n/a
(e) Stock Options and/or other financial instruments	n/a	n/a	n/a
(f) Others (Specify)	n/a	n/a	n/a
<b>Total</b>	Php250,000	Php1,250,000	Php650,000

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

#### 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:

Based on the current remuneration policy for the Board of Directors, none of the Directors are holders of any stock rights, options, or warrants over the Company's shares.

<b>Director's Name</b>	<b>Number of Direct Option/Rights/Warrants</b>	<b>Number of Indirect Option/Rights/Warrants</b>	<b>Number of Equivalent Shares</b>	<b>Total % from Capital Stock</b>
n/a				

##### (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
There was no amendment or discontinuance of any incentive programs introduced.		

**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
Mr. Armando B. Escobar – VP/CFO and Risk Management Officer, Treasurer	Php8,297,316.69 inclusive of predecessors
Atty. Alejandro S. Casabar –Assistant Corporate Secretary, Corporate Information Officer, Compliance Officer	

**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	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Audit & Risk		2	1	Audit Charter	The Audit & Risk Committee has the following functions:  Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws,	The Audit & Risk Committee has the following key responsibilities:  Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws,	The Audit & Risk Committee has the following powers:  Review the internal control and the audit process;  Review and monitor compliance with laws, rules and regulations;  Supervise the internal and external auditors;



				<p>rules and regulations;</p> <p>Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;</p> <p>Perform oversight functions over the corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;</p>	<p>rules and regulations;</p> <p>Oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;</p> <p>Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation;</p> <p>Discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>Organize an internal audit department, and</p>	<p>Review the annual audit plan;</p> <p>Organize an internal audit department;</p> <p>Determine the adequacy and effectiveness of the internal control system, financial reporting control and information technology security;</p> <p>Disallow any non-audit work of external auditors that may pose a threat to their independence;</p> <p>Supervise the formulation of rules and procedures on financial reporting. (Revised Manual on Corporate Governance).</p>
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				<p>Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>Review the reports submitted by the internal and external auditors;</p> <p>Review the quarterly, half-year and annual financial</p>	<p>consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>Ensure the effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>Review the reports submitted by the internal and external auditors;</p> <p>Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <p>Any change/s in accounting policies and practices</p> <ul style="list-style-type: none"> <li>vi. Major judgmental areas</li> <li>vii. Significant adjustments resulting from the audit</li> <li>viii. Going concern assumptions</li> <li>ix. Compliance with accounting standards</li> <li>x. Compliance with tax, legal</li> </ul>	
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				<p>statements before their submission to the Board, with particular focus on the following matters:</p> <p>Any change/s in accounting policies and practices</p> <ol style="list-style-type: none"> <li>i. Major judgmental areas</li> <li>ii. Significant adjustments resulting from the audit</li> <li>iii. Going concern assumptions</li> <li>iv. Compliance with accounting standards</li> <li>v. Compliance with tax, legal and regulatory requirements.</li> </ol> <p>Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The</p>	<p>and regulatory requirements.</p> <p>Facilitate compliance with laws, rules and regulations;</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses;</p> <p>Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities.</p> <p>Ensure that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties. (Revised Manual on Corporate Governance)</p>	
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					<p>committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report.</p> <p>Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit &amp; Risk Committee.</p> <p>The Audit &amp; Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties. (Revised Manual on Corporate Governance)</p>		
Nomination, Election & Governance	1	1	1		<p>The Nomination, Election &amp; Governance Committee has the following functions:</p> <p>It shall review and evaluate the qualifications of</p>	<p>The Nomination, Election &amp; Governance Committee has the following key responsibilities:</p> <p>Review and evaluate the qualifications of</p>	<p>The Nomination, Election &amp; Governance Committee has the following powers:</p> <p>Evaluate the qualifications of all persons nominated</p>

				<p>and shortlist all persons nominated to the Board and other appointments that require Board approval.</p> <p>It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>It shall consider the following guidelines in the determination of the capability of a director to serve as such:</p> <ul style="list-style-type: none"> <li>i. The nature of the business of the corporation of which he is a director;</li> <li>ii. Age of the director;</li> <li>iii. Number of directorships/ active memberships and officers in other corporations or organizations; and</li> <li>iv. Possible conflict of interest.</li> </ul> <p>(Revised Manual on Corporate Governance)</p>	<p>and shortlist all persons nominated to the Board and other appointments that require Board approval.</p> <p>Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>Consider the following guidelines in the determination of the capability of a director to serve as such:</p> <ul style="list-style-type: none"> <li>i. The nature of the business of the corporation of which he is a director;</li> <li>ii. Age of the director;</li> <li>iii. Number of directorships/ active memberships and officers in other corporations or organizations; and</li> <li>iv. Possible conflict of interest.</li> </ul>	<p>to the Board and other appointments which require Board approval;</p> <p>Assess the effectiveness of the Board processes and procedures in the election or replacement of the directors;</p> <p>Recommend election of Board members and other executive officers whose appointments require Board approval. (Revised Manual on Corporate Governance).</p>
Remuneration	1		2	The Executive Compensation Committee has the	The Executive Compensation Committee has the	The Executive Compensation Committee has

				<p>following functions:</p> <p>It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;</p> <p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all</p>	<p>following key responsibilities:</p> <p>Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors;</p> <p>Provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and control environment;</p> <p>Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully;</p> <p>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their</p>	<p>the following powers:</p> <p>Establish a formal procedure for developing a policy on executive compensation;</p> <p>Determine the compensation packages of corporate directors and officers;</p> <p>Compel the disclosure of business interests and conflict of interest. (Revised Manual on Corporate Governance).</p>
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				<p>officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide in the corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review of existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of</p>	<p>existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;</p> <p>Disallow any director to decide his or her own remuneration;</p> <p>Provide a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;</p> <p>Review existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts. (Revised manual on Corporate</p>	
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					personnel concerned with all statutory requirements that must be met periodically in their respective posts. (Revised manual on Corporate Governance).	Governance).	
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## 2) Committee Members

### (a) Executive Committee

The Company has no Executive Committee.

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

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Corazon S. De La Paz-Bernardo	25 February 2015	4	4	100%	1 year
Member (NED)	Fernando L. Gaspar	12 November 2015	1	1	100%	.1667 year
Member (NED)	Francisco Jose R. Elizalde	25 February 2015	4	3	75%	1 year
Member (ID)						
Member						

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

**Corazon S. De la Paz-Bernardo** is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from



2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She was Chairman of NAMFREL, (the National Citizen’s Movement for Free Elections) for the 2013 elections and is Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a life member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club, MFI Foundation and other non-governmental organizations. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year’s CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE scholar.

**Renato C. Valencia** is 73 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

**Francisco Jose R. Elizalde** is 49 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

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

The Audit & Risk Committee perform oversight functions over the company’s external auditors. It ensures that the external auditors act independently and are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Prior to the audit, the Audit & Risk Committee also discusses with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. The committee also reviews the reports submitted by the external auditors before their submission to the Board, with particular focus on the following matters:

- a. Any change/s in accounting policies and practices
- b. Major judgmental areas
- c. Significant adjustments resulting from the audit
- d. Going concern assumptions
- e. Compliance with accounting standards
- f. Compliance with tax, legal and regulatory requirements.

The Audit & Risk Committee also evaluates and determines 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 also has the power to disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation’s annual report (Revised Manual on Corporate Governance).

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee

Chairman	Pedro E. Roxas	25 February 2015	2	2	100%	1 Year
Member (ED)	Corazon De La Paz-Bernardp	25 February 2015	2	2	100%	1 Year
Member (ID)	Guillermo D. Luchangco	25 February 2015	2	1	50%	1 Year

(d) Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Guillermo D. Luchangco	25 February 2015	2	2	100%	2 Year
Member (ED)	Pedro E. Roxas	25 February 2015	2	2	100%	2 Year
Member (ID)	Corazon De La Paz-Bernardo	25 February 2015	2	2	100%	2 Year

(e) Others (Specify)

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

There are no other committees of the Company.

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

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive		
Audit	Mr. Fernando L Gaspar was elected to replace Mr. Renato C. Valencia	Mr. Valencia resigned due to personal reasons.
Nomination		
Remuneration		
Others (specify)		

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	n/a	n/a
Audit	<p>The Audit &amp; Risk Committee reviewed and approved Consolidated Financial Statements of the company as of September 30, 2015 as well as the quarterly Consolidated Financial Reports of the company that are regularly submitted to the SEC and PSE.</p> <p>The Audit &amp; Risk Committee also reviewed and approved the Audit Plans and Programs of the External Auditors for the fiscal year 2014-2015.</p> <p>The Audit &amp; Risk Committee also assisted the Board in the performance its oversight responsibility for financial reporting process, system of internal control, audit process and monitoring compliance with applicable laws.</p>	<p>The regular review and approval of the company's Consolidated Financial Reports ensures the accuracy and the reliability of the financial reports as well as their compliance with the relevant accounting and auditing standards.</p> <p>The review and approval of the Audit Plans and Programs of the External auditors for the fiscal year 2014-2015 defined the nature, scope and expenses of the external audit.</p> <p>The financial reporting process is put into order, internal controls are reviewed and revisited for improvements and/or revisions and compliance with laws are enforced.</p>
Nomination	The Nomination, Election & Governance Committee reviewed the qualifications of the directors who were elected during the annual meeting of the stockholders' of the company held last 25 February 2015.	The review of the qualifications of the directors who were elected during the recent annual meeting of shareholders held on 25 February 2015 addressed the competence and qualifications of the newly elected members of the Board of Directors.
Compensation	The Compensation Committee deliberated and recommended the approval of its Charter.	The Committee, with the examination of its Charter, has provided the framework for items to be done. It is in the process of examining the salary structure of the executives of the Company.
Others (specify)	n/a	n/a

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	n/a	n/a
Audit	None for the period.	None for the period.
Nomination	None for the period.	None for the period.
Remuneration	None for the period.	None for the period.
Others (specify)	n/a	n/a

**F. RISK MANAGEMENT SYSTEM**

**1) Disclose the following:**

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

The Board and Management adopted a ‘risk management policy’ which aims to help the Company grow shareholder value by comprehensively reviewing and improving its risk management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of the Company.

An enterprise risk management shall provide a strategic business process and function that will ensure that all business risks are identified, measured and managed effectively and continuously within a structured, robust, integrated and proactive framework. This risk management framework is intended to enhance the Company’s shareholder value by sustaining sources of its competitive advantage, optimizing risk management costs and enabling it to pursue strategic growth opportunities with efficiencies that surpass industry standards.

The Enterprise Risk Management (ERM) initiative aims to help the company grow shareholder value by comprehensively reviewing and improving its risk management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of the company.

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

The Board of Directors, thru its Audit and Risk Committee, periodically review financial reports and the related internal control evaluations of internal and external auditors to evaluate not only the adequacy but also its impact in measuring results of operation and financial conditions.

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

Fiscal year 2013-2014.

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

The risk Management system is reviewed annually.

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

The risk Management system is reviewed annually.

**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
Reporting	Process and internal controls are adequate to ensure complete, accurate and transparent financial and operating information to all	Relevant, reliable and credible financial and operating information.

	stakeholders.	
Compliance	Adherence to all applicable laws and internal rules and regulations instill integrity and support sustainable and profitable growth.	Compliant with laws, regulations, ethical and business norms and contracts.

**(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
Strategic: commodity price risk	Commodity price risk is a primary concern thus maintaining a balance between operational efficiency and trading/selling exposure is maintained.	Established objectives and goals for operations or programs, aligned with and supporting the entity's mission
Operational: sugar and real estate	Empower business units, with the guidance of management committee, to continuously evaluate the strategies.	Effective and efficient use of entity's resources
Reporting	Process and internal controls are adequate to ensure complete, accurate and transparent financial and operating information to all stakeholders.	Relevant, reliable and credible financial and operating information.
Compliance	Adherence to all applicable laws and internal rules and regulations instill integrity and support sustainable and profitable growth.	Compliant with laws, regulations, ethical and business norms and contracts.

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
The principal risk of the exercise of controlling shareholders' voting power through the device of a proxy or voting trust agreements for the purpose of voting control or management or operational control might deprive the minority shareholders of a fair representation in the management and control of the affairs of the corporation. These control devices, while legal, may affect to a large extent the right of minority shareholders to participate in charting the future of a corporation.

**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)
Reporting	Inaccuracy in reporting places the Company at material risk.	The Audit & Risk Committee reviews the audit plan for any given fiscal

		year. It also reviews and evaluates the performance of management and reports its findings to the Board for appropriate action.
Compliance	Failure to observe laws, rules and regulations places the Company in material risk.	The Audit & Risk Committee oversees the work of the external and internal auditors. It also reviews and evaluates the Company's compliance with the laws, rules and regulations. It monitors the Company's exposure in litigated cases. It reports its findings to the Board for appropriate action.

**(b) Group**

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Strategic: commodity price risk	An imbalanced commodity positioning exposes the company to material losses.	The Board continuously exercises its oversight function in ensuring that strategies are aligned to operational plans with calculated exposures. Inventory levels and buying and selling prices are monitored weekly.
Operational: sugar and real estate	Efficiency of operations and sustainability of revenues are hinged on continuous supply of the lack of which means low return on assets.	Conducts review and evaluation of strategies on a regular basis to fortify current sources and determine steps on how to increase supply from other areas.

**(c) Committee**

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

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Audit & Risk Committee	Oversight on financial reporting and internal controls.	Periodic review of financial reports and internal control review reports of auditors (both internal and external)

**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

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

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

Internal control is defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.

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

The result of the 2014 Internal Control Assessment has been presented to the Audit Committee. Based on the assessment, Internal Control in the company is adequate to which the Audit Committee concurs.

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

Fiscal year 2013-2014.

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

The assessment of internal controls is preferably done after every two years or when there are significant changes that would entail revision or enhancement of existing controls. The criteria for internal control assessment is based on the COSO framework.

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

A review was conducted within the year.

**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
To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization	As provided in the duly approved Internal Audit Charter:  The scope of work of the Internal Audit is to determine whether the organization's	<i>In-house</i>	<i>Ms. Gamayca Casem</i>	The Internal Audit Group, reports functionally to the Audit Committee and administratively to the Management, Its activities are

<p>achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.</p>	<p>network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:</p> <ul style="list-style-type: none"> <li>• Risks are appropriately identified and managed;</li> <li>• Significant financial, managerial, and operating information is accurate, reliable and timely;</li> <li>• Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;</li> <li>• Resources are acquired economically, used efficiently, and adequately protected;</li> <li>• Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and</li> <li>• Interaction with various governance groups occurs as needed;</li> </ul> <p>Opportunities for improving</p>			<p>guided and performed in accordance with the revised "Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be adopted by the Internal Audit.</p>
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	<p>management control, profitability, and the organization's image which are identified during the audits shall be communicated to the management.</p>			
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**(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?**

Internal Auditor(s) appointment or removal is vested in the Audit Committee. For other services, the Audit Committee Charter provides that the Audit committee: Recommend to the Board appointment, compensation, and oversee the work of any registered public accounting firm employed by the organization (i.e. 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 following are provided in the Audit Committee Charter:

- The Committee shall ensure the existence of a working internal audit group, which shall be headed by a competent business manager, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective, appropriate, and enforced.
- The Committee shall establish a direct reporting line of the internal audit to the Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit Committee.
- The Committee shall periodically review the internal audit charter and amend any revisions thereto as applicable.
- Review with management and the chief audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function;
- Ensure that there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive;
- Review the effectiveness of internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing; and

On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

**(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.**

There were no resignations and/or re-assignment of internal audit staff for the period.

Name of Audit Staff	Reason

(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	<p>The progress of Annual Internal Audit Plan vs. Actual is being monitored on a semi-annual basis and is reported to Audit Committee and Management.</p> <p>Internal Audit Group is done with parts of the Financial, Controllership and IT audit which are part of the planned audit engagement for the year. However, due to change of management, unplanned audit increased abruptly.</p>	
Issues <sup>6</sup>	Issues are discussed with the Audit Committee during closing or exit meetings and their responses are incorporated in the Internal Audit Engagement Report	
Findings <sup>7</sup>	Findings are reported to the Management through the Internal Audit Engagement Report, and to Audit Committee through the Internal Audit Updates during Audit Committee meetings.	
Examination Trends	<p>As a holding company, the examinations are being done mostly on the subsidiaries and investments of the company.</p> <p>Test of controls are most likely used in the past audit engagements. The new Management focused more on the profitability and stability of the business for the upcoming changes on year 2015 on tariff of sugar or agricultural products, thus, high controls are much needed to reach Company's goals and objectives.</p>	

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;

The Internal Audit Process includes Managing the Internal Audit Activities, part of which is the preparation of the Annual Internal Audit Plan.

Planning and managing the internal audit activity

<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.

- 1.1. Understanding the business and control environment
- 1.2. Risk Assessment
- 1.3. Managing the internal audit activity
  - 1.3.1. Planning work schedules
  - 1.3.2. Staffing and budgets
  - 1.3.3. Approval by Board (Audit Committee) and Senior Management

The Annual Internal Audit Plan is being submitted to the Audit Committee for approval.

**2) Conduct of examination based on the plan;**

The process of conducting the examination based on the plan is also part of the Internal Audit Process under “Internal audit engagement”. It includes the following:

- 2.1. Engagement planning
  - 2.1.1. Familiarization, preliminary survey/research and setting of initial objectives and scope
  - 2.1.2. Opening conference with auditee
  - 2.1.3. Preparation of audit engagement work program and allocation of audit resources
- 2.2. Performing the Engagement
  - 2.2.1. Identifying, gathering data
  - 2.2.2. Analyzing/Evaluating data/information
  - 2.2.3. Documenting/recording data/information
- 2.3. Communicating Results
  - 2.3.1. Draft audit report
  - 2.3.2. Review of draft audit report
  - 2.3.3. Exit conference with auditee
  - 2.3.4. Preparation of final audit report
  - 2.3.5. Disseminate approved audit report
- 2.4. Follow-up and monitoring
  - 2.4.1. Audit follow-up
  - 2.4.2. Disseminate approved report

**3) Evaluation of the progress in the implementation of the plan;**

The progress in the implementation of the plan is being monitored on a regular basis and result of the Annual Internal Audit Performance vs. the Annual Internal Audit Plan is submitted to the Audit Committee and to the Management Representative (MR) under the Integrated Management System (IMS). Internal Audit is part of the IMS Certified process of the Company.

**4) Documentation of issues and findings as a result of the examination;**

Documentation of the audit engagement (including issues and findings) is done thru the auditor’s work papers. There is a duly approved process and procedures for the proper preparation of audit’s work papers. Portion of the approved work paper preparation process/procedures are shown below:

**2.1. Work Paper preparation**

The work paper file documents the work the auditor has done. The work papers serve as the connecting link between the audit assignment, the auditor’s fieldwork and the final report. Work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the work papers document the auditor’s conclusions and the reasons those conclusions were reached. The disposition of each audit finding identified during

the audit and its related corrective action should be documented.

2.1.1. In the preparation of the audit work papers, the following should be observed:

- Work papers should be completed throughout the audit;
- The work papers should provide a basis for evaluating the Internal Audit’s quality assurance program and demonstrate compliance with the Standards for the Professional Practice of Internal Auditing (SPPIA);
- Work papers should be economical to prepare and not difficult to review.
- Work papers should be complete but concise--a usable record of work performed. Auditors should include in their work papers only what is essential; and, they should ensure that each work paper included serves a purpose that relates to an audit procedure. Work papers that are created and later determined to be unnecessary should be deleted.

Also, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting, and the final internal audit engagement report.

5) **Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;**

Though the follow up and monitoring process, the status of the audit findings and issues are tracked as to the Auditee’s committed implementation plans.

**(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
Appointment of an Internal auditor	implemented
Preparation and implementation of Business Continuity Plan	Management is still preparing the guidelines for implementation.
Review and approval of internal audit plan	The Audit & Risk Committee will be reviewing the recommendations of the internal auditor in due course.

**(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
1. Direct Reporting to the Audit Committee	There are no independence issues. Material information about the company are disclosed by the	There are no independence issues. Material information about the company are	There are no independence issues. Material information about the company are

	company directly to the regulatory bodies.	disclosed by the company directly to the regulatory bodies.	disclosed by the company directly to the regulatory bodies.
2. Annual declaration/undertaking of Non-Conflict of Interests by the Internal Auditors			
3. Duly approved Audit Committee Charter and Internal Audit Charter			
4. Duly approved Internal Audit 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.**

The company executed its annual Certification of Compliance with the Code of Corporate Governance for year 2012 in accordance with SEC Memorandum Circular No. 6, Series of 2009. The certification was signed by the Compliance Officer and countersigned by the President & CEO.

#### H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>To be a premier publicly listed holding firm with investments in the country's leading sugarcane-based solutions provider and property development businesses.*</p> <p>The Company strives to be a leader in all its business undertakings, empowering lives and delivering value to its stakeholders.</p>	<p>The Company has improved and expanded the efficiencies of its sugar mills and ethanol plant to be able to produce and deliver to its customers quality and reasonably priced sugar and ethanol.</p> <p>The Company continually improves its production process and adheres to all applicable health and safety regulations and globally accepted food safety and quality standards.</p> <p>The Company, through its property arm, Roxaco Land Corp., continues to build its name with affordable and safe housing developments.</p>

Supplier/contractor selection practice	Suppliers and contractors are selected based on the lowest and most advantageous bid to the company.*	The bidding committee meets in a meeting at least once a week to review and evaluate all bids of suppliers and contractors.
Environmentally friendly value-chain	<p>Mindful of the challenges and changes affecting the environment.*</p> <p>Accredit suppliers and contractors on the basis of their compliance with environmental laws and regulations.</p> <p>Proactive protection of the environment.**</p>	<p>The company has an Environmental Management and Safety Department which monitors the company's compliance with anti-pollution programs such as wastewater management, air pollution control, solid waste management, toxic and hazardous waste management.</p> <p>Conduct inspection and audit of supplier's compliance with applicable environmental regulations.</p> <p>Prevention of pollution by setting objectives and targets to attain waste minimization.</p> <p>Its property arm also complies with relevant environmental standards for its projects.</p>
Community interaction	Be a responsible corporate citizen.*	The company provides jobs to the members of the communities where its businesses are operating. The company performs/implements corporate social responsibility programs in the said communities through Roxas Foundation, Inc.
Anti-corruption programmes and procedures	Set high standards and ethics in the company's operations.*	<p>The company has organized a bidding committee which reviews and approves all purchases of materials, supplies and labor and all other contracts to which the company is party.</p> <p>Prohibition on acceptance of gifts, favors, loans or other material benefits from third parties doing business with the company.</p> <p>The Company strictly prohibits its senior management and employees from conducting business in an unlawful manner</p>

		or entering transactions which are unlawful and unethical.
Safeguarding creditors' rights	Conduct business following the time tested principles of fairness, transparency, and honesty.*	The company settles its liabilities to its suppliers and its loan obligations to its bank creditors on time.

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

Yes. The corporate responsibility report or section is found in the Annual Report on SEC Form 17-A of the company. The company performs its corporate social responsibility through the Roxas Foundation, Inc. (RFI). RFI is a foundation that was organized by the Roxas family to perform and deliver the social responsibilities of the corporations under which the Roxas family is conducting their businesses.

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

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

Being a holding company, the Company has adopted the foregoing policy contained in RHI's IMS Policy as stated below:

*In CADPI, we commit to achieve total customer satisfaction by providing solutions, to include the best quality and safe sugar products and services, while proactively protecting the environment and achieving a healthy and safe workplace.*

*We will accomplish this by:*

- *Providing for the total development of our people and empowering them to the organization's growth;*
- *Prevent pollution by setting objectives and targets to attain waste minimization and generate savings on energy, water and other resources;*
- *Continually improving our process;*
- *Establishing and maintaining harmonious partnership with our stakeholders; and*

*Adhering to all applicable health and safety regulations, statutory and regulatory environmental requirements and globally-accepted food safety and quality standards.*

On the other hand, despite the lack of high-risk events in its real-estate business, the Company, through Roxaco Land Corporation, ensures that all its employees are adequately covered by group-life insurance and medical care benefits as part of its compensation policy.

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

- List of Safety Trainings conducted for CY 2011-2012:

TRAINING	DATE
1. First Aid for Industrial Employees with Basic Life Support-Adult Cardio Pulmonary Resuscitation Training (FAT BLS-CPR) for Lay Rescuers	1 <sup>st</sup> Batch: July 9-11, 2012 2 <sup>nd</sup> Batch: July 12-14, 2012
2. Safety Inspection Training for Environmental Safety and Health Inspection Team (ESH Team) Leaders and	August 5, 2011

Members	
3. Conduct Emergency Drills covering fire and chemical spills	1 <sup>st</sup> Batch: September 16, 2011 2 <sup>nd</sup> Batch: March 7, 2012
4. Emergency and Disaster Management Training	October 18-19, 2011

- Continuous implementation of various safety programs to attain reduction in Lost Time Accident and Fire Prevention.
- Continuing issuance of CPIAR per accident case in order to identify the root cause and address hazards by implementation of corrective and preventive measures.
- Conducted Work Environment Measurement (WEM) last March 29-30, 2012 to check compliance with safety standards in the workplace on the following parameters:
  - Dust Emission (Bagacillo, etc.)
  - Heat Exposure
  - Noise level
  - Illumination
  - Vibration
  - Exposure to Hydrogen Sulfide (H<sub>2</sub>S) in confined spaces and other areas.
  - Asbestos
  - Hazardous Chemicals
  - Ventilation
- List of Basic Personal Protective Equipment issued to Regular Employees:
  - a. Safety Helmet
  - b. Safety Shoes
  - c. Dust Mask
  - d. Gas Mask
  - e. Goggles
  - f. Rubber Boots
  - g. Rain Coats
- Quarterly Meeting of CADPI Multi-Partite Monitoring Team (MMT) in compliance with ECC condition. The MMT which is composed of sectoral and executive committees convene is being chaired by PENRO. Membership of this multi-sectoral committee is represented by EMB PENRO and CENRO, MENRO, PGENRO, Philippine Coast Guard – Environmental Protection, Barangay, Municipal Health Office, NGOs and Barangay Chairman of Lumbangan. The Memorandum of Agreement was finalized and signed by DENR-EMB and Batangas Provincial Governor. Five meetings were conducted and the corresponding Compliance Monitoring and Verification Reports (CMVR) were already submitted to EMB Region 4A.
- Quarterly evaluation of compliance with ESH laws and regulations is being done using Matrix of Regulatory and Legal Requirements. This is part of compliance with ISO 14001. All necessary environmental and safety permits and licenses were already secured as of July 30, 2012.
- CADPI received a special recognition from Nestle Phils., Inc. for achieving the highest actual volume of water saved based on pledged target for the year 2011 as a result of the company exemplary water conservation efforts. This is part of their program on Greening the Supply Chain with CADPI as one of the business partners.
- Surveillance audit was conducted by SGS last January 24-25, 2012 to check sustained compliance with the requirements of ISO 14001 standards. Only one (1) minor non-conformity was raised and eight (8) observations.



- Ongoing monitoring of overall Risk Control Action Plan (RCAP) on a quarterly basis. All RCs are required to prepare their own monitoring of the status of program implementation as stated in their respective RCAPs. This is to address the significant hazards and risks identified in the documented Hazard Identification Risk Assessment and Determination of Controls (HIRADC).
- Annual renewal of group-life insurance and medical care benefits. Annually providing benefits and leave credits to employees stricken by calamities and emergencies.

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

**a) Related Integrated Management System Trainings for Fiscal Year 2012-2013:**

1. Food Safety Orientation for the different Departments in the factory of CADPI
2. Seminar on Understanding the Requirements of the Integrated Management System
3. Refresher Course on the Food Safety Management System (ISO 22000:2005)

**b) Job Fundamentals Training for Fiscal Year 2012-2013:**

For CADPI Refinery Department:a) Raw Sugar Quality and Handling, Affination and Centrifugal Operation;b) Carbonation, Filtration and IER Decolorization;c) Evaporation and Sugar Boiling; d) White Centrifugal Operation and Drying;e) Sugar Storing, Blending, Scalping Conditioning, Grading and Packaging;f) Sugar Dust Explosion, Guidelines in Entering Packaging Room and Preventive Maintenance.

**c) Training for Contractual Employees for Fiscal year 2012-2013:**

1. Orientation covering Food Safety, HACCP, GMP, 5S, EMS and Safety.

**d) Assisted Trainings for Fiscal year 2012-2013:**

1. Emergency and Disaster Management Training.
2. Fire Brigade Training.

**e) Functional/Technical Trainings for Fiscal Year 2012-2013:**

1. Analysts Skills Evaluation Program.

**f) Leadership/Behavioral training for Fiscal year 2012-2013:**

1. Leadership Development Program – Behavioral Leadership and Employee Relations Training Program

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

As part of the reward/compensation policy, the company grants its employees a proportionate share in the profits upon hitting the stated objectives for the year. .

**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.**

1. Upon receipt of a written complaint or report of an alleged violation, the Supervisor or Department Head

concerned investigates and reviews the facts of the case, giving the respondent the opportunity to be heard.

2. The respondent is served with a letter informing him/her of the alleged violation and directing him/her to explain in writing within five (5) working days upon receipt of the same. A duplicate of a written notice or letter is signed by the respondent to signify that he/she received the same.

3. If the respondent refuses to receive the same, the Supervisor shall leave a copy to the respondent in the presence of two witnesses who shall attest to the fact that the respondent refuses to acknowledge receipt of the same. Such fact must be annotated in the receiving copy by the witnesses.

4. Failure of the employee to answer in writing within the required period shall be construed as a waiver of his right to submit his answer/explanation.

5. Thereafter, the Supervisor and/or Department Head concerned shall evaluate the facts of the case.

6. The Supervisor or Department Head concerned shall then prepare a written report on the alleged infraction, his findings and the appropriate penalty to be imposed, if any. A copy of the said report together with the other copies of the documentary evidence and written testimonies, if applicable, shall be forwarded to the Human Resources Section for the proper disposition.

7. If the Supervisor or Department Head believes that the evidence available is insufficient to constitute a prima facie case, he/she may seek the assistance of the Legal Officer to conduct further investigation.

8. Supervisor or Department Head concerned makes a formal request to the Legal Officer.

9. Supervisor or Department Head concerned forwards all his findings together with available written testimony of all parties involved in the particular case, if applicable, to the Legal Officer for further investigation.

10. The Legal Officer informs those involved in the case by accomplishing the "Notice of Investigation" form four (4) copies. Copies of this shall be furnished to the following:

Employee concerned  
Human Resources Section  
Legal Officer=  
Section/Department concerned

11. The Legal Officer conducts the investigation.

12. The Legal Officer forwards the results of the investigation evaluation to the requesting Supervisor or Department Head.

13. The Supervisor or Department Head concerned shall again evaluate the report/findings and proceed as in Step 3.

14. The Human Resources Section prepares a "Notice of Disciplinary Action" to implement the decision upon finding that everything is in order.

15. The employee's Supervisor, Department Head or Group Manager as the case may be, and the SVP-CHR signs the appropriate space in all four (4) COPIES OF THE "Notice of Disciplinary Action" informing the employee of his offense/s with the corresponding penalty. Copies of this shall be furnished to the following:

Employee concerned  
HR Section  
Department concerned  
Legal Officer

**Explain how employees are protected from retaliation.**

The company has an existing public disclosure (whistleblowing) policy. Management ensures that employees who act in good faith and in compliance with the law are adequately protected from interference in or retaliation for reporting improper actions and cooperating with subsequent investigations or proceedings.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

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

<b>Title of Class</b>	<b>Name and Address of Owner/Relationship with Issuer</b>	<b>Name of Beneficial Ownership and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Number and Nature of Ownership</b>	<b>Percent of Class<sup>8</sup></b>
Common	<i>SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City</i>	<i>SPCI Holdings, Inc.<sup>9</sup></i>	<i>Philippine National</i>	<b>642,779,593 (direct)</b>	<b>32.60%</b>
Common	<i>Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President &amp; CEO</i>	<i>Pedro E. Roxas/ Pesan Holdings, Inc.</i>	<i>Filipino/ Philippine National</i>	<b>531,832,136 (direct &amp; indirect)</b>	<b>26.98%</b>
Common	<i>CISCO Holdings Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City</i>	<i>Francisco R. Elizalde</i>	<i>Philippine National</i>	<b>112,500,000</b>	<b>5.71%</b>
Common	<i>CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City</i>	<i>Carlos R. Elizalde</i>	<i>Philippine National</i>	<b>112,500,000</b>	<b>5.71%</b>
Common	<i>IÑIGO Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City</i>	<i>Iñigo R. Elizalde</i>	<i>Philippine National</i>	<b>112,500,000</b>	<b>5.71%</b>
Common	<i>SRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City</i>	<i>Santiago R. Elizalde</i>	<i>Philippine National</i>	<b>112,500,000</b>	<b>5.71%</b>
<b>TOTAL</b>				<b>1,624,611,729</b>	<b>82.40%</b>

<sup>8</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,971,501,095 common shares, the total outstanding shares as of 30 September 2014.

<sup>9</sup> Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, and their brothers Inigo Elizalde and Santiago Elizalde, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Pedro E. Roxas	2,969,690	<ul style="list-style-type: none"> <li>- 340,593,270 through Pesan Holdings, Inc.</li> <li>- 189,537,618 through Pesan Holdings, Inc. (PCD Lodged)</li> <li>- 762,217 (PCD Lodged)</li> </ul>	<ul style="list-style-type: none"> <li>-17.26% through Pesan Holdings, Inc.</li> <li>-0.15% direct</li> <li>-9.60% Pesan Holdings, Inc (PCD Lodged)</li> <li>-0.00% PCD Lodged</li> </ul>
Armando B. Escobar	0	0	0
<b>TOTAL</b>	<b>2,969,690</b>	<b>530,893,105</b>	<b>27.05%</b> <sup>10</sup>

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No. The details of the whistle blowing were not included in the annual report. It is, however, a known and accepted policy of the Company to protect the safety and privacy of any person who reports an illegal act and encourages all its employees and stakeholders to report such acts.
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. The details of the training and continuing education programme

<sup>10</sup>Per Public Ownership Report dated 03/31/2013.

	attended by each director/commissioner were not included in the Annual Report.
Number of board of directors/commissioners meetings held during the year	No. The number of board directors'/commissioners meetings held during the year were not included in the Annual Report. However, the details of the meetings are disclosed in a report, on SEC Form 17-C, which is submitted to the Commission in January of every year.
Attendance details of each director/commissioner in respect of meetings held	No. The details of the attendance of the directors in the board meetings of the company were not disclosed in the Annual Report on SEC Form 17-A but are contained in a report, on SEC Form 17-C, which is submitted to the Commission in January of each year.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	Php600,000	None

4) **Medium of Communication**

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

1. Disclosures on SEC Form 17-C;
2. Disclosures on SEC Form 20-IS;
3. Disclosures on SEC Form 23-A and 23-B;
4. Disclosures on SEC Form 17-A;
5. Company website;
6. Media interviews;
7. Disclosures to the Philippine Stock Exchange; and
8. Newspapers of general circulation.

5) **Date of release of audited financial report: 18 December 2015**

6) **Company Website**

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

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

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

## 7) Disclosure of RPT

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Antonio J. Roxas, Pedro E. Roxas, and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owns RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas and Antonio J. Roxas, incumbent directors of the Company, are also directors of RHI, the Company's publicly-listed subsidiary.

Other than the foregoing, there is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

**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?**

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, as appropriate, the company takes into account, among others, factors that it deems appropriate in order to determine whether the terms of the Related Party Transaction is less favorable to the Company than the terms generally available to an unaffiliated third-party under the same or similar circumstances. The company ensures that the transactions are "arms length".

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

Quorum Required	Article II, Section 3 of the By-Laws
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	of the company provides that in all or regular or special stockholders' meetings, the presence of shareholders who represent a majority of the outstanding capital stock entitled to vote shall constitute a quorum and all decisions made by the majority shall be final, unless pertaining to resolutions for which the laws require a greater number.
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	For the ratification of the acts of the Board of Directors and Officers, the vote required is a <u>majority of the outstanding common stock present in person or by proxy</u> , provided constituting a quorum.
<b>Description</b>	The method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands, or, upon motion duly made and seconded, by secret ballot.

**(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 right to vote either in person or proxy on the following: 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; Extension or shortening of corporate life; Election or removal of directors; and Election of external auditors.	There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

## Dividends

<i>Declaration Date</i>	<i>Dividend Per Share</i>	<i>Record Date</i>	<i>Payment Date</i>
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008
13 December 2013	₱ 0.02	06 January 2014	30 January 2014
12 December 2014	₱ 0.02	15 January 2015	30 January 2015

## (d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
<p>The company prepares its detailed Information Statement on SEC Form 20-IS. The Information Statement informs all shareholders and the public a) the date, place and time of the annual/special meeting of the shareholders and b) the Agenda of the meeting; c) the names of all the directors and senior management of the company including the details of their personal information; d) the names and personal information of the persons nominated for election as directors of the corporation; and e) the financial and other information about the company, among others;</p> <p>The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of</p>	<p>The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of record individually at least fifteen (15) trading days before the annual/special meeting of the shareholders.</p> <p>The Investor Relations Department of the company facilitates and sets the conduct of shareholder and media interviews on the Chairman, PCEO and other directors after the annual/special meetings of the shareholders.</p>



<p>record individually at least fifteen (15) trading days before the annual/special meeting of the shareholders;</p> <p>The company conducts an open forum during the shareholders' meetings as additional venue where shareholders could participate in the meeting and communicate directly to the Chairman, the individual directors, and the members of the board committees and make known their views and concerns about the company. In addition, the Chairman and the PCEO and the members of the Board committees entertain interviews and queries from the shareholders and media after the holding of the annual/special meeting to provide the shareholders and members of the media additional opportunity to share their views to the Chairman, the PCEO and the members of the Board committees on issues relating to the company.</p> <p>The company has put in place a Stakeholder Relations &amp; Corporate Communications Department to take care of all issues relating to investors or shareholders and to attend to their queries and concerns about the company.</p>	
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**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.

The company, pursuant to law, submits the approval of amendments to the company's Articles of Incorporation, authorization of additional shares and transfer of all or substantially all assets, which in effect results in the sale of the company, to the approval and ratification of its shareholders in a regular or special meeting held for the purpose. Details of the proposed amendments to the company's constitution or authorization of additional shares or transfer of all or substantially all assets, if any, will be contained and explained in the information Statement on SEC 2015 that is sent to all shareholders of record in order to solicit their active participation in corporate discussions regarding such matters.

**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. The company observes a minimum of 15 business days for giving out of notices to the AGM in accordance with the provisions of the Securities Regulation Code (SRC).

- a. **Date of sending out notices:** 04 February 2015.
- b. **Date of the Annual/Special Stockholders' Meeting:** 25 February 2015

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

The following were the recorded comments and questions during the Annual Stockholders' Meeting:

"One stockholder observed that the ratio of business favors the sugar group at approximately 65% of the Company, while RLC is only at roughly 35%. He asked the Chairman whether there are plans to balance the proportion. The Executive Chairman answered that RLC is envisioned to be an equal partner in the group and will have an increased participation in the years ahead as it ramps up operations.

Another stockholder asked for a timetable on possible settlement of DAR-related cases. The Executive Chairman answered that the timetable is basically controlled by the government as schedules for talks come unilaterally from them.

The same stockholder asked the effects of lower tariff rates and whether the Company is prepared for this development in the region. The Executive Chairman assured him that the Company is ready for market integration in 2015 and that it continues to improve plans and cost reduction systems to make the Company globally competitive."

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

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Stockholders' Meeting held on 25 February 2015	1,485,457,715 representing 77.31%	None	None
Approval of the Annual Report to the Stockholders for the fiscal year ending 30 September 2014	1,485,457,715 representing 77.31%	None	None
Approval of the all acts and resolutions of the Board of Directors and management	1,485,457,715 representing 77.31%	None	None
Election of the Board of Directors	1,485,457,715 representing 77.31%	None	None
Election of the external auditors	1,485,457,715 representing 77.31%	None	None
Amendment to Articles of Incorporation: Change of Principal Place of Business	1,485,457,715 representing 77.31%	None	None

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

25 February 2015.

**(e) Modifications**

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

Modifications	Reason for Modification
None	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	Antonio J. Roxas Pedro E. Roxas Francisco Jose R. Elizalde Renato C. Valencia Corazon S. De La Paz- Bernardo Guillermo D. Luchangco	25 February 2015	By show of hands	.12%%	77.19%	77.31%
Special	None					

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

Yes. The company appoints its external auditors and stock transfer agent to count and/or validate the votes at the ASM.

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

Yes. The company has only one class of share. Each share is entitled to one (1) vote.

**(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	The company allows the execution of Proxies. (Art. II, Section 4 ABL).
Notary	The Proxy may be notarized by a notary public. A Proxy which is not notarized is nonetheless accepted and validated by the company.
Submission of Proxy	A Proxy must be submitted to the office of the Corporate Secretary not later than five (5) days before the date of the meeting of shareholders. (Art. II, ABL).
Several Proxies	Stockholders may execute several Proxies provided that the number of shares represented by each Proxy shall be indicated in the Proxy form.
Validity of Proxy	Unless otherwise stated, a Proxy shall be valid only for the meeting at which it has been presented to the Corporate Secretary. (Art. II, ABL).
Proxies executed abroad	A Proxy executed abroad is valid and is accepted if it complies with the formalities of law.
Invalidated Proxy	Invalidated proxy is not valid and shall not be considered by the company at the meeting of the shareholders.

Validation of Proxy	A Proxy is validated by the Corporate Secretary in coordination with the company's stock transfer agent.
Violation of Proxy	Violation of Proxy shall invalidate the Proxy and shall subject the offender to the administrative sanctions provided under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code.

**(h) Sending of Notices**

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

Policies	Procedure
<p>Article II, Section 2 of the By-Laws of the company states that the regular meeting of stockholders may be held without prior notice. Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days prior to the date of the meeting to each stockholder of record at his last known post office or by publishing the notice in a newspaper of national circulation at least ten (10) days prior to the date of the meeting. The notice shall state the place, date and the hour of the meeting, and the purpose or the purposes for which the meeting is called. Only matters stated in the notice can be subject of motions or discussions at the meeting. Notice of special meeting may be waived in writing by any shareholder, in person or by proxy, before or after the meeting.</p> <p>When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give a notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.</p>	<p>The company prepares a detailed Information Statement on SEC Form 20-IS which contains the date, place, time and the Agenda of the meeting. The company submits the Information Statement on SEC form 20IS to the SEC and discloses the same to the PSE for the information of the public. The Information Statement on SEC Form 20-IS is sent individually to all shareholders of record at least fifteen (15) business days before the meeting of the shareholders.</p>

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

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	3,397
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	04 February 2015

<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	04 February 2015
<b>State whether CD format or hard copies were distributed</b>	Yes, CD format was distributed.
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes, requesting stockholders were provided with 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.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

**2) Treatment of Minority Stockholders**

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

<b>Policies</b>	<b>Implementation</b>
<p>The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda provided the items are for legitimate business purposes and, in accordance with law, jurisprudence and best practice. (Revised Manual on Corporate Governance)</p> <p>The minority stockholders shall have access to any and all information relating to matters for which management is accountable for and to those relating to matters which should have been included in the agenda of the annual meeting and, if not included, then the minority stockholders shall be allowed to propose such matters in the agenda of the stockholders' meeting being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice. (Revised Manual on Corporate</p>	<p>The company prepares its detailed Information Statement on SEC Form 20-IS. The Information Statement informs all shareholders and the public a) the date, place and time of the annual/special meeting of the shareholders and b) the Agenda of the meeting; c) the names of all the directors and senior management of the company including the details of their personal information; d) the names and personal information of the persons nominated for election as directors of the corporation; and e) the financial and other information about the company, among others;</p> <p>The Information Statement is submitted to the SEC and disclosed to the PSE for the information of the public and is sent to all shareholders of record individually, including the minority shareholders, at least fifteen (15) trading days</p>

<p>Governance)</p> <p>Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. (Revised Manual on Corporate Governance)</p>	<p>before the annual/special meeting of the shareholders;</p> <p>The company conducts an open forum during the shareholders' meetings as additional venue where shareholders, including minority shareholders, could participate in the meeting and communicate directly to the Chairman, the individual directors, and the members of the board committees and make known their views and concerns about the company. In addition, the Chairman and the PCEO and the members of the Board committees entertain interviews and queries from the shareholders and media after the holding of the annual/special meeting to provide the shareholders and members of the media additional opportunity to share their views to the Chairman, the PCEO and the members of the Board committees on issues relating to the company.</p> <p>The company has put in place a Stakeholder Relations &amp; Corporate Communications Department to take charge of all issues relating to investors or shareholders and to attend to their queries and concerns about the company.</p>
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**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

Yes, Article III, Section 3 of the By-laws of the company provides for the right of any stockholder to nominate candidates to the Board.

**K. INVESTORS RELATIONS PROGRAM**

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

The company has put in place communication channels that effectively process and address the concerns of its shareholders and the investing public. The Company regularly reports developments and submits disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

The company also maintains its website ([www.roxascompany.com.ph](http://www.roxascompany.com.ph)), which provides timely information about the Company. The website serves also as an avenue for RCI's stockholders, stakeholders and the general public to send in their inquiries or comments, which the company responds to at the soonest possible time through the Stakeholder Relations and Corporate Communications Department.

The company also ensures that its stakeholders and the investing public are apprised of developments in the RCI Group through regular press conferences and press releases.

As for its internal communications, the company conducts forum for its employees once or twice a year to share information on its projects and plans.

The policies governing both the external and internal communication channels of RCI are anchored on the Company's values of reliability and relevance, high standards and integrity, and are reviewed as frequently as needed.

- 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 enable stockholders, investors and the general public to understand the developments in the company and equip them to make wise and informed decisions on their investment transactions in the company.
(2) Principles	To handle queries and requests of stockholders, investors and the general public with utmost priority.
(3) Modes of Communications	The Company website ( <a href="http://www.roxascompany.com.ph">www.roxascompany.com.ph</a> ); the SEC; RCI's page on the PSE website ( <a href="http://www.pse.com.ph">www.pse.com.ph</a> ); press releases; press conferences; forums.
(4) Investors Relations Officer	Roulee Jane F. Calayag Tel. No.: (63 2) 810 8901 Fax: (63 2) 894 0989 Email: <a href="mailto:rfcalayag.rhi@cadp.com.ph">rfcalayag.rhi@cadp.com.ph</a>

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

The company has no separate rules or 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 other than the provisions stated under Sections 42, 40, 81 and 82 of the Corporation Code of the Philippines. Thus:

Section 42. *Power to invest corporate funds in another corporation or business or for any other purpose.* - Subject to the provisions of this Code, a private corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or by at least two thirds (2/3) of the members in the case of non-stock corporations, at a stockholder's or member's meeting duly called for the purpose. Written notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder shall have appraisal right as provided in this Code: Provided, however, That where the investment by the corporation is reasonably necessary to accomplish its primary purpose as stated in the articles of incorporation, the approval of the stockholders or members shall not be necessary.

Section 40. *Sale or other disposition of assets.* - Subject to the provisions of existing laws on illegal combinations and monopolies, a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or in case of non-stock corporation, by the vote of at least to two-thirds (2/3) of the members, in a stockholder's or member's meeting duly called for the purpose. Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder may exercise his appraisal right under the conditions provided in this Code.

A sale or other disposition shall be deemed to cover substantially all the corporate property and assets if thereby the corporation would be rendered incapable of continuing the business or accomplishing the purpose for which it was incorporated.

After such authorization or approval by the stockholders or members, the board of directors or trustees may, nevertheless, in its discretion, abandon such sale, lease, exchange, mortgage, pledge or other disposition of property and assets, subject to the rights of third parties under any contract relating thereto, without further action or approval by the stockholders or members.

Nothing in this section is intended to restrict the power of any corporation, without the authorization by the stockholders or members, to sell, lease, exchange, mortgage, pledge or otherwise dispose of any of its property and assets if the same is necessary in the usual and regular course of business of said corporation or if the proceeds of the sale or other disposition of such property and assets be appropriated for the conduct of its remaining business.

**Sec. 81. Instances of appraisal right.** “Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and

In case of merger or consolidation.

**Sec. 82. How right is exercised.** - The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

The company has no pending transaction involving the acquisition of corporate control in the capital markets or mergers or sale of all or substantially all of the corporate assets. As such, the Board of Directors of the company has not appointed an independent party to evaluate the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
Operasyon Balik-Paaralan (Educational Assistance Program). RFI, in partnership with Educational Research and Development Assistance Foundation, Inc.	For preschool and elementary students in Nasugbu, Batangas and La Carlota City, Negros Occidental.
Scholarship Program	For high school and college students in partnership with Sugar Industry Foundation, Inc. and employees’ dependents in Central Azucarera de la Carlota, Inc.
Day Care Service	For 18 Day Care Centers in Nasugbu and Lian,



	Batangas.
Tulong Aral ng Sentral Scholarship Program	For selected RFI & CADPI/CACI dependents/beneficiaries in Nasugbu, Batangas and La Carlota City, Negros Occidental.
Busog Lusog Talino School Feeding Program. RFI, in partnership with Jollibee Group Foundation and Local Government Unit.	For grade I-II public school pupils Nasugbu, Batangas and La Carlota City, Negros Occidental.
Medical and Dental Missions. RFI, in partnership with Fundacion Santiago and Sociedad Asocacion de Beneficiencia.	Residents of Nasugbu and Lian, Batangas and residents La Carlota City, Negros Occidental. in partnership with Fundacion Santiago and Sociedad Asocacion de Beneficiencia.
Sports Advocacy	Provides sponsorship to five teams of soccer players composed of 8U, 10U, 12U, 14U and 16U in Nasugbu, Batangas and two (2) teams, 8U and 10U in La Carlota City, Negros Occidental. Sponsorship of trainings for two (2) football teams, 8U and 10U) for the dependents of CACI employees and pupils from La Carlota Sugar Central Elementary School.
Casa Republika	A social enterprise project which offers bed and breakfast to donors, training venue/laboratory for HRM, Food & Beverage and related courses OJTs and out of school youth.
Café Central	A social enterprise project which offers fine dining and refreshment to travelers and local residents. It is also a training ground for OJTs and out of school youth with HRM, Food and Beverage, and other related courses.
Casa Central	A shop to showcase the products of RFI assisted communities and various livelihood groups/individuals.
Training Center	Offers food and beverages course and small engine mechanic course.
Tree Planting	Rehabilitation of Watershed Areas along the riverbanks of Marayo River in La Carlota City, Negros Occidental.

#### 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
<b>Board of Directors</b>	The company does not yet have a formal evaluation for the assessment of the annual performance of the Board of Directors.	
<b>Board Committees</b>	The Audit Committee conducts an annual performance evaluation in compliance with SEC Memorandum Circular No. 4, Series of 2012.	The criteria set forth in SEC Memorandum Circular No. 4, Series of 2012.

<b>Individual Directors</b>	The company does not yet have a formal evaluation for the assessment of the annual performance of the individual members of the Board of Directors.	
<b>CEO/President</b>	The company does not yet have a formal evaluation for the assessment of the annual performance of the CEO/President.	

**N. INTERNAL BREACHES AND SANCTIONS**

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

Violations	Sanctions
First Violation of the Corporate Governance Manual	Reprimand
Second Violation of the Corporate Governance Manual	Suspension from Office. The duration of the suspension shall depend on the gravity of the violation.
Third Violation	Maximum Penalty of Removal from Office.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on \_\_\_\_\_, 2016.

**SIGNATURES**

**PEDRO E. ROXAS**  
Chairman, President & CEO

**GUILLERMO D. LUCHANGCO**  
Independent Director

**ALEZANDRO S. CASABAR**  
Compliance Officer


MAKATI CITY

27 JAN 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2016, affiant(s) exhibiting to me their respective Community Tax Certificates and Valid IDs, as follows:

NAME	CTC NO.	DATE/PLACE OF ID DUE	VALID ID
PEDRO E. ROXAS	10707422	20 Feb. 2013/ Makati City	Phil. Passport No. EB0094507 issued 13 Apr. 2010-12 Apr 2015
GUILLERMO D. LUCHANGCO	10659792	24 January 2013/Makati City	Phil. Passport No. EB3916661 issued 20 Oct 2011 – 19 Oct 2016
CORAZON S. DE LA PAZ-BERNARDO			
ALEZANDRO S. CASABAR			IBP Lifetime Membership No. 07519 Driver's License No. N03-98-250674

Doc No. 86 ;  
Page No. 19 ;  
Book No. XI ;  
Series of 2015

  
**FELIPE I. ILEDAN JR.**

Notary Public for and in Makati City  
Until Dec. 31, 2016, Appt. No. M-03  
Roll No. 27625, TIN 136897808  
Rm. 412, 4<sup>th</sup> Flr. VGP Center, Ayala, Makati City  
2016 PTR No. 4900183; issued 12/11/2015; Mla.  
IBP No. 974042; 8/18/14  
MCLE Comp. IV-0018386; 4/24/2013





## **A N N E X “B”**

### **Annual Report to Stockholders**



**BUILDING  
THE FUTURE**  
ANNUAL REPORT 2015



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## VISION

Roxas & Company, Inc. aims to be a premier publicly-listed holding firm with investments in the country's leading sugar cane-based solutions provider and property development business.

## MISSION

- To maintain businesses that deliver superior results to customers and other stakeholders.
- To deliver long-term growth in shareholder value.
- To be a responsible corporate citizen by participating in nation and community building.
- To ensure that our businesses promote environmental protection and sustainable development practices.
- To provide nurturing environment to develop and empower our people.

## VALUES

- R- Resiliency and Reliability
- O- Observance of Good Corporate Governance Policies
- X- eXcellence and Innovation
- A- Accountability and Integrity
- S- Social Responsibility and Nation-Building



After establishing flagship projects that will secure its niche in the challenging real estate field, Roxas & Company now realizes bright opportunities in several sunrise industries poised for genuine inclusive growth and solid nation-building.

The agri-business and power industries are not only ingrained in our nation's history, they also provide the energy and dynamism our nation needs to rebuild itself in order to improve the lives of our countrymen



## FINANCIAL HIGHLIGHTS



**P135,116**  
2015



**P2,289,233**  
2014



**P431,753**  
2013

### NET INCOME



**P153,071**  
2015



**P2,494,363**  
2014



**P1,776,294**  
2013

### EBITDA

#### AMOUNTS IN PHP THOUSANDS

	2015	2014	2013
Revenues	250,434	199,809	83,161
Net Income	135,116	2,289,233	431,753
EBITDA	153,071	2,494,363	1,776,294
Total Assets	8,147,798	7,472,524	20,240,798
Total Equity	7,124,300	6,932,963	10,040,294
Earnings Per Share	0.07	1.18	0.09
Book Value Per Share	3.61	3.61	3.44
Return on Asset	1.66%	30.64%	2.13%
Return on Equity	1.90%	33.02%	4.30%
Debt to Equity	0.14	0.08	1.02



“Your company focused on its mission of fortifying its Hotel and Real Estate core business while laying the groundwork for its other two core businesses: the Renewable Energy and Agri-Export business.”





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# DEAR SHAREHOLDERS:

The Philippine economy sustained its growth in 2015 amid the challenges brought by the slowdown in China and Europe. Increased consumer spending, lower inflation, continuous inflow of forex remittances and the decline in oil prices have encouraged investments and business expansion and heavy construction making the Philippines one of the fastest-growing economies in Asia.





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# BUILDING THE FUTURE

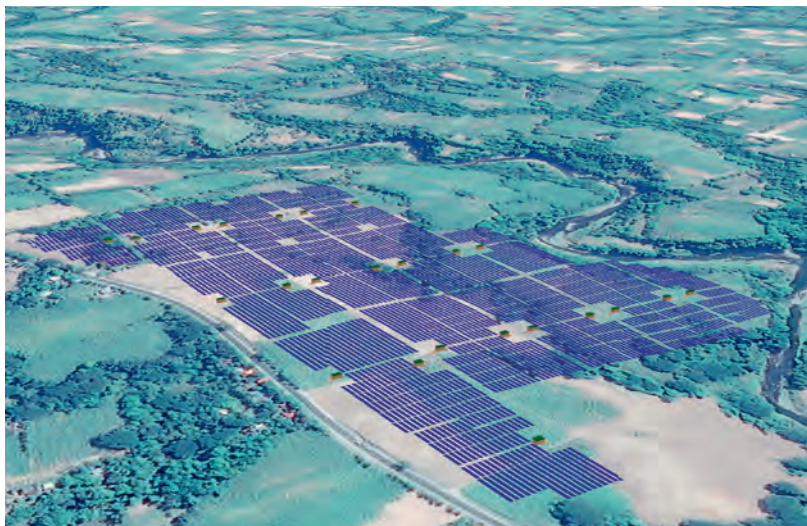
## DEVELOPMENTS

Against this backdrop, your company focused on its mission of fortifying its Hotel and Real Estate core business while laying the groundwork for its other two core businesses: the Renewable Energy and Agri-Export business.





## MESSAGE OF THE CHAIRMAN





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For the past year your company channeled its resources toward completion of its residential projects in Batangas, the full construction implementation of the first five “GO Hotel” budget hotels in partnership with VH Select Investments (Phil) Pte. Ltd. and the construction, promotion and selling of phase two of our ANYA Resort and Residences project in Tagaytay City



MESSAGE OF THE CHAIRMAN





We established a renewable energy company, Roxas Green Energy Corporation and secured approval from the Department of Energy to put up our first 30 megawatt solar power plant costing roughly PhP1.7 billion in Nasugbu, Batangas. We expect to complete this by mid-2016.

We set up a joint-venture with a group of industry professionals to establish Roxas Sigma Agri Ventures Inc. to build a 200 ton-per-day, PhP881 million integrated coconut processing plant in Tupi, South Cotabato Mindanao and expect the plant to start operating beginning 2017.

Roxas Holdings Inc., where we still maintain a significant investment, raised additional equity this year through the sale of its treasury shares. The First Pacific group increased its stake from 34% to 51%. As a result of this, our holdings in RHI dropped to 31%.

With our reduced investment in Roxas Holdings, Inc. and the continuing operational and external challenges they face, our major outlook at this point is to condition our company to rely less on the dividends we derived from equity interest and channel our ability to generate more business activity from our new core businesses at the soonest opportune time.





MESSAGE OF THE CHAIRMAN











“Our major outlook at this point is to condition our company to rely less on the dividends we derived from equity interest and channel our ability to generate more business activity from our new core businesses.”



## RESULTS OF OPERATIONS

RCI's 2015 revenues mainly from real estate sales, amounted to PhP250.4 million or 25% higher than last year's PhP199.8 million. This is due to better sales of our Anya Resort and Residences Phase 2 project in Tagaytay as well as the increase in percentage completion across all projects.

Gross profit for the fiscal year amounted to PhP97.5 million or 39% of sales. This margin however is lower than last year's 47% when we still had major contributions from the Peninsula de Punta Fuego project.

Operating expenses increased by 17% because of increases in compensation and benefits as well as higher commissions and marketing expenses incurred by the property group for its Anya Resort project.

Consolidated net income for the year amounted to PhP135.1 million or a decrease from last year's net income of PhP2,289.2 million due to last year's one time gain on the sale of our investment in RHI amounting PhP2,036.0 million.







## OPPORTUNITIES

RCI's strategic journey will focus on three core businesses: real estate, renewable energy and agri-business, and comes at an ideal time and ably supported by many basic fundamentals.

In our real estate business with particular focus on leisure and tourism, the tourism industry reached a milestone in 2015 as international visitor arrivals topped the 5-million mark for the first time on record. Industry leader's project anywhere between 15 and 20 percent growth in 2016.

Earnings from tourism activities also grew 8.2 percent to PhP187 billion in the 10-month period from P173 billion recorded a year earlier.

The campaign "More Fun in the Philippines" has changed the way Filipinos look at the industry and changed the way global travelers look at the Philippines. Occupancy rates across all hotel segments remain healthy – above the 70% rate and although we expect quite a number of new stock to be delivered until 2017, most of that new stock to be delivered will be in the casino districts. This indicates that opportunities remain bright for the budget hotels segment in strategic locations and our niche leisure hotels like ANYA Tagaytay.



In renewable energy, the sustained progression of our economy, the growing national and world-wide consciousness for clean energy and the favorable economics of key components needed to construct solar plants continue to inspire our vision of becoming a major renewable energy producer in the years to come. With our recently secured solar energy service contract from the Department of Energy, we expect no major obstacles to hinder the opening of our maiden project by mid-2016.

The coconut farming and processing sector has long focused on low value products that provided scant benefits to our coconut farmers numbering in the millions. With the rapidly increasing worldwide consciousness of the health benefits derived from coconut water, coconut cream & milk and virgin coconut oil (VCO) complemented by other key business factors like the stable supply of the nuts and good logistical conditions within our facility's strategic location, we are confident we have the ingredients needed to reap the benefits soon after our facility becomes operational by early 2017.



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As your organization channels its concerted actions towards these three major opportunities and achieve self-sustainability, our key measurable efforts for 2016 are the following projects:

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II.
- Complete the development of Anya Resort and Residences phase two and commence the operations of Anya Hotel Core Tagaytay by 2nd quarter of 2016.
- Formally launch the development of Anya Resort and Residences phase three.
- Aggressively pursue new real estate opportunities for mixed-use residential projects within greater Metro Manila as well as lock in sites two to four of its ANYA Resort and Residences brand.
- Complete and open the first five Go Hotels within 2016.
- Secure more consultancy property management contracts for Fuego Hotels and Property Management Corporation, of which we own 75%.
- Complete and start commercial operation of the 30MW Solar Power Project in Nasugbu Batangas by 3rd quarter of 2016 and develop the 2nd phase for an additional 20MW by the 4th quarter. And lastly,
- Commence the construction of our coconut processing facility in South Cotabato by the 1st quarter of 2016 and focus on opening the plant by 2017.



## RESULTS OF OPERATIONS

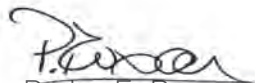
The transition of the organization from being heavily dependent on the sugar business to re-examining and building its new future has resulted in fundamental but vital organizational transformation and a shift in the manner of how our plans and efforts have been executed the past year. This organizational reinvention will take time and even more collective efforts beyond 2016.

Still, the values we have ingrained in our corporate DNA and inscribed through the acronym **ROXAS**, **R** – Resiliency and Reliability, **O** – Observance of Good Corporate Governance Policies, **X** – eXcellence and Innovation, **A** – Accountability and Integrity, and **S** – Social Responsibility and Nation-Building, will always serve as our foundation as we carry out our individual tasks and responsibilities.

As we encourage all our stakeholders to join us as we build the future of RCI, I would also like to take this opportunity to extend our deepest and most sincere gratitude to all who have supported us these 97 years of existence - the past and present organizational team, the Board of Directors for their unwavering guidance and encouragement and last but certainly not the least, our loyal Stockholders who continued to provide support to your organization.

As a lasting thought, RCI is a fantastic company with significant opportunities that our stakeholders could benefit from.

Thank You.



Pedro E. Roxas

Chairman & President & Chief Executive Officer





# BUILDING THE FUTURE



from left to right:  
**PEDRO E. ROXAS**, Chairman/President & Chief Executive Officer  
**ANTONIO J. ROXAS**, Director  
**FRANCISCO JOSE R. ELIZALDE**, Director  
**CARLOS R. ELIZALDE**, Director



## BOARD OF DIRECTORS



from left to right:  
**CORAZON S. DE LA PAZ-BERNARDO**, Director  
**GUILLERMO D. LUNCHANCO**, Director  
**FERNANDO L. GASPAR**, Director



**PEDRO E. ROXAS** is 59 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

**ANTONIO J. ROXAS** is 73 years old and is a Filipino. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

**FRANCISCO JOSE R. ELIZALDE** is 49 years old and is a Filipino. He is a member of the Audit and Risk Committee. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

**CARLOS R. ELIZALDE** is 47 years old and is a Filipino. He is a member of the Nomination, Election & Governance Committee. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

**CORAZON S. DE LA PAZ-BERNARDO** is the Chairman of the Audit and Risk Committee and a member of the Nomination, Election and Governance Committee. She is the Honorary President of the International Social Security Association (ISSA), an affiliate of



## BOARD OF DIRECTORS

the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She was Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) for the 2013 elections and is Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a life member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club, MFI Foundation and other non-governmental organizations. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE scholar.

**GUILLERMO D. LUCHANGCO** is 75 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

**FERNANDO L. GASPAR** is a member of the Audit and Risk Committee. He is 64 years old and is a Filipino. He is a newly elected member of the Board of Directors. He has been the Senior Vice President & Chief Administration Officer International Container Terminal Systems, Inc. (ICTSI). He has also been the Philippine Country Manager for the KUOK Group and the President of Shangri-la Hotels Philippines. Mr. Gaspar was educated at the De La Salle University, Manila, Philippines, where he took his undergraduate course in Chemical Engineering. He also took post graduate courses at the INSEAD Asian Studies Centre, Fontainebleau, France, the Stanford University Graduate School of Business and the Columbia University Graduate School of Business.



# CORPORATE OFFICERS

**ARMANDO B. ESCOBAR** is 56 years old and Filipino. He is the Executive Vice President - Chief Finance Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, Executive Business Program in Harvard Business School and Strategic Business Economics Program in University of Asia and Pacific.

**PETER D. A. BAROT** is 53 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

**ALEZANDRO S. CASABAR** is 35 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines - College Baguio.



from left to right:

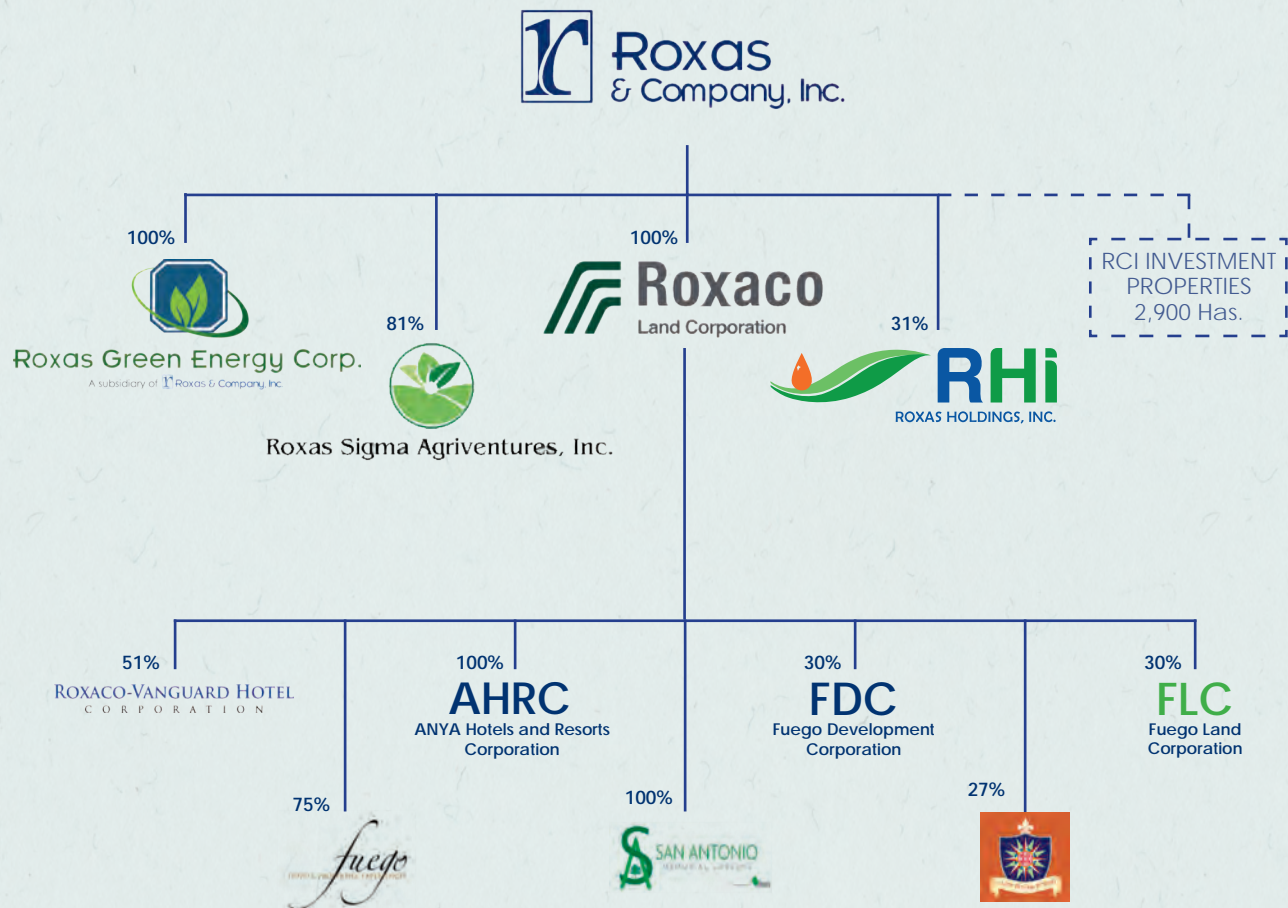
**ARMANDO B. ESCOBAR**, Executive Vice President, Chief Finance Officer

**PETER D.A. BAROT**, Corporate Secretary

**ALEZANDRO S. CASABAR**, Assistant Corporate Secretary & Compliance Officer



# ROXAS AND COMPANY, INC. ORGANIZATIONAL STRUCTURE





# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Roxas and Company, Inc.  
7th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

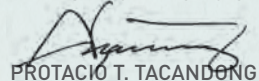
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Roxas and Company, Inc. and Subsidiaries as at September 30, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards.

#### **REYES TACANDONG & CO.**



**PROTACIO T. TACANDONG**

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015

Makati City, Metro Manila



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

September 30

	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalent	7	<b>P183,300</b>	P139,791
Trade and other receivables	8	<b>304,079</b>	194,142
Real estate for sale and development	9	<b>508,603</b>	441,012
Other current assets	10	<b>80,752</b>	70,007
Total Current Assets		<b>1,076,734</b>	844,952
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	<b>32,790</b>	2,387
Investment in associates and a joint venture	11	<b>2,470,307</b>	2,167,405
Property and equipment	12	<b>60,064</b>	4,444
Investment properties	13	<b>4,495,444</b>	4,448,544
Deferred tax assets	25	<b>12,459</b>	4,792
Total Noncurrent Assets		<b>7,071,064</b>	6,627,572
		<b>P8,147,798</b>	P7,472,524
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	14	<b>P593,604</b>	P92,386
Current portion of long-term borrowings	15	<b>63,829</b>	56,429
Trade and other payables	16	<b>215,680</b>	181,471
Total Current Liabilities		<b>873,113</b>	330,286
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	15	<b>138,516</b>	202,546
Retirement liability	17	<b>11,869</b>	6,729
Total Noncurrent Liabilities		<b>150,385</b>	209,275
Total Liabilities		<b>1,023,498</b>	539,561
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	18	<b>2,911,886</b>	2,911,886
Additional paid-in capital	18	<b>1,626,393</b>	1,611,393
Treasury stock	18	<b>(1,598,654)</b>	(1,683,654)
Other equity reserves	18	<b>283,914</b>	289,263
Retained earnings	18	<b>3,906,433</b>	3,809,706
		<b>7,129,972</b>	6,938,594
<b>Non-controlling Interests</b>			
		<b>(5,672)</b>	<b>(5,631)</b>
Total Equity		<b>7,124,300</b>	6,932,963
		<b>P8,147,798</b>	P7,472,524



# CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data)

	Note	Years Ended September 30		
		2015	2014	2013
<b>SALE OF REAL ESTATE</b>		<b>P250,434</b>	P199,809	P83,161
<b>COST OF REAL ESTATE SALES</b>	9	<b>(152,939)</b>	(105,439)	(34,446)
<b>GROSS INCOME</b>		<b>97,495</b>	94,370	48,715
<b>OPERATING EXPENSES</b>	22	<b>(118,215)</b>	(100,871)	(108,281)
<b>OTHER INCOME (CHARGES)</b>				
Gain on deemed disposal of an associate	11	<b>84,774</b>	-	-
Unrealized fair value gain (loss) on investment properties	13	<b>55,319</b>	16,050	(231)
Interest income	7	<b>11,736</b>	9,271	5,491
Interest expense	15	<b>(17,871)</b>	(15,472)	(25,756)
Equity in net earnings of associates and a joint venture	11	<b>3,823</b>	196,953	392
Gain on disposal of a subsidiary	6	-	2,036,038	-
Other - net	24	<b>27,404</b>	20,053	26,986
		<b>165,185</b>	2,262,893	6,882
<b>INCOME (LOSS) FROM CONTINUING OPEARATION BEFORE INCOME TAX</b>		<b>144,465</b>	2,256,392	(52,684)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	25			
Current		<b>17,015</b>	7,539	1,285
Deferred		<b>(7,666)</b>	1,436	(240)
		<b>9,349</b>	8,975	1,045
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>		<b>135,116</b>	2,247,417	(53,729)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	6	-	41,816	485,482
<b>NET INCOME</b>		<b>P135,116</b>	P2,289,233	P431,753
<b>Net Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company		<b>P135,157</b>	P2,274,885	P265,283
Non-controlling Interests		<b>(41)</b>	14,348	166,470
		<b>P135,116</b>	P2,289,233	P431,753
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	26	<b>P0.07</b>	P1.18	P0.09
Continuing Operations		<b>0.07</b>	P1.16	(0.08)
Discontinued Operations		-	0.02	0.17



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended September 30		
	Note	2015	2014	2013
<b>NET INCOME</b>		<b>P135,116</b>	P2,289,233	P431,753
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Share in remeasurement gain (loss) on retirement liability of an associate	11	<b>(5,349)</b>	917	-
Remeasurement gain (loss) on retirement liability, net of tax	17	-	1,046	(321)
<i>Item that will be reclassified to profit or loss when realized</i>				
Share in unrealized loss on available-for-sale financial assets of an associate	11	-	(50)	-
<b>OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>		<b>129,767</b>	2,291,146	431,432
<b>OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>		-	458	(184,547)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P129,767</b>	P2,291,604	P246,885
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the Parent Company		<b>P129,808</b>	P2,277,099	P143,715
Noncontrolling interests		<b>(41)</b>	14,505	103,170
		<b>P129,767</b>	P2,291,604	P246,885



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

Note	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests	Total Equity
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Equity Reserves (Note 18)	Retained Earnings (Note 18)					
	<b>P2,911,886</b>	<b>P1,611,393</b>	<b>(P1,683,654)</b>	<b>P289,263</b>	<b>P3,809,706</b>	<b>P6,938,594</b>	<b>(P5,631)</b>	<b>P6,932,963</b>		
Balances as at October 1, 2014										
Net income	-	-	-	-	135,157	135,157	(41)	135,116		
Issuances of treasury shares	-	15,000	85,000	-	-	100,000	-	100,000		
Cash dividends	-	-	-	-	(38,430)	(38,430)	-	(38,430)		
Share in remeasurement loss on retirement liability of an associate	-	-	-	(5,349)	-	(5,349)	-	(5,349)		
	<b>P2,911,886</b>	<b>P1,626,393</b>	<b>(P1,598,654)</b>	<b>P283,914</b>	<b>P3,906,433</b>	<b>P7,129,972</b>	<b>(P5,672)</b>	<b>P7,124,300</b>		
Balances as at September 30, 2015										
Balances as at October 1, 2013	P2,911,886	P1,611,393	P-	P1,326,345	P2,328,190	P8,177,814	P1,862,479	P10,040,293		
Effect of deconsolidation	-	-	-	(1,039,296)	(754,939)	(1,794,235)	(1,863,435)	(3,657,670)		
Net income	-	-	-	-	2,274,885	2,274,885	14,348	2,289,233		
Acquisition of treasury stock	-	-	(1,683,654)	-	-	(1,683,654)	-	(1,683,654)		
Cash dividends	-	-	-	-	(38,430)	(38,430)	(19,180)	(57,610)		
Remeasurement gain on retirement liability of an associate	-	-	-	1,347	-	1,347	157	1,504		
Share in unrealized loss on available-for-sale financial assets of an associate	-	-	-	-	-	917	-	917		
	-	-	-	(50)	-	(50)	-	(50)		
Balances as at September 30, 2014	<b>P2,911,886</b>	<b>P1,611,393</b>	<b>(P1,683,654)</b>	<b>P289,263</b>	<b>P3,809,706</b>	<b>P6,938,594</b>	<b>(P5,631)</b>	<b>P6,932,963</b>		
Balances as at October 1, 2012										
Net income	-	-	-	-	265,283	265,283	166,470	431,753		
Remeasurement loss on retirement liability of a subsidiary	-	-	-	(121,569)	-	(121,569)	(63,299)	(184,868)		
Cash dividends	-	-	-	-	-	-	(31,194)	(31,194)		
Employee stock option by a subsidiary	-	-	-	-	-	-	1,992	1,992		
Balances as at September 30, 2013	<b>P2,911,886</b>	<b>P1,611,393</b>	<b>P-</b>	<b>P1,326,345</b>	<b>P2,328,190</b>	<b>P8,177,814</b>	<b>P1,862,479</b>	<b>P10,040,293</b>		



# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended September 30		
	Note	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax:				
Continuing operations		<b>₱144,465</b>	₱2,256,392	(₱52,684)
Discontinued operations	6	-	54,027	735,697
Income before income tax		<b>144,465</b>	2,310,419	683,013
Adjustments for:				
Gain on deemed disposal of an associate	11	<b>(84,774)</b>	-	-
Unrealized fair value loss (gain) on investment properties	13	<b>(55,319)</b>	(16,050)	231
Interest expense	15	<b>17,871</b>	79,095	416,418
Interest income	7	<b>(11,736)</b>	(9,315)	(7,877)
Retirement benefits	17	<b>5,241</b>	10,910	41,231
Equity in net earnings of associates	11	<b>(3,823)</b>	(196,953)	(68,027)
Gain on sale of property and equipment	12	<b>(3,500)</b>	-	-
Depreciation and amortization	12	<b>2,471</b>	114,164	684,740
Gain on disposal of a subsidiary	6	-	(2,036,038)	-
Provision for impairment loss on real estate for sale and development	9	-	2,323	-
Provision for lease-back guarantee	27	-	1,085	-
Loss on real estate for sale and development	9	-	715	-
Provision for impairment loss on available-for-sale financial assets	10	-	688	-
Income from performance bank guarantee		-	-	(62,834)
Loss on property and equipment due to fire	24	-	-	22,305
Provision for inventory losses and obsolescence		-	-	13,544
Provision for impairment losses on receivables		-	-	6,236
Employee stock option		-	-	1,991
Operating income before working capital changes		<b>10,896</b>	261,043	1,730,971
Decrease (increase) in:				
Trade and other receivables		<b>(136,840)</b>	(290,955)	(502,783)
Real estate for sale and development		<b>(59,172)</b>	(54,891)	(47,410)
Inventories		-	310,874	(785,102)
Other current assets		<b>(10,745)</b>	(266,784)	(59,358)
Increase in trade and other payables		<b>33,979</b>	880,521	14,106
(Forward)				



# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	Years Ended September 30		
		2015	2014	2013
Net cash generated from (used for) operations		<b>(161,882)</b>	839,808	350,424
Income taxes paid, including application of creditable withholding and final taxes		<b>(17,015)</b>	(24,196)	(75,212)
Interest received		<b>11,736</b>	8,625	7,877
Retirement contributions paid	17	<b>(101)</b>	(1,074)	(124,403)
Net cash provided by (used in) operating activities		<b>(167,262)</b>	823,163	158,686
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investments in associates and a joint venture	11	<b>(P301,235)</b>	(P155,000)	P-
Property and equipment	12	<b>(58,091)</b>	(42,443)	(217,749)
Dividends received	11	<b>81,581</b>	38,201	22,958
Proceeds from:				
Disposal of a subsidiary	6	-	2,220,388	-
Disposal of property and equipment and investment properties		-	-	164
Cash and cash equivalents of the disposed subsidiary as at the date of disposal	6	-	(170,472)	-
Decrease in other noncurrent assets		-	2,261	20,456
Net cash provided by (used in) investing activities		<b>(277,745)</b>	1,892,935	(174,171)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net availments (payments) of short-term borrowings		<b>577,300</b>	(712,323)	(173,973)
Payments of:				
Long-term borrowings		<b>(132,711)</b>	(271,112)	(182,368)
Dividends		<b>(38,202)</b>	(37,576)	(140,451)
Interest		<b>(17,871)</b>	(70,268)	(418,571)
Proceeds from:				
Issuance of treasury stock		<b>100,000</b>	-	-
Long-term borrowings		-	-	930,001
Acquisition of treasury stock		-	(1,683,654)	-
Net cash provided by (used in) financing activities		<b>488,516</b>	(2,774,933)	14,638
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>43,509</b>	(58,835)	(847)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>139,791</b>	198,626	199,473
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	7	<b>P183,300</b>	P139,791	P198,626
<b>NONCASH INVESTING INFORMATION</b>				
Reclassification of investment in a subsidiary to investment in an associate	11	<b>P-</b>	P1,709	P-





**ROXAS & COMPANY, INC.**  
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**ROXAS GREEN ENERGY CORPORATION**  
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**ROXAS SIGMA AGRIVENTURTES CORPORATION**  
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**ROXAS HOLDINGS, INC.**  
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**AHRC**

**ANYA HOTELS AND RESORTS CORPORATION**  
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**SAMG MEMORIAL MANAGEMENT & SERVICES, INC.**  
 Brgy. Bannilad, Nasugbu, Batangas  
 Trunk Line: (043) 416-0457



**ROXACO-VANGUARD HOTELS CORPORATION**  
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**FDC FLC**

**FUEGO DEVELOPMENT CORPORATION**  
**FUEGO LAND CORPORATION**  
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## DIRECTORIES



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### **CLUB PUNTA FUEGO, INC.**

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www.clubpuntafuego.com.ph



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### **TERRAZAS DE PUNTA FUEGO**

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### **AMARA RESIDENCES**

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### **AQUARIA WATER PARK**

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www.aquaria.com.ph



### **PLAZA LAIYA**

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### **THE PADGETT PLACE CEBU**

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Cebu City  
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### **STOCK TRANSFER AGENT**

#### **BDO Unibank Inc.**

15th Floor, BDO South Tower  
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Roland Rojas 878-4964

### **EXTERNAL AUDITOR**

#### **Reyes Tacandong and Co.**

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Roxas  
& Company, Inc.

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## **A N N E X “C”**

### **RCI Audit Committee Charter**



**ROXAS AND COMPANY, INC.  
AUDIT COMMITTEE CHARTER**

## **I. Introduction and Purpose**

The Audit Committee shall represent and assist the Board of Directors in fulfilling its oversight responsibilities to the shareholders for

- the integrity of the company's financial statements and financial controls
- the company's compliance with legal and regulatory requirements,
- the independent auditor's qualifications and independence, and
- the performance of the company's internal audit function and the independent auditors.

The Committee will act independently while maintaining free and open communication between the Committee, independent auditors, internal auditors and management of the Company.

## **II. Organization**

The Audit Committee shall be appointed by the Board and shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.

Audit Committee members and the Committee chairman shall be designated by a majority vote of the full Board of Directors upon recommendation of the Nominating and Governance Committee. The Board shall elect the Chairman of the Committee. The Chairman of the Committee shall periodically report to the Board regarding the activities of the Committee.

## **III. Authority and Responsibilities**

The committee shall have the following functions:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the company's internal and external auditors. It should ensure that the internal and external auditors act independently from each

other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and budget for the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

- g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- h) Review the reports and recommendations submitted by the internal and external auditors and the management's responses.
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board.
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- k) Investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

### **Outside Advisors**

The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist in the performance of its functions. The Committee shall be provided with appropriate funding, as determined by the committee, for payment of compensation to such outside counsel, accountants, experts and other advisors.

**Meetings**

The Committee shall meet at least four times annually or as often as may be deemed necessary or appropriate in its judgment, and as such times and places as the Committee shall determine.

The majority of the members of the Committee shall constitute a quorum. The Committee will meet separately with the internal auditors, the independent auditors, the general counsel and other senior management to discuss any matters they wish to bring to the Committee's attention or that the Committee wishes to bring to their attention.

The Committee shall report to the Board with respect to its meetings, including any significant issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.

**Assessment of Performance**

The Committee shall report to the Board an annual review its own performance or in such shorter intervals as may be set by the Board. The results of the said assessment shall be validated by the Compliance Officer or its Governance Committee as may be applicable. The assessment process and results shall form part of the Company's records.

The Committee shall annually reassess the adequacy of its Charter and recommend any proposed changes to the Board for approval

XXX



## **A N N E X “D”**

### **RCI Amended By-Laws**







P W 0 0 0 0 0 8 3 4

R O X A S A N D C O M P A N Y , I N C .  
( F O R M E R L Y C A D P G R O U P  
C O R P O R A T I O N )

(Company's Full Name)

7 T H F L O O R C G B U I L D I N G  
1 0 1 A G U I R R E S T R E E T L E G A S P I  
V I L L A G E M A K A T I C I T Y

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE

810-8901

June 30  
Month Day  
Fiscal Year

AMENDMENT OF BY-LAWS

Form Type

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,553

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

Document I.D.

STAMPS

LCU  
37/11  
Cashier

Remarks = pls. Use black ink for scanning purposes

**AMENDED BY-LAWS OF**  
**ROXAS AND COMPANY, INC.**  
**(formerly, CADP Group Corporation)**

**ARTICLE I**  
**SHARES OF STOCKS**

**Section 1. Stock Certificates.** – Certificates of shares of stock of the Corporation shall be in such forms as may be determined by the Board of Directors. Each holder of fully paid stock shall be entitled to a certificate or certificates of stock stating the number of shares owned by such stockholder and the designation of class in which issued. All certificates of stock shall bear the signature or facsimile signature of the President and shall be countersigned or facsimile signature of the Secretary or the Assistant Secretary and sealed with the corporate seal.

**Section 2. Stock Transfers.** – Transfer of stock shall be effected upon endorsement and surrender of the stock certificates; however, it will not be in effect nor binding on the Corporation until it is duly registered in the stock transfer book, new stock certificates issued, and the old ones cancelled.

**Section 3. Closing of Transfer Books; Fixing the Record Date.** – For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other purpose, the Board of Directors of the Corporation may provide that the stock transfer books may be closed for a stated period. In lieu of closing the transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of, or to vote at, a meeting of shareholders, or shareholders entitled to receive payment of dividend, the date on which of the meeting is made or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

**Section 4. Indivisibility.** – Whenever payment of stock dividends is effected, the fractions, if any, shall be paid in cash.

**Section 5. Treasury Shares.** – The shares, which after being issued are acquired by the Corporation and become treasury shares, shall be at the disposal of the Board, but will not have any vote or participation in the dividends.

**Section 6. Future Issuance.** – The unissued shares of stock of the Corporation shall be offered for sale on conditions and price (not less than its par value) as may be determined by the Board of Directors. The stockholders of the Corporation shall have no pre-emptive right to subscribe to all issue or disposition of shares of stock of the Corporation of any class, unless the Board of Directors decides otherwise for the best interest of the Corporation and its stockholders.

**Section 7. Lost Certificates.** – Lost stock certificates shall be replaced in accordance with Section 73 of the Corporation Code.

## **ARTICLE II STOCKHOLDERS' MEETING**

**Section 1. Regular and Special.** – The meetings of the stockholders shall be regular and special, and shall be held at the main office of the Corporation in Makati City, Philippines, or in any other place as may be allowed by law, as designated by the Board of Directors. The regular meeting shall be held on the **fourth Wednesday of February** of each year, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting. If the day fixed for the regular meeting falls on a legal holiday, such meeting shall be held at the same time on the first working day following the said date. The Board of Directors may, for good cause, postpone the regular meeting to a reasonable date. (As amended by the Board of Directors, pursuant to its delegated authority, in its regular meeting held on 10 February 2011.)

Special meetings shall be called by the Chairman, the Chief Executive Officer, or in his absence, by the President. They may also be called by the majority of the Board of Directors.

**Section 2. Notices.** – The regular meeting of stockholders may be held without prior notice. Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days prior to the date of the meeting. The notice shall state the place, date and the hour of the meeting, and the purpose or purposes of which the meeting is called.

Only matters stated in the notice can be subject of motions or discussions at the meeting. Notice of special meetings may be waived in writing by the shareholder, in person or by proxy, before or after the meeting.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

**Section 3. Quorum.** – In all regular or special stockholders' meetings, the presence of the shareholders who represent a majority of the capital stock entitled to vote shall constitute a quorum and all the decisions made by the majority shall be final, unless pertaining to resolutions for which the laws require a greater number.

**Section 4. Proxies.** – The stockholders may delegate in writing their right to vote and, unless otherwise expressed, such delegation or proxy shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary of the Corporation not later than five (5) working days before the time set for the meeting.

### **ARTICLE III BOARD OF DIRECTORS**

**Section 1. Management of the Corporation.** – All businesses and properties of the Corporation shall be handled and managed by the Board of Directors, composed of nine (9) members. If the office of any Director becomes or is vacant by reason of death, resignation, failure to qualify, disqualification, or otherwise, except removal, the remaining Directors, if still constituting a quorum, may, by a majority vote, elect from the stockholders duly qualified a successor who shall serve office for the unexpired term or until his successor is duly elected and qualified.

**Section 2. Qualifications and Disqualifications for Directors.** – Any stockholder having at least one thousand (1,000) shares registered in his or her name may be nominated and/or elected as a Director of the Corporation; Provided that any stockholder who possesses any of the disqualifications enumerated in the Manual on Corporate Governance which was approved and adopted by the Board of Directors of the Corporation on 26 September 2002, including any amendments thereto, shall be disqualified from being elected as a Director of the Corporation. (As amended during the meeting of the Board of Directors on 26 September 2002 and ratified during the regular meeting of the stockholders on 20 November 2002.)

**Section 3. Nominations for Directors.** – In addition to the right of the Board of Directors of the Corporation to make nominations for the election of Directors, nominations for the election of Directors may be made by any shareholder entitled to vote for the election of Directors if that shareholder complies with all the provisions of this Article.

3.1 Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), at least 15 working days prior to any meeting of the shareholders called for the election of Directors.

3.2 Each nomination under Section 3.1, shall set forth (i) the name, age, business address and, if known, residence of each nominee, (ii) the principal occupation or employment of each nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by such nominee, and (iv) the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

3.3 The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in

accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.

**Section 4. Board of Directors' Meetings.** - The regular meetings shall take place quarterly in the main office of the Corporation in Makati City, Philippines or in any other place set by the Board for such.

The special meetings shall take place by the order of the Chief Executive Officer, of the President, or if requested by majority of the Directors, with notification one day before if convenient, and shall be held at the main office of the Corporation or at the place designated in the notice. These meetings can take place without previous notice, at any place, date and time, by unanimous consent of the Directors present in the country, or even without this requisite, if all Directors are present.

**Section 5. Quorum.** - Unless the law requires a greater number, the majority of Directors in the Articles of Incorporation shall constitute a quorum to finalize corporate decisions, and any decision made and approved by the majority of the Directors present in the meeting where a quorum exists shall be valid.

**Section 6. Powers of the Board.** - Notwithstanding the general powers granted by the Corporation Code and other laws and in Article III Section 1 and all powers granted by this By-Laws, it is hereby expressly declared that the Board of Directors present in the meeting shall have the following powers:

6.1 To purchase or otherwise in any lawful manner, for and in the name of the Corporation, any and all properties, rights, interest or privileges whatsoever deemed necessary or convenient for the Corporation's business, at such price and subject to such terms and conditions as it may deem proper or convenient.

6.2 To invest the funds of the Corporation in another corporation, business or for any purpose other than those for which it was organized, whenever in its judgment, its interest would thereby be promoted, subject to such stockholder approval or authorization as may be necessary under the law.

6.3 To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever in its judgment, its interest would thereby be promoted.

6.4 To incur indebtedness as it may deem necessary, subject to such stockholder approval or authorization as may be required by law and, for such purpose, to make and issue evidence of such indebtedness including without limitation, notes, deed of trust, instruments or securities and/or mortgage or otherwise encumber all or part of the properties and rights of the Corporation.

6.5 Upon the recommendation of the Chief Executive Officer and the President and in accordance with the applicable provisions of the By-Laws, to determine and prescribe the qualifications, duties, term of office, compensation, remuneration, incentives and other benefits of officers. Pursuant thereto, to appoint or elect or enter into contracts with such officers, under such terms and conditions as the Board may determine to be in the best interest of the Corporation.

6.6 Upon recommendation of the Chief Executive Officer and the President, to create other offices it may deem necessary and determine how such offices be filled.

6.7 To determine whether or not the stockholders shall have preemptive right to subscribe to new issue of shares of the Corporation. With regard to shares issued in total or partial payment of debts contracted by the Corporation, for whatsoever properties it may have acquired or in payment of services rendered to the Corporation, to impose such conditions regarding the transfer of said shares as it may deem convenient, subject, however, to the limitation fixed by law.

6.8 To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection, and to settle all claims for or against the Corporation on such terms and conditions as it may deem fit.

6.9 To determine whatever any, and if any, what part of the surplus profits of the Corporation arising from its business or retained earnings available for declaration as dividends, shall be declared as dividends, subject to the provisions of law.

6.10 To create, by resolution passed by a majority of all members of the Board, one or more standing or special committees of Directors, with such powers and duties as may be specified in the enabling resolution.

6.11 To appoint any corporation, association, partnership or entity duly organized and registered in accordance with the laws of the Republic of the Philippines, as general managers or management consultants or technical consultants, under such terms and conditions and for such compensation as the Board may determine.

6.12 To guarantee, for and on behalf of the Corporation, obligations of other corporations in which it has lawful interest.

6.13 To appoint trustees who, for the benefit of the Corporation, may receive and retain such properties as may belong to the Corporation or in which it has interest and to execute such deeds and perform such acts as may be necessary to transfer the ownership of said properties to its trustees.

6.14 To enter into any transaction, obligation or contract and perform such acts and execute such deeds as it may deem essential for the proper administration of the

Corporation's property, business and affairs or the accomplishment of any of the purposes for which the Corporation was organized.

**Section 7. Remuneration of the Board of Directors.** – The members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two percent (2%) of the net income of the Corporation before tax.

#### **ARTICLE IV EXECUTIVE COMMITTEE**

**Section 1. Executive Committee.** - The Executive Committee shall be composed of three (3) Directors to be elected by the Board. The Executive Committee shall have the functions that the Board will delegate.

**Section 2. Validity of Decisions.** - The decision of the Executive Committee should be approved by the majority of the members and shall have the same power and effect as the decisions made by the Board of Directors, as long as it does not exceed the powers bestowed on it. The Board of Directors shall be informed in its next meeting of the decisions made by the Executive Committee.

**Section 3. Format for Decisions.** - All decisions made by the Executive Committee shall be placed in writing and signed by the members present.

#### **ARTICLE V OFFICERS OF THE CORPORATION**

**Section 1. Officers of the Corporation.** - The Officers of the Corporation shall be composed of the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the President, the Executive Vice-President(s), the other Vice-President(s), the Treasurer, the Assistant Treasurer(s), the Secretary and the Assistant Secretary(ies). Any two or more offices may be held by the same person except for the offices of the Chairman and Treasurer or Secretary, or President and Treasurer or Secretary.

The Directors elected in the regular stockholders' meeting shall immediately or within a reasonable time thereafter, hold a meeting wherein they shall elect by a vote of a majority of all members of the Board, the Chairman, Vice-Chairman, the Chief Executive Officer and the President. At said meeting, the Board shall likewise elect, appoint or reappoint, subject to the terms of such contracts as may have been entered into by the Board of Directors with the officer concerned, the Treasurer, the Secretary, the Executive Vice-President(s), the other Vice-President(s) and all other officers, all of whom need not be Directors of the Corporation.

In electing, appointing or entering into contracts with the officers, the Board shall seek to establish, maintain, promote and foster the continuous development of a competent, professional,



loyal and honest officer corps, for the efficient, stable and proper transaction of the business and affairs of the Corporation.

**Section 2. The Chairman of the Board of Directors.** - The Chairman shall preside at meetings of the Board of Directors and of the stockholders. He shall exercise powers and perform such duties and functions as the Board of Directors may, from time to time, assign.

**Section 3. The Vice-Chairman of the Board of Directors.** - The Vice-Chairman shall preside at meetings of the Board of Directors and of the stockholders in the absence of the Chairman. He shall exercise such powers and perform such duties and functions as the Board of Directors or the Chairman may, from time to time, assign.

**Section 4. The Chief Executive Officer.** - He shall be responsible for the general supervision, administration and management of the business of the Corporation and shall have the following powers and duties:

4.1 To establish general administrative and operating policies.

4.2 To initiate and develop programs for management training and development, as well as executive compensation plans.

4.3 Unless otherwise determined by the Board of Directors, to attend and act and vote in person or by proxy, for and on behalf of the Corporation, at any meeting of shareholders of any corporation in which the Corporation may hold stock, and at any such meeting, to exercise any and all rights and powers incident to the ownership of stock which the owner thereof might possess or exercise if present.

4.4 To exercise such powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.

The Chief Executive Officer may assign the exercise or performance of his powers, duties and functions to any other officer(s), subject to his supervision and control.

**Section 5. The President.** - The President shall have supervision and direction of day-to-day business affairs of the Corporation. He shall have the following specific powers and duties:

5.1 To recommend specific projects for the accomplishment of corporate objectives and policies for the approval of the Board of Directors.

5.2 To implement the program for management training and development.

5.3 To ensure that administrative and operating policies are carried out.

5.4 To appoint, remove, suspend any and all employees and subordinate personnel of the Corporation, prescribe their duties, determine their salaries and, when

necessary, require bonds in such amounts as he may determine, to secure the faithful discharge by said employees of their official trust.

5.5 To prepare such statements and reports as may be required from time to time by law.

5.6 To preside at meetings of the Directors and stockholders in the absence of the Chairman and Vice-Chairman.

5.7 To exercise such powers and perform such duties and functions as may be assigned to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s).

**Section 6. The Executive Vice-President(s) and other Vice-President(s).** - The Executive Vice-President(s) and other Vice-President(s), shall exercise such powers and perform such duties and functions as the Chief Executive Officer or the President may, from time to time, assign them. They shall also perform such other duties as may be required by the Board of Directors.

**Section 7. The Treasurer.** - The Treasurer shall have the following powers and duties:

7.1 To keep full and accurate accounts of receipts and disbursement in books belonging to the Corporation.

7.2 To have custody of, and be responsible for, all the funds, securities and bonds of the Corporation.

7.3 To deposit in the name and to the credit of the Corporation, in such bank or banks as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds and similar valuable effects belonging to the Corporation which may come under his control.

7.4 To render an annual statement showing the financial condition of the Corporation and such other financial reports as the Board of Directors, the Chief Executive Officer or the President may, from time to time, require.

7.5 To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies.

The Treasurer shall also exercise such powers and perform such duties and functions as may be assigned to him by the Chief Executive Officer or the President. He may be required by the Board of Directors or the Chief Executive Officer to give bond with sufficient sureties for the faithful performance of his duties.

The Treasurer may assign the routine duties of his office to one or more employees of the Corporation with the approval of the Chief Executive Officer or the President. He may be required by the Board of Directors or the Chief Executive Officer to give bond with sufficient sureties for the faithful performance of his duties.

The Treasurer may designate, with the approval of the Chief Executive Officer or the President, the assistant Treasurer(s) to perform, at his request or in his absence or disability, all or any of his duties and functions. The Assistant Treasurer(s), when acting under such designation, may exercise all the powers of, and shall be subject to all the restrictions imposed upon, the Treasurer. The Assistant Treasurer(s) shall exercise such other powers and shall perform such other duties and functions as may, from time to time, be assigned to him (them) by the Chief Executive Officer or the President.

**Section 8. The Secretary.** - The Secretary, who must be a citizen and resident of the Philippines, shall have the following duties and functions:

8.1 To record the minutes of all meetings of the Board of Directors, the Executive Committee, the stockholders, and the special and standing committees of the Board, and to maintain separate minute books in the form and manner required by law at the principal office of the Corporation.

8.2 To give, or cause to be given, all notices required by law or by the By-Laws of the Corporation, as well as notices required of meetings of the Board of Directors and of the stockholders.

8.3 To keep records indicating the details required by law with respect to the certificates of stock of the Corporation, including ledgers and stock transfers and the date of each issuance and transfer.

8.4 To fill and countersign of all certificates of stock issued to make the corresponding annotations on the margins or stubs of such certificates upon their issuance.

8.5 To take note of all stock transfer and cancellations, and keep in alphabetical or numerical order all certificates of stocks so transferred as well as the names of stockholders, their addresses and the number of shares owned by each, keeping up to date all the addresses of the stockholders.

8.6 To prepare the various reports, statements, certifications and other documents which may from time to time be required by government rules and regulations, except those required to be made by the Treasurer, and to submit the same to proper government agencies.

8.7 To keep and affix the corporate seal to all paper and documents requiring seal, and to attest by his signature all corporate documents requiring the same.

8.8 To pass upon the form and the manner of voting of proxies, the acceptability and validity of their issuance and use, and to decide all contents and returns relating to the election of the members of the Board of Directors.

The Secretary shall perform such duties and functions as may, from time to time, be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

The Secretary may designate, with the approval of the Chief Executive Officer or the President, the Assistant Secretary(ies) to perform at his request in his absence or disability, all or any of his duties and functions. The Assistant Secretary(ies) shall perform such other duties and functions as may from time to time, be assigned to him (them) by the Chief Executive Officer or the President.

**Section 9. Term of Office.** - Subject to the terms of such contracts as may have been entered into by the Board of Directors, the term of office of all officers shall be coterminous with that of the Board of Directors that elects or appoints them unless such officers are sooner terminated or removed for cause.

#### **ARTICLE VI FISCAL YEAR, DIVIDENDS, AUDIT OF BOOKS**

**Section 1. Fiscal Year.** - The fiscal year of the Corporation shall commence on the 1<sup>st</sup> day of October of each year and end on the 30<sup>th</sup> day of September the following year. (As amended by the Board of Directors, pursuant to its delegated authority, in its regular meeting held on 10 February 2011.)

**Section 2. Dividends.** - All dividends unclaimed or unpaid in the next five years after being declared shall accrue to the Corporation.

#### **ARTICLE VII MISCELLANEOUS PROVISIONS**

**Section 1. Corporate Seal.** - The Corporation shall adopt for its corporate seal, a dry metal seal with two (2) concentric circles within which is engraved the name of the Corporation.

**Section 2. Amendment of By-Laws.** - These By-Laws can be amended or repealed by the affirmative vote of the stockholders who represent the majority of the outstanding capital stock, in any stockholders' meeting called for the purpose.

The Board is empowered, until otherwise decided in the stockholders' meeting, to amend the By-Laws as deemed beneficial to the Corporation.

The preceding By-Laws have been adopted and approved on the 15<sup>th</sup> day of December, 1995, in a Special Board Meeting and on the 22<sup>nd</sup> day of April 1996 in a Special Stockholders' Meeting held in Metro Manila, Philippines.

IN WITNESS WHEREOF, WE the undersigned present at said meeting have hereunto subscribed our named this 22<sup>nd</sup> day of April 1996.

CERTIFIED BY:

**LORNA PATAJO-KAPUNAN**  
Corporate Secretary

ATTESTED BY:

(Sgd.)  
PEDRO E. ROXAS  
Chairman

ANTONIO J. ROXAS  
Director

(Sgd.)  
EDUARDO J. ROXAS  
Director

(Sgd.)  
MIGUEL A. GASPAR  
Director

FRANCISCO R. ELIZALDE  
Director

SANTIAGO R. ELIZALDE  
Independent Director

MICHAEL ESCALER  
Director

SANTIAGO URETA  
Director

LORNA PATAJO-KAPUNAN  
Director

**DIRECTORS' CERTIFICATE OF AMENDMENT OF**

**THE BY-LAWS OF**

**ROXAS AND COMPANY, INC.**



**KNOW ALL MEN BY THESE PRESENTS:**

The undersigned, being at least a majority of the members of the Board of Directors, the Corporate Secretary and the Assistant Corporate Secretary of ROXAS AND COMPANY, INC., do certify that:

- 1) The attached Amended By-Laws of CADP GROUP CORPORATION<sup>1</sup>, which embodies the following amendments, is true and correct:

**"ARTICLE II  
STOCKHOLDERS' MEETING**

Section 1. Regular and Special. – The meetings of the stockholders shall be regular and special, and shall be held at the main office of the Corporation in Makati City, Philippines, or in any other place as may be allowed by law, as designated by the Board of Directors. The regular meeting shall be held on the **fourth Wednesday of February** of each year, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting. If the day fixed for the regular meeting falls on a legal holiday, such meeting shall be held at the same time on the first working day following the said date. The Board of Directors may, for good cause, postpone the regular meeting to a reasonable date.

Special meetings shall be called by the Chairman, the Chief Executive Officer, or in his absence, by the President. They may also be called by the majority of the Board of Directors."

**"ARTICLE VI  
FISCAL YEAR, DIVIDENDS, AUDIT OF BOOKS**

Section 1. Fiscal Year. – The fiscal year of the Corporation shall commence on the **1<sup>st</sup> day of October of each year and end on the 30<sup>th</sup> day of September the following year.**"

<sup>1</sup> Now Roxas and Company, Inc. Please see attached Certificate of Filing of the Articles and Plan of Merger issued by the Securities and Exchange Commission on 23 June 2009.

- 2) Pursuant to the power delegated by the shareholders/<sup>on April 22, 1996</sup> the Board of Directors approved, by the affirmative vote of at least a majority of its members, the aforementioned amendments to the By-Laws of the Corporation during their regular meeting held on 10 February 2011 in Makati City, Metro Manila.

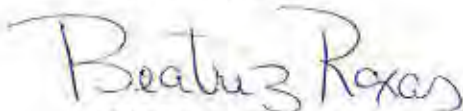
IN WITNESS WHEREOF, the undersigned have signed these presents on <sup>March</sup> ~~February~~ 7<sup>th</sup> 2011 in Makati City.



**PEDRO E. ROXAS**  
Chairman of the Board/  
President & CEO  
TIN 104-738-165



**ANTONIO J. ROXAS**  
Director  
TIN 104-738-157



**BEATRIZ O. ROXAS**  
Director  
TIN 218-112-191



**FRANCISCO JOSE R. ELIZALDE**  
Director  
TIN 119-132-731



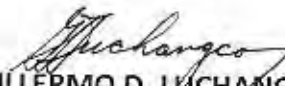
**CARLOS ANTONIO R. ELIZALDE**  
Director  
TIN 119-814-785



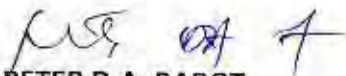
**RENE C. VALENCIA**  
Director  
TIN 118-457-420



**RAMON Y. DIMACALI**  
Independent Director  
TIN 129-455-806



**GUILLERMO D. LUCHANGCO**  
Independent Director  
TIN 114-542-307



**PETER D.A. BAROT**  
Corporate Secretary  
TIN 107-478-120



**FRITZIE P. TANGKIA-FABRICANTE**  
Assistant Corporate Secretary  
TIN 205-339-259



SUBSCRIBED AND SWORN to before me this MAR 07 2011, affiants exhibited to me the following:

Name	CTC No./Date and Place of Issue	Gov't Issued ID
Pedro E. Roxas	03240330/02-28-11/Makati City	SSS ID#03-4762446-6
Antonio J. Roxas	03240331/02-28-11/Makati City	SSS ID#03-0250433-0
Beatriz O Roxas	03241078/02-28-11/Makati City	Spanish Passport No. A0065223800 08-08-2002 to 08-08-2012
Francisco Jose R. Elizalde	05938865/01-07-11/Makati City	SSS ID#33-0661474-4
Carlos Antonio R. Elizalde	05938866/01-07-11/Makati City	SSS ID#33-1487243-9
Rene C. Valencia	17983321/02-01-11/Muntinlupa City	SSS ID#03-0747017-1
Ramon Y. Dimacali	00164974/01-20-11/Manila	Phil.Passport No. ZZ5393442 01-28-2010 to 01-27-2015
Guillermo D. Luchangco	06009817/03-01-11/Makati City	Phil.Passport No. ZZ225283 06-18-2007 to 06-18-2012
Peter D. A. Barot		Phil.Pasport No. XX2900132 01-30-2009 to 01-29-2014
Fritzie P. Tangkia-Fabricante	02740851/02-24-11/Makati City	Phil.Passport No. XX0850429 04-03-2008 to 04-04-2013

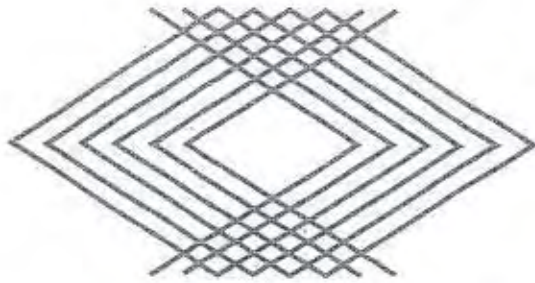
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 Appointment No. M-100  
 Notary Public - Makati City  
 Until 31 December 2011  
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 PTR No. 2052905 / 6 January 2010 / Makati City  
 IBP No. 802685 / 16 December 2009 / Makati City  
 Reg. No. 62501



## **A N N E X “E”**

### **CADP Code of Business Conduct Policy**



**CADP**  
GROUP CORP.

**Business  
Conduct Policy  
Handbook**



Dear Fellow Employee,

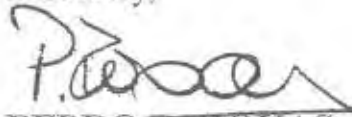
The Board of Directors of CADP Group Corporation has adopted a Business Conduct Policy to guide and remind us on the fundamental principles to which we all must adhere. It is my humble belief that only through our continuing efforts to abide by this policy will the good reputation of our Company be maintained.

The Business Conduct Policy, in addition to all existing rules and regulations, shall henceforth govern employee conduct in the workplace. Any violation of this Business Conduct Policy may result in termination of employment or other disciplinary action.

You are enjoined to read this Business Conduct Policy carefully in order to acquire knowledge and understand the Company's policies and to confirm that you have done so, you are requested to accomplish the attached certificate of confirmation. The signed certificate should be returned to your HR/Personnel Department immediately.

Any question/s regarding the meaning or application of any of the principles set forth in the Business Conduct Policy should be directed to your HR/Personnel Department for appropriate action.

Sincerely,

  
**PEDRO E. ROXAS**  
Chairman & CEO



## **BUSINESS CONDUCT POLICY**

### **I. INTRODUCTION**

The highest standard of individual conduct is expected at all times from each employee of CADP GROUP CORP. not only in matters of financial integrity but also in every aspect of business relationships.

Business should be conducted on the basis of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship.

Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his or her particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances. Employees should consult with the in-house counsel if they have questions regarding compliance with certain laws, rules or regulations.

Employees are expected to comply with this Business Conduct Policy and all other policies and rules and regulations of the company. Any employee who knowingly violates this policy or knowingly allows a subordinate to do so shall be subject to disciplinary action, including demotion or termination.

The Business Conduct Policy addresses several areas of concern. It includes values, operating principles, conflicts of interest, disclosure of business or outside employment, use and protection of company assets, disclosure on accounting and auditing matters, insider trading, use of software, sexual harassment and political activities and contributions. In addition, the Company's Rules and Regulations governing employee conduct should be used as reference material on matters related thereto.

## II. VALUES

The following fundamental beliefs determine conduct throughout the Company. They explain the reasons why our principles are important to us.

***Integrity.*** The Company is expressly committed to integrity and high ethical standards of conduct in all its business transactions.

***Entrepreneurship.*** The basis for the continuing success of the Company's business is good long-term profitability. An essential feature of this is a dynamic and innovative approach to business by the Company and all its employees.

***Professionalism.*** The Company values professionalism and regards it as essential in ensuring the provision of the highest levels of customer satisfaction.

***Responsiveness.*** The Company acknowledges the importance of being responsive to the needs of all those with whom it does business.

## III. OPERATING PRINCIPLES

**The Company operates within the framework of the following principles:**

***Personal Conduct.*** The Company expects the highest levels of personal conduct by all its employees. It is acknowledged that all effective business relationships inside as well as outside the Company depend upon honesty, integrity and fairness.

While it is recognized that limited corporate hospitality is given and received as part of building normal business relationships,



employees should avoid accepting hospitality or gifts which might appear to place them under an obligation.

The Company expects all its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, Company or institution if that business is connected with activities which are illegal or which could be regarded as unethical.

All employees are expected to handle information with care. The confidentiality of the Company's data should be safeguarded and proper and complete records must be made of all transactions on behalf of the Company.

***Employee Relations.*** Relationships with employees are based on respect for the individual. The Company aims to provide all its employees with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities and the avoidance of discrimination. Sexual or any other form of harassment is unacceptable.

Personal career development will be encouraged through progressive HR/Personnel Training and Development Programs.

***Environment.*** The Company recognizes that certain resources are finite and must be used responsibly. It therefore pursues a two-pronged, external and internal, approach designed to promote environmental protection. Its external policy is aimed at anticipating developments in the environmental field related to its operations and the professional management of environmental risks. Internally, the policy is aimed at controlling any environmental burdens caused by the Company itself.



*Communications.* Within the bounds of commercial confidentiality, the Company places the greatest importance on open and transparent communications with its customers, employees, shareholders and the society at large.

*Community Relations.* The Company recognizes that good relations with local communities are fundamental to its long-term success. The Company's community relations policy is founded upon mutual respect and active partnership aimed at sustaining and trusting relationships between the Company's operations and the members of the local communities where it operates.

Cultural, sport and environmental activities are a central part of the Company's relations policy and individual employees are encouraged to play positive role in community activities.

*Economic Policy.* As a commercial organization, the Company believes that it must provide an adequate return for its shareholders. It supports a market economy as the most effective means of achieving the best returns for its customers, investors and employees as well as for the communities where it operates.

*Competition.* The Company recognizes the many benefits of a competitive environment. However, the best markets flourish only within an ethical framework and no one in the Company is permitted to disparage a competitor or to use unethical means to obtain any advantage for the Company.

#### **IV. CONFLICT OF INTEREST**

The Company and its stockholders require and expect that business affairs must be conducted in a manner that does not cloud our judgment when we deal with third parties or make decisions on

behalf of the Company. Business transactions must be undertaken solely in the best interest of the Company.

Conflict of Interest can only be defined along broad lines of ethical principles as it is impossible to conceive of all situations where a conflict may arise. In general, conflict of interest arises when an employee engages in business or professional activities exclusively for his own benefit on Company time or when such business or professional activities goes against the interest of the Company regardless of whether it occurs during Company time or not. In short, a conflict of interest arises when the Company's interests are compromised.

The following, while not encompassing, illustrate some types of activities which violate the Company's policy on Conflict of Interest:

#### **A. Business or Outside Employment**

1. Involvement in any way with any business that materially interferes with the proper performance of his duties or obligations to the Company or investments in enterprises which might lead to conflicts of interest.
2. Writing for an outside publication, delivering outside lectures and attending to speaking engagements unless the prior consent of the Company has been obtained.
3. Participating in civic, political, religious, charitable, educational, cultural, recreational, or similar activities where such activities materially interfere with the faithful performance by the employee of his/her duties to the Company or shall be in conflict with the Company's interests.



4. Holding appointive or elective positions in Government or holding other employment elsewhere where the duties and obligations of the employee to the Government or to his/her other employer may adversely affect the efficient performance of his/her duties and responsibilities to the Company. In such event, the employee should decide whether to make a career with the Government or with the Company and should he/she decides to pursue his/her Government position, the employee will be requested to resign from the Company.

#### **B. Acceptance of Gifts**

Acceptance of gifts, favors, loans or other material benefits from third parties doing business or desiring to do business with Company by an employee and/or members of his family.

However, moderate or customary gifts such as those gifts given to employees during Christmas season or those made to employees on the occasion of their birthdays shall be allowed and acceptance thereof by an employee shall not be considered to be in conflict of interest.

#### **C. Business Dealings**

Financial involvement in any transaction between the Company and third parties which can influence or affect the official judgment of the employee.

Habitual engagement in the business of lending money to fellow workers or employees.

#### **D. Other acts and activities analogous to the foregoing.**

## **V. DISCLOSURE OF BUSINESS OR OUTSIDE EMPLOYMENT**

Employees are absolutely required to make a disclosure of all their business, professional involvement and/or their other employment outside of the company within reasonable period from the time that the business, professional involvement or other employment has arisen.

Information disclosed in compliance with this directive shall be treated by the company with utmost confidentiality.

## **VI. USE AND PROTECTION OF COMPANY ASSETS AND TRANSACTIONS**

Employees who have access to or control over Company transactions and assets, including trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions. "Confidential or Proprietary Information" includes generally, all information which the employee knows or has reason/s to know and is deemed by the Company to be secret, which is in the possession of the Company and has not been published or otherwise disclosed to any third party or to the general public.

Each employee entrusted with such responsibilities must ensure that the use, acquisition or disposition of an asset by an employee on behalf of the Company is undertaken in accordance with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the Company's books of account and records.



Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly against Company policy.

All Company books, records and accounts must accurately reflect the precise nature of transaction recorded. Making false or fictitious entries with respect to transactions of the Company or the disposition of corporate assets is prohibited and no employee may engage in any transaction that requires or contemplates the making of false or fictitious entries.

Employees must act in accordance with all policies and procedures relating to expense reporting. The Company expects that business expenses will be reasonable and will be accurately supported by valid receipts where required.

Compliance with prescribed accounting procedures and controls is required at all times.

## **VII. PUBLIC INTEREST DISCLOSURE**

All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be developed in which employees who act in good faith and in compliance with the law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent investigations or proceedings.

Public Interest Disclosure (commonly called "whistleblowing") is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal.

## **VIII. USE OF SOFTWARE**

All users of Company software should understand that the unauthorized duplication (other than for backup and archival purposes) of either proprietary or internally developed software is a violation of this policy, whether such duplication is for business or personal use and whether such duplication may place the Company in violation of its obligation to the software publishers.

## **IX. INSIDER TRADING**

Employees of the Company may not purchase, sell, or otherwise trade in securities of the Company or of another corporation while in possession of material non-public information, such as knowledge that the Company is planning to acquire another corporation. In addition, employees may not give material non-public information, directly or indirectly, to anyone. Beyond disciplinary action, a violation of this policy may lead to civil and criminal penalties against the employee.

## **X. SEXUAL HARASSMENT**

The Company values the dignity of every individual, encourages the development of its human resources and upholds the dignity of its employees, applicants for employment and those undergoing training, instruction or education in the company. Towards this end, all forms of sexual harassment in the workplace are absolutely prohibited.

## **XI. POLITICAL CONTRIBUTIONS AND ACTIVITIES**

The Company absolutely prohibits the making or giving of contributions or expenditures whether in the form of money, products, services or facilities, in connection with any local or general



election. Accordingly, no employee may make contributions or expenditures at any time for or on behalf of the Company in connection with any election.

Employees are absolutely prohibited from actively campaigning for any candidate in connection with any election within the Company premises/property. Likewise, except in areas which have been opened and already devoted to public or political activities, the holding of political rallies or any other form of political activity/exercise are absolutely prohibited inside the Company premises or property.

The rules governing political activity are extremely complex. Should you have any question concerning the Philippine election laws, you should consult with your in-house counsel.

## **XII. COMPLIANCE REVIEW**

From time to time, compliance review briefings will be held in order to discuss various matters raised in this policy booklet. Each employee is expected to attend such briefings.

## **XIII. IMPLEMENTATION AND COMMUNICATION**

The responsibility of maintaining discipline and implementing the provisions of this Business Conduct Policy as well as the responsibility to take corrective actions for breach thereof rests with line management.

Issues and concerns on matters covering the meaning, application and implementation of the principles set forth herein shall be coursed through your Human Resources/Personnel Department.



#### **XIV. DUTY TO DISCLOSE VIOLATIONS OF THE POLICY**

Employees are expected to disclose promptly any acts or transactions known to them which may be in violation of this Policy. The Company will endeavor to treat any disclosures which are made pursuant to this Business Conduct Policy in strictest confidence.

#### **XV. GUIDANCE**

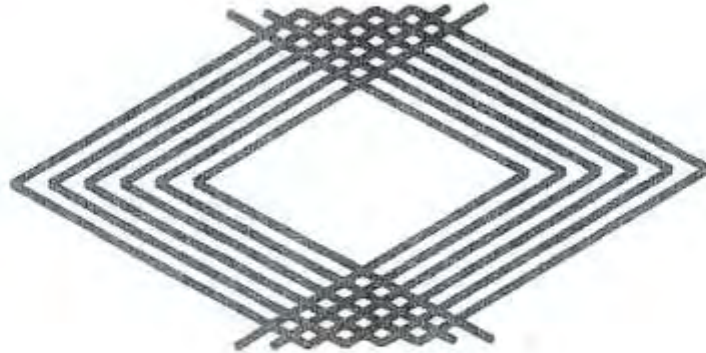
It is not possible for any Statement of Business Principles to cover every eventuality, nor should it. Business life is increasingly about employees having the freedom to take decisions, as long as these are consistent with the Operating Policies of the Company.

It is therefore inevitable that there will arise occasions where employees are faced with situations not covered by the policy, precedent or procedure and have to decide on the most appropriate course/s of action to undertake. In these situations, employees are enjoined to act within the framework of what is legal, moral, fair and honest.



# **A N N E X “F”**

## **CADP Safety Code**



**C A D P**

**SAFETY CODE**

*Atty. Florencio Maramba, Jr.*  
**CENTRAL AZUCARERA DON PEDRO**  
**Nasugbu, Batangas**

## **CADP SAFETY CODE**

**CADP SAFETY CODE** has been prepared and issued for the sole purpose of preventing accidents, which result in injuries to our employees and damage to company property.

Top management has always regarded our employees and their skills as the most important resource and valuable asset of the industry so that every possible and practical safeguard should be provided for their protection.

Accidents are costly. Substantial savings can be realized by preventing them.

The instructions and general safety rules contained in this code have been formulated by the Environmental Management and Safety Department after giving a great deal of thought to the various factors which make up for safe and accident-free working condition in the various plants and work units of **Central Azucarera Don Pedro**.

It is our hope that you will read this **Safety Code** carefully and refer to it frequently, so that you will be guided accordingly in order to prevent accidents to yourself and your fellow employees.



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## CHAPTER 1 – GENERAL INFORMATION

### 1.1 COMPANY SAFETY POLICY

The management of Central Azucarera Don Pedro (CADP), conscious of its obligation to protect and preserve its resources especially the welfare and safety of its employees and control losses at manageable level in order to attain its production goals with a fair return of its investments, hereby declares this **Company Safety Policy**.

Management headed by the President believes that personal injury and damage to property caused by accidents are unnecessary that can make or break the company thereby all available and practical means shall be taken for their prevention.

Management regards safety as its primary responsibility thereby all phases of planning and operation must comply with safety regulations.

The Vice-Presidents and the respective Department Heads/ Superintendents under their Divisions are fully responsible for the maintenance of safe working conditions and the carrying out of the safety and health programs of the company.

Supervisors in all levels are directly responsible for safety. It is their duty to inspect and correct unsafe work practices and unsafe conditions in the workplace, investigate and report all accidents; develop and maintain a good safety disposition in their subordinates.

The Safety Officer is responsible for assisting and advising Management on all matters pertaining to safety in compliance with Occupational Safety and Health Standards of the government.

Finally, every employee is responsible for his own safety. It is his duty to observe and follow safety rules, regulations and practices to make safety a part of his life.

**(SGD.) MIGUEL ANGEL GASPAR  
PRESIDENT – COO**

## **1.2 GENERAL RESPONSIBILITY**

- a. Each and every employee is required to study and observe the rules provided in this code, particularly those applying to his duties.

## **1.3 PLANT MANAGEMENT RESPONSIBILITY**

- a. Plant Management should provide the guidance necessary for the implementation of this code.
- b. Plant Management should provide the equipment as required for the effective implementation of the provision of this code.
- c. Plant Management should set the disciplinary action against violators of this code as deemed applicable by their respective work units.

## **1.4 SUPERVISOR'S RESPONSIBILITY**

- a. Each supervisor shall see to it that employees under his direct supervision observe safety rules embodied in this code.
- b. Where other safety precautions are necessary in the performance of a particular job, the supervisor or the employee shall undertake said necessary precaution to insure safe work operations.

## **1.5 WORKER'S RESPONSIBILITY**

- a. Obedience to safety regulations while on duty is the responsibility of every person employed. Cooperation to the Safety Program is essential for the efficient performance of any job.



- b. Any person in doubt as to the correct meaning and interpretation in any rule as set forth in this set of rules must secure an explanation from his immediate superior.
- c. Accidents can happen through inexperience and insufficient training. If you do not know the correct manner of doing a job, ask your superior for instruction. It is always better to ask than to suffer an injury through not knowing.
- d. Report immediately all unsafe conditions and unsafe tools or equipment to your superior, to the Environmental Management and Safety Department, or to the Safety Officer in the field, as this will prevent accidents. Supervisors must see to it that corrective actions are taken.
- e. No intoxicating liquor shall be brought or consumed at working places. Persons found on duty in an intoxicated condition, or carrying intoxicating liquor on the job, will be subjected to disciplinary action. A person who comes to work in an intoxicated condition will not be allowed to enter job premises.
- f. Always obey safety signs placed throughout the premises, as these have the purpose of warning personnel of existing hazards.
- g. Pay strict attention to your work. Practical joking or horseplay is prohibited.
- h. Any injury suffered by an employee, no matter how slight, must be reported at once to the employee's immediate supervisor or superior and treated at the CADP Hospital.

## CHAPTER 2 - GOOD HOUSEKEEPING

- 2.1 All loose objects that may involve stumbling hazards should be removed from the floor immediately, especially on or in the vicinity of passageways for personnel or vehicles, stairways, ramps, etc.
- 2.2 Clean up or remove immediately any grease, oil or other liquids spilled on the floor, on order to prevent slipping hazards. Avoid spilling such liquids.
- 2.3 Never leave unprotected floor openings. If the job has not been completed, a suitable protection should be placed around it. In addition, warning lights should be installed at nighttime if such openings are in public roads or traffic passageways.
- 2.4 Repair and maintenance personnel are required to clean up the place after their job is completed. This includes scraps of metal or wood, refuse, sawdust, wood shaving, wires, oil rags, spilled liquid, etc.
- 2.5 Never leave protruding nails where they can be stepped on by other persons. If nails cannot be pulled out or bent immediately, pieces of lumber with protruding nail should be piled out of the way with nails facing down, until they can be transported to a more suitable location.
- 2.6 Always keep your workbench, toolbox, drawer or locker orderly manner. Acquire the habit of keeping tools in proper racks, or in such a manner that they will not cause injuries to yourself or others.

- 2.7 Oily waste or rags should be disposed of in covered metal containers, as there exist the danger of spontaneous combustion. For this reason, they should not be left in open containers or inside lockers.
- 2.8 Waste cans should be emptied daily.
- 2.9 Cooperate for the better appearances of your place of work, and your improved personal comfort, by keeping toilets, rooms and sanitary appliances clean and orderly at all times.
- 2.10 Broken glass is dangerous. Do not pick up with bare hands: SWEEP IT UP. Do not throw broken glass away into waste paper basket, but in metal trashcans.
- 2.11 Round goods or material like drums should be blocked from rolling. Gas cylinders should be in upright position, and when located in a moving vehicle, should be chained.
- 2.12 Leftovers or cuttings of the job such as lumber, scrap metal, welding butts, etc., should not be left scattered around as they pose tripping and falling hazards. They should be properly disposed of or stored if still usable.
- 2.13 Aisles and passageways should be properly lighted, marked and free from obstructions.
- 2.14 Accumulation of all types of dust should be cleaned at regular intervals from overhead pipes, beams, ledges and machines.
- 2.15 Parking and loading areas should be properly marked.
- 2.16 Outside (yard) storage should be well arranged.

## CHAPTER 3 – MATERIALS HANDLING & STORAGE

### Handling Materials

- 3.1 To avoid painful back injuries, LIFT WITH YOUR LEGS, not with your back. In other words, bend your knees and keep your back straight.
- 3.2 Do not load, beyond its rated capacity, any device for handling or transporting materials (cranes, trucks, elevators, cages, etc.).
- 3.3 Never stand under suspended loads or material being hoisted.
- 3.4 No person should attempt to lift or carry load beyond his strength and ability to handle it safely. Get help if necessary, as this will prevent painful injuries resulting from over exertion.
- 3.5 Two or more persons carrying long material (piece of lumber strengths of piping, bundles of metal rods, etc.) should always transport on the same shoulder.
- 3.6 When carrying long objects on shoulder (one-man carry), raise forward end to clear heads of other persons, especially when reaching blind corners.
- 3.7 Never carry a material in such manner that will obstruct your vision of way ahead. This is especially important when going down or up stairways, manways, runways, ramps, etc.



## CHAPTER 4 – MACHINE GUARDING

### Machine Guards

- 4.1 Any guard should have the following characteristics to be fully effective:
- Afford maximum positive protection.
  - Prevent access to the dangerous zone during operation.
  - Be convenient; it must not interfere with the efficient operation of the machine nor cause discomfort to the operator.
  - Be designed for the specific job and specific machine, with provisions made for oiling, inspection, dusting and repairing of the machine parts.
  - Be durable, resistant to fire and corrosion, and easily repaired.
  - Be constructed strongly enough to resist normal wear and shock, and withstand long use with minimum maintenance.
- 4.2 Any portion of a flywheel 7 ft. or less from the floor or platform should be guarded with an enclosure of sheet metal or rail guard.
- 4.3 Railings should be placed not less than 15 in. nor more than 20 in. from the rim of the wheel. It should not be less than 1 in. high. Standard toeboards should be provided from any flywheel, which extends into a pit or is within 12 in. of the floor.
- 4.4 Regardless of the diameter of a flywheel, if any portion of it protrudes through a working floor, that portion should be entirely enclosed or surrounded by a railguard.
- 4.5 Shaft couplings should be provided with covers or sleeves.
- 4.6 Exposed portions of horizontal shafting 7 ft. less from the floor or working platform, exclusive of runways used only for oiling or adjusting, should be enclosed by a three-sided trough or stationary casing.
- 4.7 Vertical or inclined shafting should be enclosed to a height of 7 ft. above the floor or working platform.
- 4.8 Any portion of a pulley that projects below a point of 7 ft. above the floor or platform should be enclosed to that point.
- 4.9 Pulleys regardless of speed should be enclosed at least to the in-running nip point.
- 4.10 Horizontal transmission belts 7 ft. or less from floor levels, travelling in excess of 250 fpm should be enclosed.
- 4.11 Vertical and inclined belts on any width and at any speed in excess of 250 fpm should be enclosed to a height of 7 ft.
- 4.12 Gears, sprockets and chain should be protected by one of these means:
- A complete enclosure on all sides with no opening in the guard exceeding  $\frac{1}{2}$  in., if the guard is within 4 in. from the gear.



- b. A woven wire or expanded, perforated or sheet metal guard at least 7 ft. high, placed between 4 and 15 in. from the moving gear on all sides.

#### **Working Around Machinery**

- 4.13 Machine guard shall not be removed except for the purpose of inspection and repairs to the machine guards or machinery. Guard should not be removed while machine is in operation. After such repairs have been completed the guards shall immediately be replaced.
- 4.14 Machine should not be started unless the guards are in place and in good condition. Defective or missing guards should be reported to the foreman at once.
- 4.15 Whenever safeguard devices are removed for repair, adjustment or to service equipment (lubrication and maintenance), the power for the equipment should be turned off and the main switch locked and tagged.
- 4.16 A danger tag or lock shall be removed from a switch or other control etc. only by the person who so placed it.
- 4.17 One must not depend on a tag or tags placed by men from another department, they must be protected by their own individual or party tags.
- 4.18 Tags must be placed on the control machine, etc. only when such equipment is in the correct non-dangerous position and placed so that they will not become detached or destroyed.

- 14.19 No switch, valves or other machinery and controls shall be operated when a danger tag is attached.
- 14.20 Never operate a machine or mechanical equipment without the proper authority.
- 14.21 Do not leave machinery running unattended.
- 14.22 Only electricians must repair electrical equipment. Needed repair must be reported to the foreman or electrician on duty.

## CHAPTER 5 – ELECTRICAL SAFETY

- 5.1 Only authorized person shall make repairs or work on electrical equipment.
- 5.2 Steam, water or oil leaks near electrical equipment shall be reported immediately to the supervisor-in-charge.
- 5.3 Electrical equipment, which is heating or sparking excessively, shall be cut out and an electrician called to correct the condition.
- 5.4 Working surfaces shall be kept dry when working with or near electrical apparatus.
- 5.5 The frames of all portable electrical equipment must be securely grounded before use.
- 5.6 Equipment or machinery shall not be operated within ten (10) feet from any high-tension power line.
- 5.7 All electrical wires must be considered live until proven that they are not.
- 5.8 A switch shall not be closed without full knowledge as to why the circuit is open. Only the person who tagged the switch open shall remove the tag on a switch.
- 5.9 Only explosion proof motors and/or vapor-proof fixtures, extension lights, and/or flashlights, shall be used in gaseous atmospheres.
- 5.10 All portable extension lamps must be provided with guard. Do not use lamps with frayed or worn extension cords.
- 5.11 Substantial insulation, grounds or other protection shall be provided during operations to protect employees from injuries resulting from temporary or permanent electric wiring or apparatus.
- 5.12 Wiring equipment such as fastenings, connections, etc. where accessible to workmen shall be nonconductive and/or where conductive equipment is used, the same shall be guarded so as to protect workmen against injury.
- 5.13 No work shall be done on any wiring or equipment carrying 600 volts or over until the portion being worked upon is protected on both sides by grounds, blocks, by-passes, hold-off systems or by other effective means.
- 5.14 All work on electric wiring or equipment carrying 600 volts or more, shall be performed by men competent and qualified in high voltage installations.
- 5.15 Suitable insulating mats or platforms of substantial construction and providing good footing shall be so placed on floors and, if necessary, on the frames of the machines having exposed live parts of more than 150 volts to ground, that the operator persons in the vicinity cannot readily touch such parts unless standing on the mats, platforms or insulating floors.

- 5.16 Overloading of electric circuits is prohibited. All circuits shall be fused or have circuit breakers adjusted for the designated safe load.
- 5.17 The use of slugs or jumpers on circuit breaking devices is prohibited
- 5.18 When temporary wiring is used in tanks, cofferdams or other confined spaces, an approved type switch shall be provided at the entrance of such spaces for cutting off the current in emergencies.
- 5.19 When maintenance or repair work must be done on energized conductors, it is advisable to have two or more employees work together.
- 5.20 The use of temporary wiring should be discouraged even though it may be reasonably safe when first put in.
- 5.21 When additional equipment is being installed or operated under temporary conditions, no taps should be made into an existing circuit unless an individual switch is installed in the branch line.
- 5.22 Rubber gloves should not be used as a substitute for safety devices or procedures, but are worn as a supplementary measure.
- 5.23 Warning signs should be displayed near exposed current-carrying parts and in especially hazardous areas, such as high voltage.

- 5.24 Good illumination should be provided for the front and rear of switchboards and maintained ready for use at all times.
- 5.25 Switches, fuses and automatic circuit breakers should be plainly marked and arranged to afford ready identification of circuits or equipment supplied through them.
- 5.26 When installed along passageways, switchboard panels should be protected by guardrails or barriers.



## CHAPTER 6 – HAND TOOLS SAFETY

- 6.1 Select the right tools for the job.
- 6.2 Never substitute proper tools, material or equipment. Use only approved implements provided for performing the job safely and well.
- 6.3 Use tools the right way with proper positioning, system operation and movement consideration.
- 6.4 Tools must be removed from the work place when the job has been completed.
- 6.5 The tool bucket should be kept free from broken glass, broken pieces of porcelain, nails and other materials, which might puncture rubber gloves and portable equipment protective insulation.
- 6.6 Tools and other equipment used on company work should be subjected to inspection by the foreman at all times and should be inspected periodically. Defective tools or articles should be used until properly repaired or replaced.
- 6.7 Tools or materials should not be thrown or tossed from one employee to another. They should not be placed or permitted to remain on narrow pathways or on scaffolding or where it would create a stumbling hazard or be placed in a position where they may fall on someone.
- 6.8 Pointed tools should never be carried edge or point up in workman's pocket or shoulder. They should be carried in a tool box or in a pocket tool pouch, or in the hands with points and cutting edges away from the body and from any person following.
- 6.9 When working in an elevated position all tools and small materials should be raised and/or lowered in a canvas bucket or insulated container. This container should also be used for the storage of tools and materials while in the working position. Tools should not be stored on cross-arms.
- 6.10 Tools should not be thrown from the ground to the working position or vice versa.
- 6.11 Keep all hand tools, whether your own or the company's in first class condition at all times. Tools should be kept free from grease and dirt.
- 6.12 Never use mushroomed or cracked heads, or tools with loose or broken handles. Either repair a bad tool at once or secure a replacement.
- 6.13 Chisels, hammers, wedges and other striking tools must be inspected at weekly intervals. No mushroomed or cracked tools are permitted, and they should be dressed by proper grinding.
- 6.14 When two or more persons are working close together in confined place (inside hulls, tanks, etc.), proper coordination of the movements is essential so as to prevent causing injuries to one another with tools being handled.

- 6.15 Brittle tools, such as files and rasps, must not be stacked with other metal tools. Files and other tools with pointed stems must not be used without corresponding handles.
- 6.16 Do not use excessive pressure or force on hand tools. If the tool requires too much exertion (such as adding a piece of pipe to a wrench), it is not the right tool for the job. Get one of correct size and design.
- 6.17 In most cases it is safer to pull on a hand tool rather than push on it.
- 6.18 Portable electrical tools must be in good operating condition and properly grounded. Handle the cord carefully to avoid damage.
- 6.19 Keep a handsaw sharp and in good condition, with teeth properly set and clean.
- 6.20 When using a handsaw, start the cut with two long pulls up, guiding with the thumb.
- 6.21 Use only screwdrivers in good condition, and that fit the screw. Never use for leverage or for prying things open.
- 6.22 The safest way to hold a cold chisel, whenever possible, is between thumb and forefinger, palm up. If the tool is gripped in the fist and a blow misses the chisel head, it may strike your knuckles and result in painful and disabling injuries.

## CHAPTER 7 – SPECIAL EQUIPMENT SAFETY

### Scaffolds and Ladders

- 7.1 Erected scaffolds should be inspected by the workman in-charge regularly to make sure they are maintained in safe condition.
- 7.2 Never use makeshift or improvised scaffolding. If scaffolding is required, make sure a safe one is erected.
- 7.3 Never use ladders or makeshift devices on top of scaffolding to increase its height.
- 7.4 Safety lines or ropes at least 5/8" in diameter securely anchored at the top should be provided for each man on a swinging scaffold.
- 7.5 Ladders should be examined before using and the side rails, spurs, shoes, rungs, etc., shall be in good condition. If found defective, they should be replaced.
- 7.6 Ladders must be placed at a safe working angle with the footing secured and whenever practicable, ladder shoes or spurs must be used to prevent the possibility of ladders slipping. Where surface is slippery or where other conditions subject the man on the ladder to any unusual hazard, another man shall otherwise be secured.
- 7.7 When using a ladder the workman should not reach so far to the side as to unbalance himself on the ladder.



- 7.8 Portable meal ladder or wooden ladders with metal side rail reinforcement and metal rungs should not be used in substitution or at other locations where there is danger of contact with energized parts.
- 7.9 Stepladders shall be equipped with a metal spreader or locking device of sufficient size and strength to securely hold the front and back section in open position.
- 7.10 Never use ladders in horizontal position as runways or as scaffolds.
- 7.11 Never position a ladder in front of a door that opens toward the ladder unless the door is locked or guarded.
- 7.12 Never place a ladder against pane or sash.
- 7.13 Always provide solid footing on soft ground to prevent the ladder from sinking.
- 7.14 Never lean a ladder against unsafe backing such as loose boxes or barrels.
- 7.15 Be sure that a stepladder is fully open and extended before you start to climb. Always face ladder and hold on with both hands which is kept free of tools or other matters whenever ascending or descending a ladder.
- 7.16 Do not use ladders during a strong wind except when emergency and then only when they are securely tied.

## Heavy Equipment

- 7.17 Particular attention should be given to the handling of heavy weights, selection and adjustments of the slings and the type of hitches used. The person in charge should be familiar with safe loads for chains, cables and other lifting equipment. When moving heavy objects on inclines, employees should always have "follow-up" blocks in place that will prevent losing control of the objects being moved.
- 7.18 A regular program of inspection and maintenance to be performed only by qualified mechanics should be established for all heavy equipment.
- 7.19 The safe operation of heavy equipment should always involve the selection and training of operators and maintenance crew should be thorough and systematic.
- 7.20 A firm foundation is required under shovels and cranes and outriggers should be in place before loads are lifted.



## CHAPTER 8 – CHEMICALS AND GASES

### Handling of Chemicals

- 8.1 Bottles, cans and other containers of chemicals shall be clearly and properly labeled and a system should be maintained to ensure that a label is replaced before it becomes unreadable.
- 8.2 Inhalation of excessive amounts of solvent's vapor should be avoided. Use appropriate personal protective equipment.
- 8.3 Frequent washing with the use of large quantities of water is necessary after exposure to irritants.
- 8.4 Leaking containers should be remedied immediately by transferring the chemical to sound containers.
- 8.5 Spills should be cleaned up promptly by workers wearing protective equipment.
- 8.6 Chemicals should be handled in strict compliance with the rules given for their type as shown on the label.
- 8.7 Chemicals which might react together to produce dangerous fumes, fire or explosion shall be stored separately.

### Laboratory Work

- 8.8 The laboratory's ventilation system must be properly maintained.
- 8.9 When work has to be done with explosively unstable substances, suitable shields should be designed which allow the necessary manipulation while providing protection for the worker.
- 8.10 Laboratories should be fully equipped with a complete range of personal protective equipment.
- 8.11 The importance of personal hygiene should be stressed and it should be pointed out that long hair, beards and moustaches increase the hazards of contamination.
- 8.12 Never open bottles or containers of highly volatile flammable chemicals, liquids or gases in a room where there are open flames unless special precautions for ventilation are taken and flames and burners are at a safe distance.
- 8.13 Never leave burners or fires of any kind going when not needed.
- 8.14 Maintain constant inspection of rubber tubing used on gas burners and prevent leaks of all kinds.
- 8.15 Know the location of and maintain emergency shower or eye wash fountain always in operating condition.

## Combustible Gases

- 8.16 Equipment of handling and storing flammable gases should be constructed, inspected and maintained so that the danger of leakage and explosive mixture formation is reduced to a minimum.
- 8.17 Combustible gases may be stored in the open only if they are adequately protected from the weather and the direct sunlight. Storage areas should be located at a safe distance from occupied premises.
- 8.18 The premises of a depot should be adequately ventilated and a system of lighting which flameproof electrical switches should be installed.
- 8.19 Cylinders should be used for one gas only or properly cleaned before filling in with a different gas.
- 8.20 Cylinders of flammable gases shall never be stored in the same room as cylinders of oxygen.
- 8.21 To prevent the escape of gas, containers should be made from materials, which are not affected by high pressure and are not subject to corrosion.

## CHAPTER 9 – MACHINE SHOP PRACTICES

### Machine Shop

- 9.1 Do not wear gloves when working at the point of operation of any machine.
- 9.2 Power must be shut-off before placing work on or in the machine.
- 9.3 Welding works should be in shade or operating areas must be shielded to prevent glare to other workers around the shop.
- 9.4 Precautions should be taken against fires when cutting or welding near loose, flammable materials, air ducts, gas lines, acid tanks, electrical circuits, etc. See that proper extinguishers and fire watch is provided.
- 9.5 Never use oil gasoline compounds for washing hands and machinery's. Use proper cleansing agents.
- 9.6 When blowing out lines under pressure in order to clean them, make sure that you and other person will not be injured.
- 9.7 Do not reach over the machine to get materials worked on or finished work from the other side. Always walk around the machine to get materials from behind knives or saws.

- 9.8 Employees working about moving machinery or live equipment and circuits shall proceed with great care in performing their work considering carefully the effect of each act and doing nothing which might endanger themselves or others.
- 9.9 Never use compressed air for cleaning clothing or any part of your body. This practice is very dangerous, especially when carrying objects around the mouth, eyes, ears, etc.
- 9.10 When going downstairs, always use handrail, especially when carrying objects. Walk, do not run.

#### **Machine Tools**

- 9.11 Operation, adjustment and repair of any machine tool must be restricted to experienced and trained personnel or apprentices under close supervision.
- 9.12 Safe work procedures must be established, and short cuts and chance taking prohibited.
- 9.13 New equipment should be inspected and safety innovations made before allowing operator(s) to use the equipment.
- 9.14 Machine should never be left running unattended.
- 9.15 Manual adjusting and gauging (calipering) of work should not be permitted while the machine is running.

- 9.16 Operators should use brushes, vacuum equipment or special tooth for removing chips.

#### **Gas Welding and Cutting**

- 9.17 All persons engaged in the installation, maintenance and operation of apparatus and equipment shall be qualified by experience or instructed in safe methods before being permitted to engage in such operations.
- 9.18 All apparatus and equipment shall be completely inspected before being placed in service and weekly thereafter. Defective apparatus and equipment shall be removed from service, replaced or repaired and re-inspected before again being placed in service.
- 9.19 Cylinders shall be stored in definitely assigned places away from stairs, gangways or entrances to confined spaces. Assigned storage spaces shall be located where cylinders will not be knocked over or damaged by passing or falling object.
- 9.20 Cylinders containing oxygen shall be stored well away from cylinders containing combustible gases.
- 9.21 Cylinders permitted inside the building shall be stored in a well-protected, ventilated, dry location, well away from highly combustible material such as oil or excelsior and/or other sources of heat.
- 9.22 Valve protection caps shall always be in place, hand tight except when cylinders are in use or connected for use.



9.23 Oxygen shall not be used as a substitute for compressed air in pneumatic tools, in oil, preheating burners, to start internal combustion engines, to blow out pipelines, to "dust" clothing or work, or to create pressure, or for ventilation.

9.24 Fuel gas cylinder valves shall be opened only with tools specifically designed for that purpose. Oxygen cylinders, the valves of which cannot be opened by hand, shall be set aside and supplier notified.

9.25 Tampering with safety devices in cylinders or valves is prohibited.

9.26 A suitable track, chain or steadying device shall be used to keep cylinders from being knocked over while in use.

9.27 Fuel gas or oxygen cylinders will not be used without first attaching a regulator to the cylinder valve.

9.28 Cylinder valves not provided with fixed hand wheels shall have keys or handles on valves spindles or stems while cylinders are in service.

9.29 Operators shall be required to follow the procedure outlined by the manufacturer of the apparatus in use, in so far as they deal with the sequence of operations in lighting, adjusting and extinguishing blowpipe flames and connecting the apparatus to sources of gas supply. An acetylene cylinder valve shall not be opened more than  $1 \frac{1}{2}$  turns of the spindle.

9.30 Cylinders shall be kept in sufficient distance from the actual welding or cutting operations so that sparks, hot slag or flame will not reach them.

9.31 Cylinder valves shall be closed when work is finished or before moving cylinder.

9.32 Empty cylinders should be marked "MT" and segregated from full cylinders.

9.33 No one shall attempt to mix gases in a cylinder, refill a cylinder, or use it for other than intended by supplier.

9.34 Fuel gas cylinders found to have leaky valves or fittings which the closing of the valve will not stop shall be taken into the open away from any source of ignition and slowly drained of gas. Cylinders will be tagged and the owner notified.

9.35 Keep oxygen cylinders and fitting away from oil or grease. Cylinders, cylinder valves, couplings, regulators, hose and apparatus shall be kept free from oily hands or greasy substances and shall not be handled with oily hands or gloves. Oxygen cylinders shall never be handled on the same platform with oil or placed in a position where oil or grease is likely to fall upon them. A jet of oxygen should never be directed at oily surfaces, greasy clothes or into a fuel oil or other storage tank.

9.36 Hose connections shall be made through substantial fittings, and clamped or otherwise securely fastened so as to withstand, without leakage a pressure twice as great as the maximum pressure on the system.

## Arc Welding and Cutting

- 9.37 Before starting operations, the operator should make certain that all electrical connections are securely made. The work connection should be attached firmly to the work. Work leads shall be as short as possible.
- 9.38 All equipment should regularly be checked to make certain that electrical connections and insulation on the holders and cable are in good order. Unsafe equipment should be reported to the proper supervisors, and use of such equipment discontinued until safe to operate.
- 9.39 Proper switching equipment for shutting down the welding machine shall be provided on or near the welding machine. A suitable motor starter of the hand or magnetic type shall be used.
- 9.40 A suitable means of control for varying the welding current over the specified welding range shall be provided. A suitable current indicating device, which shows the welding current corresponding to the setting of the generator control, shall be provided.
- 9.41 All parts of the motor and generator shall be bonded suitably enclosed and protected.
- 9.42 Neither terminal of the welding generator shall be bonded to the frame and protected.
- 9.43 All electrode holders shall be fully insulated, specifically designed for arc welding and of capacity to safely handle the maximum rated current required by the electrodes.
- 9.44 Electrodes shall be removed from the holder when not in use.
- 9.45 All welding cables shall be of the completely insulated type of proper size, etc., for the maximum current requirements of the work.
- 9.46 Only rubber-covered cable free from splices shall be permitted for a minimum distance of 10 feet from the electrode holder.
- 9.47 Lengths of cable shall be connected by substantial connectors of a capacity at least that of the cable.
- 9.48 Cable lugs shall be soldered to the cable and securely fastened to give full electrical contact. The exposed metal parts of the lugs shall be completely covered with rubber tape and protected with friction tape or equivalent protective covering.
- 9.49 All ground connections shall be mechanically strong and electrically adequate for the required current.
- 9.50 Proper electrical contact shall exist at all joints when a building structure or pipeline is used temporarily as ground return circuit.
- 9.51 Where a structure or pipeline is continuously employed as a ground return circuit, all joints shall be bonded and no condition of electrolysis or fire hazard permitted to exist.



- 9.52 Pipe lines containing gases or flammable liquids or conduits carrying electrical conductors will not be used for a ground return circuit.
- 9.53 Welding cables shall be kept dry where practicable and free from grease and oil.
- 9.54 A cable, which has become worn, exposing bare wires shall have that portion properly repaired or replaced.
- 9.55 When the operator has occasion to leave his work or stop work for any appreciable time, the power-supply switch in the equipment should be opened and the unit disconnected from the source of power.
- 9.56 Cable shall be substantially supported overhead. Special care shall be taken to see that welding supply cables are not in proximity to power supply cables or other high-tension wires.

**Rule 1100 – Gas and Electric Welding and Cutting Operations**

9.57 Gas and Electric Welding and Cutting Operations:

1100.01: General Provisions

- 1. Welding or cutting operations shall not be permitted in rooms or areas containing combustible materials or in proximity to explosives or flammable liquids, dust gases or vapors, until all fire and explosion hazards are eliminated.

- 2. Welding or cutting operations on containers filled with explosives or flammable substance is prohibited. Welding closed containers that have held explosive or flammable substance shall only be undertaken after the containers have been thoroughly cleaned and found completely free of combustible gases or vapors on the containers are filled with inert gas or with water.
- 3. Welding and cutting operations carried out or done in places where persons other than the welders work or pass shall be enclosed by means of suitable stationary or portable screens. Screens shall be opaque of sturdy construction to withstand rough usage of a material which will not readily be set on fire by sparks or hot metal, at least 2 m (6.5 ft) high, and preferably painted with light flat paint.
- 4. A portable fire extinguisher shall be provided at the place where welding and cutting operations are being undertaken.
- 5. Authorization before welding and cutting operations are allowed in large establishments, the area shall be inspected by the Safetyman. He shall issue a written permit or authorization for welding and cutting, indicating therein the precautions to be followed to avoid fire or accidents.

1100.02: Personal Protective Equipment

- 1. All workers or persons directly engaged in welding or cutting operations shall be provided with the following personal protective equipment:



- a) Goggles, helmets or head shields fitted with suitable filter lenses and hand shields, and
  - b) Suitable aprons
2. All persons directly assisting in welding or cutting operations shall be provided with goggles, gloves or other protective clothing, as may be necessary.

#### 1100.03: Welding or Cutting in Confined Spaces

The inhalation of any fumes, gases or dusts by persons welding or cutting in confined spaces shall be prevented by the provision of:

- 1. Local exhaust and general ventilation system to keep fumes, gases or dusts within allowable concentrations or threshold limit values.
- 2. Approved types of respiratory protective equipment.

### CHAPTER 10 - PERSONAL PROTECTIVE EQUIPMENT

- 10.1 Correct type of personal protective equipment must be prescribed by the Department Head and Supervisor. Wearing such equipment should be enforced by the supervisor.
- 10.2 It is the responsibility of personnel provided with personal protective equipment to wear them at their place of work and take good care of them at all times.
- 10.3 It is the obligation of every employee to report damage to personal protective equipment, so that they can be repaired or replaced immediately.
- 10.4 Make sure that you obtain a proper fit of the protective equipment issued to you (goggles, respirators, etc.) and that you understand how to use and maintain it in serviceable condition.
- 10.5 Everyone should dress properly for the job.
- 10.6 Safety headwear is obligatory where there are overhead activities.
- 10.7 Respiratory must be used for specific jobs like handling toxic/hazardous chemicals, dust and fumes.
- 10.8 Protect your feet by wearing shoes in good condition and of a type suitable for the work you do. For instance, tennis or basketball shoes are not recommended for most jobs, while in other types of work, low shoes are not safe.

- 10.9 Goggles, face-shields or helmets should be provided for personnel exposed to eye injuries and this equipment shall be worn during the whole time in which the hazard exists.
- 10.10 Corrective spectacles or eyeglasses should never be used as substitute for safety goggles.
- 10.11 Employees should use shield, goggles or helmet and gloves whenever operating burning or welding outfits. Welders and helpers should wear gauntlet gloves.
- 10.12 Never watch welding work unless you are wearing the correct filter glass.
- 10.13 Personnel handling acids, and caustics and other chemicals shall wear face shield or special rubber gloves goggles and suitable gloves, apart from protective apparel that may be provided by the supervisor.
- 10.14 Safety belts are required for work in electrical places.
- 10.15 Ropes or lines used with safety belts must be kept short to prevent long drops of the person, and kept secured at supporting points at all time. Ropes used as life line should be in first class condition, and those showing frayed spot, damaged or which have been used around acids or caustics must be discarded from such service.
- 10.16 Gloves should be provided for occupations requiring hand protection, and they should be worn whenever necessary. Exception is made when around machine tools in operation.

## CHAPTER 11 – BOILERS and PRESSURE VESSELS

### BOILERS

- 11.1 A test and servicing program should be established whereby operating controls, safety controls and safety and relief valves would be tested and maintained at regular intervals.
- 11.2 Repairs should be made immediately upon indication of malfunction or leakage of operating controls, safety controls or safety and relief valves. Never operate with a malfunctioning safety or relief valve.
- 11.3 Enforce the keeping of a boiler log to ensure those necessary tests, maintenance and services performed and that records are available at all times.
- 11.4 Repairs and adjustments, such as tightening up flanged fittings, shall not be made on boilers and steam lines while under pressure.
- 11.5 Rules for both routine and emergency boiler operations should be posted permanently and legibly in the boiler room.
- 11.6 In addition to being well illuminated, the boiler should have a source of emergency lighting.
- 11.7 Repair of pressure parts of boiler or pressure vessel shall only be done after the plans and specifications of materials are approved by the Bureau, Regional Labor Office concerned.



11.8 The following precautions should be taken when maintaining Boilers:

- a. When it is necessary for employees to execute work inside of drums or other internal portions of boilers, they shall first secure release from boiler house foreman or engineer in charge. Such work must not be done by any employee of the plant without having first received specific instructions from either the chief engineer, his foreman or some other person designated to supervise the work.
- b. Before employees will be allowed to enter boiler for cleaning, inspecting or repairing, each of the boiler valves shall be securely closed and locked or sealed, "TAGGED" with the name of the foreman who called the apparatus out of service, and proper danger signs installed reading "DANGER MAN WORKING IN BOILER".
- c. On all water tube boilers when there is manhole on each of drum it is advisable that both manholes on each drum be removed before employees enter the boiler. On horizontal return tubular boilers, it is advisable that the manholes on the upper as well as the lower part be removed.
- d. When working in boilers, employees should assure themselves that electrical lighting equipment is adequate.
- e. No volatile inflammable shall be used for cleaning purposes. Oily waste or oil saturated clothing shall not be permitted inside any boiler drums except in cases where it is necessary to use welding or gas and cutting equipment.

- f. No boiler drum, combustion chamber, condenser shell or heater should be closed or sealed until it has been made absolutely certain that no one is inside.
- g. When slugging or cleaning boiler furnaces, it is recommended that men be equipped with goggles, suitable respirators or hose mask equipment and safety helmets.

#### Unfired Pressure Vessels

11.9 Servicing and maintenance of unfired pressure vessels are governed by the following:

- a. Pressure vessels should be inspected regularly by persons who qualified and trained for this work.
- b. Before being entered into a vessel must be properly drained, ventilated and cleared of flammable or toxic gas. All connecting pipelines should be disconnected and blanked, or valves on the line should be closed, locked out and tagged.
- c. Men lowered into vessels should carry with them facilities to climb back out themselves.
- d. Compressed gas or air should never be used to test an unfired pressure vessel above its safe working pressure. Although it can be used to test for leaks at pressure below the working pressures.
- e. In conducting a hydrostatic test:
  1. Gauges should be checked to make sure they are in good working order and read accurately. Gauge connections should be checked to make sure they are clear.

2. It should be ascertained that all threaded connections are made suitable for the highest pressure to be encountered.
3. Any piping connected to the vessel under test should be suitable for the highest pressure to be encountered.
4. Vents should be provided at all high points of the vessel in its test position.
5. Operators should be instructed to open cover plates on removable doors only after the vessel has been relieved of all pressure.
6. Areas where high gas-pressure systems are operating should be restricted to all but necessary personnel.

## CHAPTER 12 – WORKING IN CONFINED SPACES

- 12.1 An employee should only enter a chamber or other semi-enclosed area with the knowledge of his foreman or other responsible person. Danger tags shall be placed at the openings and such tag shall not be removed until the work has been completed and then only by the person who so placed it.
- 12.2 When men working inside boilers, air heaters, tanks, etc., a sign stating "DANGER – MEN INSIDE" should be placed outside the enclosure in a conspicuous spot. These signs may be removed only by the foreman or men assigned to do the work after they had made certain that the interior work is finished and the workers as well as tools and equipment are out of the enclosure. No piece of equipment should be sealed, shut or energized while it is blocked off with a "DANGER – MEN INSIDE" sign.
- 12.3 In case an electric welding equipment should be used in confined spaces, make sure before entering that the helper knows how to switch it off in case of emergency.
- 12.4 Never use oxygen from your torch to clean down a job to be welded particularly in a closed space.
- 12.5 Observe precautions on Pre-entry and occupancy:
  - a. When necessary clean the space to remove all residual contaminants such as solvents and organic materials where work in boilers and furnaces is to be done, allow adequate time for cooling.

- b. All valves and switches connected with the operation of the confined space must be closed and locked to prevent accidental introduction of contaminants, hot water, live steam or starting of equipment within the space when it is occupied.
- c. If possible, provide continuous ventilation during occupancy.
- d. Lifeline should constantly be held by a second standby worker who should continuously watch the worker in the confined space to permit rapid removal of the worker in an emergency.

## CHAPTER 13 – OFFICE SAFETY

### Office Behavior

- 13.1 Fighting, wrestling, practical jokes or any form of horseplay is prohibited inside the office, or in the plant compound.
- 13.2 Avoid placing of feet on the desk while leaning back on the chair, nor should you scoot across the floor with your chair.
- 13.3 Never report for work while intoxicated or under the influence of intoxicating substances.
- 13.4 When opening a door, stay out of the path of its swing. Another employee might be on the other side opening it too.
- 13.5 Under circumstances should employee unduly hurry when on hazardous work?
- 13.6 Never throw cigarette butts in trashcans, use ashtrays.
- 13.7 Floors and aisles in the work area must be kept free and unobstructed.
- 13.8 Keep lockers and cabinets clean, neat and orderly.
- 13.9 Never store oil-soaked rags, floor wax, paints, thinners and other flammable materials inside safety vaults.
- 13.10 Do not smoke inside elevators. •



### Office Equipment

- 13.11 Telephone and electrical cables should not protrude over bar passageways. These and other obstructions such as low tables and office equipment should be protected by being placed against walls or partition, under desks or in corners.
- 13.12 Two or more file drawers should not be opened at the same time nor pulled out too far that may cause file cabinets to be unbalanced.
- 13.13 File drawers should not open into aisles unless extra space is provided for this. Particularly, file drawers should not open into narrow aisles. Pencil sharpeners and typewriter carriages must not jut out into the aisles.
- 13.14 Wastebaskets should be kept where people do not trip over them.
- 13.15 Office furniture should be devoid of sharp corners and burrs. If it has, it should be corrected immediately.
- 13.16 Electric office machines should be carefully taken care of to prevent damage to machine, and grounded to prevent electric shock.
- 13.17 Never leave file drawers open. Other persons in the vicinity should be warned of an open file drawer to avert bumping against it.
- 13.18 Heavy objects should be kept off the top of file cabinets and other high furniture.
- 13.19 Thumbtacks and other sharp objects should not be thrown loosely into drawers. They should be kept in a box or other appropriate containers.



## CHAPTER 14 – CONSTRUCTION SAFETY

### Structure Demolition

The following are to be observed:

- 14.1 Only minor demolition work should be done by plant personnel.
- 14.2 Make provision to keep the public and unauthorized plant employees at least 15 ft. away from the structure.
- 14.3 Disconnect utility services (gas, steam and electricity) outside the building. Maintain waterlines as long as possible or install temporary water sources for fire protection and for wetting down the site to reduce dust.
- 14.4 Remove all glass doors and windows throughout the structure.
- 14.5 Strip of lath and plaster to eliminate excessive dust during succeeding operations.
- 14.6 Remove chimneys and extension of walls above the roof level while working from the roof.
- 14.7 Walls should be removed by picking them apart. Work from scaffolds supported independently of the walls.
- 14.8 Remove all debris promptly.
- 14.9 Avoid subjecting walls to lateral pressure from stored material or to lateral impact from falling material.

14.10 Barricade any area where material is being dumped and place screens where necessary to protect workmen from flying pieces.

14.11 Permit no employee to work below others.

14.12 Combustible structures should be surveyed to make sure that demolition would not affect their soundness and weather tightness.

14.13 Traffic control when necessary, should be set-up to facilitate the removal of rubbish.

14.14 Fire hoses should be made available. Access to the area and supply of water should be maintained for the fire department.

### Excavation

On excavation works the following precautions should be observed:

14.15 Excavation along the public highway and other frequented places shall be properly protected by placing barriers, suitable guards, warning signs, red flags or danger signals so located as to be conspicuous to traffic.

14.16 When excavations are to be left unattended at night, not less than two danger lanterns should be used.

14.17 Barricades of materials having protruding nails should not be permitted.

- 14.18 All excavations should be carefully refilled until such time as permanent paving can be done. All refilling must be well tamped.
- 14.19 Ditching machines should be provided with suitable walkways, footboards and railings and proper safeguards over gears, chains and other moving parts. Employees should not be allowed to stand near digging buckets while machine is in operation.
- 14.20 Before any attempt is made to excavate, locations of underground pipes or electric lines should first be determined.
- 14.21 Material excavated by machine should be thrown at least 24 inches from the edge of the excavation but not aisles or work areas in the plant.
- 14.22 Excavated material should not be permitted to accumulate in a busy work area, but should be tacked or otherwise removed.
- 14.23 Pick and shovel men working in excavations should be kept far enough apart to prevent injury to one another.
- 14.24 Excavations should be barricaded to prevent employees or others from falling into them.
- 14.25 Dry drilling is not permitted underground to avoid serious health risk from silica dust.

#### **Good Housekeeping at Construction Site**

- 4.26 All discarded material must be removed from the job at once.
- 4.27 Combustible material yet to be used should be stored where it is safe from careless workmen or incendiary.
- 4.28 The job should be kept clean and the rubbish removed from the site daily.
- 4.29 A rubbish chute discharging from each floor into a transportable container should be provided to take care of small loose objects.
- 4.30 Throwing rubbish over the side or out window openings should be strictly prohibited.

#### **Site Clearing**

- 14.31 A space around the construction-site must be provided for delivery and storage of materials and offices and "shanties" for the men.

#### **Woodwork**

- 14.32 Except for the amount for immediate need, lumber is best stored outdoors.
- 14.33 If lumber must be handled manually to or from a higher pile, the pile should not be more than 16 ft. high and safe means of access to the top such as ladder should be provided.



- 14.34 Lumber stored outdoors should be covered to prevent checking or twisting. Lumber stored indoors should be in a well-ventilated building.
- 14.35 Cutting tools should be kept well sharpened and correctly balanced on their spindles and the whole machine should be placed on a vibration-damping base to minimize the amount of noise generated.
- 14.36 Operators should be given detailed instruction in the use of their machines and particular attention should be paid to the correct setting of guards and the use of pushsticks when machining small stock.
- 14.37 Whenever possible, sawdust and shavings should be taken off automatically from the machine; where automatic collector system is unavailable, waste should be swept up regularly to minimize the fire hazard.
- 14.38 When the work necessitates the use of a wide range of adhesives it should, if necessary, be carried out under exhaust ventilation.
- 14.39 Sanding appliances should be fitted with integral exhaust equipment or sanding be carried out under an exhaust hood.
- 14.40 All woodworking machinery should be effectively guarded to protect the operator and other employees from hazards inherent to their operation.

14.41 A power control device should be provided on each machine to make it possible for the operator to cut off the power to the machine without leaving his position at the point of operation.

14.42 Power and operating controls should be located within easy reach of the operator while he is at his regular work position, making it unnecessary for him to reach over the cutter to make adjustment.

This does not apply to constant pressure controls used only for set-up purposes

14.43 Each operating treadle shall be protected against unexpected or accidental tripping.

14.44 When sawing small pieces, always use a notched pusher piece to push small pieces through the saw and not with your hand.

14.45 Be alert to the danger of a kickback of materials passing through the pony planner.

#### **Pipework**

14.46 Before work is done on a pipeline, the line must be shot off, valves locked and tagged, and the section of the line relieved of pressure and drained.

14.47 To prevent hands from slipping, maintenance men should carry a piece of waste or a rag in their pocket to wipe off excessive oil on pipes and fittings.

14.48 Gloves should be worn when handling pipes and fittings, especially when ends are threaded.

14.49 Pipes should be checked for burrs and these should be filed off immediately.

14.50 Pipes should be color-coded, especially those carrying potable water for drinking or for food preparation.

14.51 When a job involves a considerable amount of pipework, the materials should be moved to strategic points as the job progresses, to eliminate spillage, accumulation and reduce the amount handling.

#### **Public Safety**

14.52 Barricades, fences and guardrails should be set-up and appropriate warning signs should be posted.

14.53 Night lighting should be provided when necessary, especially in areas where open trenches or ditches create hazard in aisles and roadways.

14.54 If construction is about the sidewalk, blocking off the sidewalk with a fence must protect pedestrians.

14.55 When gates in the fence are open they should be guarded to warn pedestrian and vehicles when deliveries are being made.

#### **Painting**

14.56 No smoking and no open flames are permitted in the paint shed or in the spray room.

14.57 All paints, thinners and cleaning fluid must be stored in a place provided and with the lids of containers tightly covered and closed.

14.58 Respirators must be worn during painting jobs and when in the open air, advantage should always be taken of the wind directions.

## CHAPTER 15 – FIRE PREVENTION and CONTROL

### Fire Prevention Practices

- 15.1 Fire hazard should be detected and eliminated through frequent and regular inspection.
- 15.2 Employee/s should eliminate or report to their immediate supervisor fire hazards, particularly in their work area, which may cause the loss of life or destruction of company property.
- 15.3 Fire fighting equipment should be checked regularly to be sure that it is ready for any emergency.
- 15.4 If a fire starts and you cannot put it out during the first few moments, do not lose valuable time trying to extinguish it without proper assistance facilities. A fire allowed to spread is difficult to control. Call the telephone operator, giving your name, indicating the exact location of the fire. Briefly, the correct procedure is as follows:
  - a. Give the alarm at once.
  - b. Try to put the fire out.
  - c. Get help – do not lose valuable time.
- 15.5 It is everyone's duty to know the location of fire control facilities, such as portable extinguisher, emergency and exit doors, etc. that have been made available in the vicinity.
- 15.6 Learn the mode of operation of fire extinguishers and proper application as to the fire of fire. This knowledge may be of extreme importance during an emergency condition.
- 15.7 It is absolutely prohibited to smoke or use open flames in restricted areas, which have been provided with "NO SMOKING" signs. These areas comprise storage's or highly combustible goods, explosives, flammable materials, etc.
- 15.8 Accumulation of all types of dust should be cleared at regular intervals particularly from bearings and other heated surface.
- 15.9 Aisles and doorways should be kept clear and should be wide enough to allow rapid use of hose reel carts or other mobile equipment.
- 15.10 When it becomes necessary to build a fire location where there is the possibility of its propagating beyond control, a portable fire extinguisher should be made available. The fire must be watched closely, and it must be extinguished if left unattended.
- 15.11 Do not discard cigarette butts or matches carelessly. Always use ashtrays or other suitable containers.
- 15.12 Do not obstruct fire exits. Exit doors must be well marked and must not be locked and routes to nearest exits (through doors, windows, ladderways, etc.) must be easily accessible.



- 15.13 It is prohibited to obstruct or render in operative fire fighting equipment such as fire hydrants, extinguishers, hose racks, water sprinklers, etc.
- 15.14 It is prohibited to use fire hose from hydrant booths for purposes other than combating fire without proper authorization from the Safety Officer or the Environmental Management and Safety Department.
- 15.15 Oily waste rags, etc. are likely to ignite, spontaneously and they should be disposed of in metal cans with self-closing covers. They should be emptied daily.
- 15.16 All rubbish shall be cleared from buildings daily and work areas will be maintained free from accumulation of combustible debris.
- 15.17 Temporary high voltage wires shall not be run above storage piles or combustible materials.
- 15.18 Do not overload electric circuit by connecting several appliances at the same time.
- 15.19 Do not tamper with fuses, as increasing their rated capacity produces dangerous overheating of the fire system.
- 15.20 Flashlights and electric lanterns used in connection with handling of flammable materials shall be the type approved by the Underwriter's Laboratories, Inc.

- 15.21 Purging-Gas Freeing: No person shall be permitted to enter a storage tank, tank truck or other vessel has been properly purged and ventilated. After purging and venting, a test shall be made for gas. If the vessel is not gas free, purging and venting shall be repeated.
- 15.22 All persons entering storage tanks, tank trucks or other vessels, which have contained flammable liquids or gases shall be provided with necessary protective clothing, approved air fed masks, safety belts and lifelines. An attendant shall be stationed at the entrance to such tank or vessel.
- 15.23 No welding, cutting, riveting or other hot work and no mechanical repairs shall be performed on a storage tank, gasoline truck or other vessel which has contained flammables until such vessels has been properly purged and ventilated. After purging and venting a test for gas.
- 15.24 Welding, riveting or other hot work on tanks or containers that have contained flammable liquids of gases shall be performed only by men experienced in such work.
- 15.25 All tools used in explosive atmospheres shall be of non-sparking variety.

#### **Flammable and Combustible Liquids**

- 15.26 All storage, handling or use of flammables shall be under the supervision of qualified persons. No one shall be permitted to handle or use flammables until he has been instructed in the safe handling and use of it.



- 15.27 Do not handle or store flammable liquids in bottles, open cans, etc. Approved safety containers with appropriate markings with hermetic sealing device must be used for this purpose.
- 15.28 Smoking and carrying of spark-producing devices should not be permitted in an area where flammable liquids are stored, handled or used or where loading or unloading operations are performed.
- 15.29 If any flammable liquid is spilled it should be cleaned up immediately.
- 15.30 If flammable liquids are extensively used in considerable quantities heating arrangements should avoid the use of open gas burners.
- 15.31 Where necessary trays should be provided to retain accidentally spilled flammable liquid and to prevent it from flowing from a place of safety to a place it could become ignited.
- 15.32 Workers should be protected from the mist or spray as well as from contact with combustible liquids.
- 15.33 Control valves on equipment containing flammable liquids should be identified by color or tag or both.
- 15.34 Gasoline should be prohibited for all cleaning purposes.
- 15.35 Continuously operating equipment should be fueled from properly protected tanks located outside the machine room.
- 15.36 Prevent mixture of flammable liquids through proper identification.
- 15.37 Storage tanks and systems should be electrically bonded and grounded in an approved manner.
- 15.38 All storage tanks shall be equipped with proper relief vents.
- 15.39 All storage tanks above ground shall be diked, curbed or other suitable means provided to prevent the spread of liquids to other property in case of rupture in tank or piping. Such diked or curbed area shall have a capacity equal in volume to that of the tank.
- 15.40 Outlets from storage tanks above ground shall be equipped with quick-closing valves.
- 15.41 All gasoline trucks shall be properly bonded and grounded while being loaded or unloaded. Bonding and grounding connections shall be made before dome covers are removed on trucks and shall not be disconnected until such covers have been replaced. Internal vapor pressure shall be relieved before dome covers are opened.
- 15.42 Accumulation of flammable materials on floors, walls, etc. shall not be permitted.
- 15.43 Bungs, caps or stoppers shall not be left out of drums, barrels or other flammable liquid containers. This rule also applies to empty containers.

- 15.44 All tanks, hoses and containers shall be kept in metallic contact (Bonded) while flammable liquids are being poured.
- 15.45 Approved type fire extinguishers shall be provided at all locations where flammable are stored, processed or used.

#### **Portable and Manual Fire Control Equipment**

- 15.46 Portable fire extinguishers shall be conspicuously located and mounted where they will be readily accessible. Extinguishers shall not be obstructed or obscured from view at any time.
- 15.47 The extinguishers must be located close to the likely hazards, but not so close that it would be damaged or cut-off by the fire.
- 15.48 Portable fire extinguishers suitable to the conditions and hazards involve shall be provided and maintained in an effective operating condition.
- 15.49 Portable fire extinguishers shall be given maintenance service at least once a month with a durable tag securely attached to show the maintenance or recharged date.
- 15.50 Fire alarm system and other fire fighting equipment should be regularly checked.
- 15.51 All workers and employees should endeavor to learn how to operate and use a fire extinguisher effectively and should also know their location.

#### **are of Fire Hose**

- 5.52 Hose lines should be made available for immediate use, should not be obstructed nor made inaccessible.
- 5.53 Hose should be so arranged that it would not kink or tangle when pulled out.
- 5.54 Fire hoses should be reserved for fighting fires.
- 5.55 Hose lines should be inspected and tested regularly including its accessories like valves, nozzles and couplings. Any defect noticed thereon should be corrected immediately.

**CHAPTER 16 – VEHICLE and  
LAND TRAFFIC SAFETY**

- 16.1 No employee shall operate a company motor vehicle unless he is duly authorized.
- 16.2 Driving personnel shall familiarize them with and obey motor vehicle laws as well as standard road signs.
- 16.3 Unauthorized passengers shall not be permitted to ride on company vehicles.
- 16.4 It shall be the duty and responsibility of driving personnel to conduct inspection to the vehicle assigned to him, and to make the necessary job request for the repair of defects noted.
- 16.5 Drivers shall observe authorized passenger seating capacity as indicated on the vehicle registration certificate.
- 16.6 Driver shall not permit anyone to ride on the running boards, fenders and tailboards of vehicles.
- 16.7 No passenger shall get on or off a company vehicle while it is in motion.
- 16.8 Passenger shall board and alight from the vehicle in the curbside.
- 16.9 Fire trucks, police and ambulances shall be given the right of way all the time.

- 16.10 Drivers shall not leave the seat of the vehicle while the motor is running unless he shifts to neutral and sets the hand-break.

**Safe Driving**

In addition to the provisions, rules and regulations of the Bureau of Land Transportation and the Traffic Code, every employee who is authorized to drive company vehicles are required to observe the following safe driving practices:

- 16.11 Driving personnel shall practice the defensive driving techniques at all times.
- 16.12 Reckless driving shall not be tolerated. Cars and trucks must observe the speed limits.
- 16.13 All railroads must be approached with caution. Always expect trains to move at any time, on any tract in either direction. At railroad crossing, look in both directions as you approach to be sure that it is safe to make the crossing. Unless you have a clear view in each direction, reduce your speed so that you can easily stop before reaching the crossing if necessary.
- 16.14 When visibility is poor, the front and rear lights of all vehicles in motion shall be turned on.
- 16.15 Drivers often fail to see pedestrians crossing from the right immediately ahead of the truck, hence, the requirement to blow the horn twice before starting forward.



- 16.16 Where a number of men are working in various type of equipment are used, the driver should call upon another employee to signal whether or not the path is clear before backing or making any other movement.
- 16.17 Do not run any electrical cable or run into any low hanging wire.
- 16.18 Driver's attention should not wander, either through constant conversation or sightseeing. Driver must use cautions and common sense under all conditions.
- 16.19 Do not pass other vehicles going in the same direction in the brow of a hill, on a curve or in the face of an approaching car.
- 16.20 Be on alert for signal from other driver, police, traffic signs, etc.
- 16.21 Vehicular road crossings and pedestrian passageways must not be unnecessarily blocked by vehicle. Cars must not be switched over such crossings unless with utmost safety. Cars must not be left standing on vehicular crossings or bridges.

#### **Parking Area and Garage**

- 16.22 Comply strictly with parking rules. When parking downhill, be sure to turn front wheels to the right toward curb or side of the road, and leave vehicle in reserve gear. When parking uphill, be sure to turn front wheels to the left, rear part of front tire toward curb, and leave vehicle in low gear. If without curb, turn front wheels toward right or side of road, and leave vehicle in low gear when headed uphill.

- 16.23 Make sure parking does not encroach on fire hydrant zones, clearance spaces for island, pedestrian lanes and intersections.
- 16.24 Vehicles left standing on any grade or inclined track must be properly secured or blocked.
- 16.25 Motor vehicles should not be parked against the flow of traffic.
- 16.26 Stop before entering or leaving garage, then drive slowly with caution.
- 16.27 A break test shall be made before leaving garage or within the first block after leaving garage. If brakes are not functioning properly, return vehicle to the garage for the immediate attention. Any other condition found to be faulty should be handled in the same manner.
- 16.28 Thoroughly familiarize yourself with the controls of a vehicle before attempting to operate it.
- 16.29 Avoid running motor idle in closed garage unless a pipe or hose connection is provided from the exhaust to the open air to a suitable exhaust system to carry off carbon monoxide gas.
- 16.30 Upon returning a vehicle to the garage, any condition requiring attention shall be reported.
- 16.31 Smoking and the use of unnecessary open flames in garage or while working on vehicles are prohibited. Use only properly guarded extension lights or flashlights.

### **Loading and Unloading of Trucks**

- 16.32 Overloading should not be allowed. Load should be properly distributed, secured in place and not piled over the allowable height to maintain stability.
- 16.33 Loads, which may shift, should be blocked or lashed. The downs (ropes, chains) should be tightened on the right side or top of the load.
- 16.34 Before loading or unloading a truck, the brakes must be securely set or the wheels blocked.
- 16.35 Any load projection beyond bodyline should be properly secured before transport and should be provided with red flags.

### **Reporting Traffic Accidents Involving Company Vehicles**

- 16.36 A driver who is involved in an accident shall immediately report to his supervisor what has actually happened, the extent and causes of the accident. Adhere strictly to the requirements of the accident form, which every vehicle must carry at all time.
- 16.37 Even in cases involving bare contact between vehicle, it is important that a policemen's shield number and as many witness as possible be secured as damage claims are often made on the basis of shock to passengers. Cases not involving any apparent personal injury or property damage must be reported just as accurately as a serious accident.



## **A N N E X “G”**

### **RCI Revised Manual on Corporate Governance**





**REVISED MANUAL ON CORPORATE GOVERNANCE**

## **ARTICLE 1: INTRODUCTION**

The Board of Directors, Management, Officers and Staff of **ROXAS AND COMPANY, INC.** hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that these principles and practices will guide them in the attainment of the corporation's goals. The corporation continues to adhere to its Mission and Vision Statements as well as its Core Values which all form an integral part of this Manual.

## **ARTICLE II: VISION AND MISSION STATEMENT AND CORE VALUES**

### **VISION STATEMENT**

Roxas and Company, Inc. aims to be a premier publicly-listed holding firm with investments in the country's leading sugarcane-based solutions provider and property development businesses.

We strive to be a leader in all our business undertakings, empowering lives and delivering value to our stakeholders.

### **MISSION STATEMENT**

We commit to the following mission:

- To maintain businesses that deliver superior results to customers and other stakeholders
- To deliver long-term growth in shareholder value
- To be a responsible corporate citizen by participating in nation- and community-building
- To ensure that our businesses promote environmental protection and sustainable development practices
- To provide a nurturing environment to develop and empower our people

## **CORE VALUES**

- R – Resiliency and Reliability**
- O – Observance of Good Corporate Governance Practices**
- X – eXcellence and Innovation**
- A – Accountability and Integrity**
- S – Social Responsibility and Nation-Building**

### **ARTICLE 3: BOARD GOVERNANCE**

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.

#### **3.1. Composition of the Board**

3.1.1. The Board shall be composed of nine (9) members who are elected by the stockholders entitled to vote at the annual meeting and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the corporation. The corporation shall have at least two (2) independent directors.

3.1.2. The membership of the Board may be a combination of executive and non-executive directors, which include independent directors, in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### **3.2. Qualifications of Directors**

3.2.1. In addition to the qualifications for membership in the Board provided for in the Corporation Code and other relevant laws, the members of the Board should possess the following qualifications:

- 3.2.1.1. Holder of at least one thousand (1,000) shares of stock of the corporation;
- 3.2.1.2. At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- 3.2.1.3. At least twenty one (21) years old;
- 3.2.1.4. Possesses integrity and probity; and
- 3.2.1.5. Assiduous.

3.2.2. The Board may likewise provide for the following additional qualifications for membership in the Board:

3.2.2.1. Practical understanding of the business of the corporation;

3.2.2.2. Membership in good standing in relevant industry, business or professional organizations; and

3.2.2.3. Previous business experience.

### 3.3. **Disqualification of Directors**

3.3.1. *Permanent Disqualification.* The following shall be grounds for the permanent disqualification of a director:

3.3.1.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as identified 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;

3.3.1.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or *Bangko Sentral ng Pilipinas* ("BSP"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership,

participation or association with a member or participant of the organization;

- 3.3.1.3. 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;
- 3.3.1.4. 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, included or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission of BSP, or any of its rule, regulation or order;
- 3.3.1.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- 3.3.1.6. Any person judicially declared as insolvent;
- 3.3.1.7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- 3.3.1.8. 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 date of his election or appointment.

3.3.2. *Temporary Disqualification.* The Board may provide for the temporary disqualification of a director for any of the following reasons:

- 3.3.2.1. 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;
- 3.3.2.2. 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;
- 3.3.2.3. 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;



- 3.3.2.4. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- 3.3.2.5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **3.4. Responsibilities, Duties and Functions of the Board**

- 3.4.1. *General Responsibility.* 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 shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
- 3.4.2. *Duties and Functions.* To ensure a high standard of best practice for the corporation and its stockholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:
  - 3.4.2.1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
  - 3.4.2.2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
  - 3.4.2.3. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
  - 3.4.2.4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.

- 3.4.2.5. Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
  - 3.4.2.6. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
  - 3.4.2.7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
  - 3.4.2.8. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, 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.
  - 3.4.2.9. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
  - 3.4.2.10. 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.
  - 3.4.2.11. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
  - 3.4.2.12. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
  - 3.4.2.13. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.
- 3.4.3. *Internal Control Responsibilities.* The Board shall continue and enhance its internal control environment by observing the following measures:

- 3.4.3.1. Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:
- i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
  - ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - iii. Evaluation of proposed senior management appointments;
  - iv. Selection and appointment of qualified and competent management officers; and
  - v. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- 3.4.3.2. Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- 3.4.3.3. Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that the Corporation's key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

### **3.5. Specific Duties and Responsibilities of a Director**

- 3.5.1. A director's office is one of trust and confidence. A director shall act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.
- 3.5.2. A director shall observe the following norms of conduct:
- 3.5.2.1. *Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.*

The basic principle to be observed is that a director shall not use his position to profit or gain some benefit or advantage for himself and/or

his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

- 3.5.2.2. *Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.*

A director shall devote sufficient time to familiarize himself with the corporation's business. He shall be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- 3.5.2.3. *Act judiciously.*

Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.

- 3.5.2.4. *Exercise independent judgment.*

A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position. Corollarily, he shall support plans and ideas that he thinks are beneficial to the corporation.

- 3.5.2.5. *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 shall also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

- 3.5.2.6. *Observe confidentiality.*

A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

### **3.6. Board Meetings and Quorum Requirement**

3.6.1. The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

3.6.2. Independent directors shall always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

### **3.7. Board Committees**

The Board shall maintain the following committees to assist it in good corporate governance:

#### **3.7.1. Audit Committee.**

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee shall be an independent director. The committee shall have the following functions:

3.7.1.1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

3.7.1.2. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

3.7.1.3. Perform oversight functions over the corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

3.7.1.4. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;



- 3.7.1.5. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 3.7.1.6. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- 3.7.1.7. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- 3.7.1.8. Review the reports submitted by the internal and external auditors;
- 3.7.1.9. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Major judgmental areas
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions
  - v. Compliance with accounting standards
  - vi. Compliance with tax, legal and regulatory requirements.
- 3.7.1.10. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- 3.7.1.11. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report.
- 3.7.1.12. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.
- 3.7.1.13. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

### **3.7.2. Nomination Committee.**

The Nomination Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

- 3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.
- 3.7.2.2. It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
- 3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:
  - i. The nature of the business of the corporation of which he is a director;
  - ii. Age of the director;
  - iii. Number of directorships/active memberships and officers in other corporations or organizations; and
  - iv. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.
- 3.7.2.4. The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve diligently shall not be compromised.
- 3.7.2.5. The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

### **3.7.3. Executive Compensation Committee.**

The Executive Compensation Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

- 3.7.3.1. It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the Corporation's culture, strategy and control environment;

- 3.7.3.2. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;
- 3.7.3.3. Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;
- 3.7.3.4. Disallow any director to decide his or her own remuneration;
- 3.7.3.5. Provide in the Corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;
- 3.7.3.6. Review of existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts.

### **3.8. The Chairman of the Board**

- 3.8.1. The duties and responsibilities of the Chairman in relation to the Board include, among others, the following:
  - 3.8.1.1. Ensure that the meetings of the Board are held in accordance with the by-laws or as he may deem necessary;
  - 3.8.1.2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer ("CEO"), Management and the directors; and
  - 3.8.1.3. Maintain qualitative and timely lines of communication and information between the Board and Management.
- 3.8.2. The roles of the Chairman and CEO shall, as much as practicable, be separate to foster an appropriate balance or power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the Chairman and CEO upon their election. If the positions of the Chairman and CEO are unified, the proper checks and

balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

### **3.9. The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall have the following responsibilities:

- 3.9.1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- 3.9.2. Be loyal to the mission, vision and objectives of the corporation;
- 3.9.3. Work fairly and objectively with the Board, Management and stockholders;
- 3.9.4. Have appropriate administrative and interpersonal skills;
- 3.9.5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- 3.9.6. Have a working knowledge of the operations of the corporation;
- 3.9.7. Inform 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;
- 3.9.8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- 3.9.9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- 3.9.10. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.
- 3.9.11. Submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

### **3.10. The Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

- 3.10.1. Monitor compliance by the corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- 3.10.2. Appear before the Commission when summoned in relation to compliance with this Code; and
- 3.10.3. Issue a certification every January 30<sup>th</sup> of the year on the extent of the corporation's compliance with this Code for the completed year and, if there are any deviations, explain the reason for such deviation.

#### **ARTICLE 4: ADEQUATE AND TIMELY INFORMATION**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the corporation's expense.

#### **ARTICLE 5: ACCOUNTABILITY AND AUDIT**

- 5.1. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.
- 5.2. Management shall, under the supervision of the Audit Committee, formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:



- 5.2.1. The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;
  - 5.2.2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation shall be maintained;
  - 5.2.3. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
  - 5.2.4. The corporation shall consistently comply with the financial reporting requirements of the Commission.
- 5.3. External Auditor.**
- 5.3.1. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
  - 5.3.2. The external auditor shall not, at the same time, provide internal audit services to the corporation.
  - 5.3.3. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.
  - 5.3.4. The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, shall be changed with the same frequency.
  - 5.3.5. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures of audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.
  - 5.3.6. If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory

body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

#### **5.4. Internal Auditor.**

5.4.1. The corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors through which its Board, Management and Stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

5.4.2. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

### **ARTICLE 6: TRAINING PROCESS**

6.1. If necessary, funds shall be allocated by the Board upon recommendation of the CFO or his equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

6.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

### **ARTICLE 7: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

7.1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

#### *7.1.1. Voting Right.*

7.1.1.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

7.1.1.2. Cumulative voting shall be used in the election of directors.

7.1.1.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### 7.1.2. *Pre-emptive Right.*

All stockholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

#### 7.1.3. *Power of Inspection.*

All stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

#### 7.1.4. *Right to Information.*

7.1.4.1. The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation's shares, dealings with the corporation, relationships among directors and key officers and the aggregate compensation of directors and officers.

7.1.4.2. The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

7.1.4.3. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders' meeting, being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice.

#### 7.1.5. *Right to Dividends.*

7.1.5.1. Stockholders shall have the right to receive dividends subject to the discretion of the Board.

7.1.5.2. The corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial

institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

*7.1.6. Appraisal Right.*

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

7.1.6.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

7.1.6.2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets provided in the Corporation Code; and

7.1.6.3. In case of merger or consolidation.

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

7.3. 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.

7.4. The Board shall 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 shall 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.

7.5. Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

## **ARTICLE 8: DISCLOSURE AND TRANSPARENCY**

- 8.1. All material information about the corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. Such information shall 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 and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.
- 8.2. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Corporation's Compliance Officer;
- 8.3. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 8.4. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
- 8.5. This manual shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.
- 8.6. The Compliance Officer shall provide copies of the Manual to all directors, division and department heads to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 8.7. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.

## **ARTICLE 9: MONITORING AND ASSESSMENT**

- 9.1. Each committee shall report regularly to the Board of Directors.
- 9.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Article 10 of this Manual.
- 9.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.4. This Manual shall be subject to periodic review by the Board.

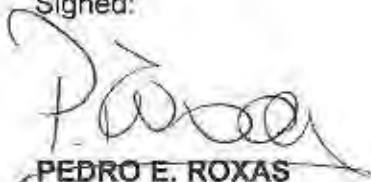


- 9.5. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

#### ARTICLE 10: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL.

- 10.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
- 10.1.1. In case of **first violation**, the subject person shall be reprimanded.
  - 10.1.2. Suspension from office shall be imposed in case of a **second violation**. The duration of the suspension shall depend on the gravity of the violation.
  - 10.1.3. For a **third violation**, the maximum penalty of removal from office shall be imposed.
- 10.2. The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship, subject to the provisions of the Corporation Code.
- 10.3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation for further review and approval by the Board.

Signed:



**PEDRO E. ROXAS**  
Executive Chairman  
Roxas and Company, Inc.



## **A N N E X “H”**

### **Roxaco Employee Handbook**



**EMPLOYEE HANDBOOK**  
**Revised 2010**

## **PURPOSE OF MANUAL**

(Revised May 2010)

The information contained in this Employees' Handbook is presented for the benefit of all employees of Roxaco Land Corporation (Roxaco). The intention is to furnish as much information as possible concerning what benefits and compensation, the employees can expect from Roxaco, and what Roxaco expects from its employees. It is the employees' responsibility to familiarize themselves with all the benefits and compensation contained in the Handbook. New and additional benefits and compensation schemes may be amended, altered and/or repealed as the case may be.

## **COMPANY PROFILE**

Roxaco Land Corporation, a wholly owned subsidiary of Roxas and Company, Inc. was incorporated on April 26, 1988 by the officers of Roxas and Company, Inc. led by its Chairman of the Board Antonio J. Roxas, Vice Chairman Eduardo J. Roxas and Executive Vice President and Treasurer Mr. Pedro E. Roxas, for the purpose of acquiring real estate for investment, development and/or sale.

The directors of the Corporation (as of 2010) are as follows:

Antonio J. Roxas  
Pedro E. Roxas  
Beatriz O. Roxas  
Francisco Jose R. Elizalde  
Francisco F. Del Rosario

The officers of the Corporation are as follows:

Pedro E. Roxas - Chairman  
Francisco F. del Rosario - President  
Santiago R. Elizalde - Senior Vice President

The Corporation is being managed by Roxas and Company, Inc. pursuant to a Management Agreement executed in January, 1995.

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## A. ***STATUTORY/GOVERNMENT MANDATED BENEFITS***

### 1. ***Maternity Leave Benefit***

Every pregnant employee, whether married or unmarried, is entitled to maternity leave benefit of **sixty (60) days** in case of normal delivery or miscarriage, or **seventy-eight (78) days**, in case of Caesarian section delivery, with benefits equivalent to **one hundred percent (100%) of the average daily salary credit** of the employee as defined under the law. To be entitled to the maternity leave benefit, a female employee should be an SSS member employed at the time of her delivery or miscarriage; she must have given the required notification to the SSS through her employer; and her employer must have paid at least three monthly contributions to the SSS within the twelve-month period immediately before the date of the contingency (i.e., childbirth or miscarriage). The maternity leave benefit, like other benefits granted by the Social Security System (SSS), is granted to employees in lieu of wages. Thus, this may not be included in computing the employee's thirteenth-month pay for the calendar year.

The maternity leave shall be extended without pay on account of illness medically certified to arise out of the pregnancy, delivery, abortion or miscarriage, which renders the woman unfit for work, unless she has earned unused leave credits from which such extended leave may be charged.

The maternity leave shall be paid by the employer only for the first four (4) deliveries.

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### 2. ***Paternity Leave Benefit***

Paternity Leave is granted to all married male employees, regardless of their employment status. The purpose of this benefit is to allow the husband to lend support to his wife during her period of recovery and/or in nursing her newborn child.

Paternity leave benefit shall apply to the first four (4) deliveries of the employee's lawful wife with whom he is cohabiting. If the spouses are not physically living together because of the work station or occupation, the male employee is still entitled to the paternity leave benefit. The paternity leave shall be for seven (7) calendar days, with full pay.

### 3. ***Parental Leave for Solo Parents***

"Parental leave" means leave benefits granted to a solo parent to enable him/her to perform parental duties and responsibilities where physical presence is required.

"Solo parent" means any individual who falls under any of the following categories:

(1) A woman who gives birth as a result of rape and other crimes against chastity even without a final conviction of the offender: *Provided*, That the mother keeps and raises the child;

(2) Parent left solo or alone with the responsibility of parenthood due to death of spouse;

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(3) Parent left solo or alone with the responsibility of parenthood while the spouse is detained or is serving sentence for a criminal conviction for at least one (1) year;

(4) Parent left solo or alone with the responsibility of parenthood due to physical and/or mental incapacity of spouse as certified by a public medical practitioner;

(5) Parent left solo or alone with the responsibility of parenthood due to legal separation or *de facto* separation from spouse for at least one (1) year, as long as he/she is entrusted with the custody of the children;

(6) Parent left solo or alone with the responsibility of parenthood due to declaration of nullity or annulment of marriage as decreed by a court or by a church as long as he/she is entrusted with the custody of the children;

(7) Parent left solo or alone with the responsibility of parenthood due to abandonment of spouse for at least one (1) year;

(8) Unmarried mother/father who has preferred to keep and rear her/his child/children instead of having others care for them or give them up to a welfare institution;

(9) Any other person who solely provides parental care and support to a child or children;

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(10) Any family member who assumes the responsibility of head of family as a result of the death, abandonment, disappearance or prolonged absence of the parents or solo parent.

A change in the status or circumstance of the parent claiming benefits under R.A. 8972 (Parent Leave for Solo Parent), such that he/she is no longer left alone with the responsibility of parenthood, shall terminate his/her eligibility for these benefits

The parental leave, in addition to leave privileges under existing laws, shall be for seven (7) work days every year, with full pay. A solo parent employee shall be entitled to the parental leave, provided that:

- He/she has rendered at least one (1) year of service, whether continuous or broken;
- He/she has notified his/her employer that he/she will avail himself/herself of it, within a reasonable period of time

In the event that the parental leave is not availed of, it shall not be convertible to cash

*NOTE:*

Parent with a live-in partner is not entitled for Parental Leave



#### 4. Overtime Pay

Employee who performed work in excess of a regular eight-hour schedule shall be entitled to an overtime pay equivalent to their basic hourly rate plus twenty five percent (25%).

\*For overtime rendered during regular holidays, they shall be given overtime premium as follows:

- a. If it is an employee's regular workday
  - If worked - 1st 8 hours - 200%
  - Excess of 8 hours - plus 30% of hourly rate on said day
- b. If it is an employee's rest day
  - If worked - 1st 8 hours - plus 30% of 200%
  - Excess of 8 hours - plus 30% of hourly rate on said day

There are eleven (11) regular holidays in a year under Executive Order No. 203, as amended by Republic Act 9177, namely:

- New Year's Day - January 1
- Maundy Thursday - Movable Date
- Good Friday - Movable Date
- Araw ng Kagitingan - April 9
- Labor Day - May 1
- Independence Day - June 12
- National Heroes Day - Last Sunday of August
- Eidl Fitr - Movable Date
- Bonifacio Day - November 30
- Christmas Day - December 25
- Rizal Day - December 30

#### NOTES:

##### a. Absences

All employees shall be entitled to holiday pay when they are on leave of absence with pay on the work day immediately preceding the regular holiday. Employees who are on leave of absence without pay on the day immediately preceding a regular holiday may not be entitled for holiday pay if they did not work on such regular holiday.

##### b. Successive Regular Holidays

Where there are two (2) successive regular holidays, like Maundy Thursday and Good Friday, an employee may not be entitled for both holidays if he/she absents himself/herself from work on the day immediately preceding the first holiday, unless he/she works on the first holiday, in which case he/she is entitled to his/her holiday pay on the 2<sup>nd</sup> holiday.

\*For declared **special days** such as Special Non-Working Day, Special Public Holiday, Special National Holiday, in addition to the two nationwide special days (November 1, All Saints Day and December 31, Last Day of the Year), the following rules shall apply:

##### a. If unworked

- No pay.

##### b. If worked

- 1st 8 hours - plus 30% of the daily rate of 100%
- excess of 8 hours - plus 30% of hourly rate on said day

- c. Falling on the employee's rest day and if worked
- 1st 8 hours - plus 50% of the daily rate of 100%
  - excess of 8 hours - plus 30% of hourly rate on said day

5. **Night Differential**

Night Shift Differential (NSD) refers to the additional compensation of ten percent (10%) of an employee's regular wage for each hour of work performed between 10 p.m. and 6 a.m.

6. **13<sup>TH</sup> MONTH PAY**

The thirteenth-month pay shall not be less than one-twelfth (1/12) of the total basic salary earned by an employee in a calendar year. It does not include allowances and monetary benefits which are not considered or integrated as part of the regular or basic salary, such as the cash equivalent of unused vacation and sick leave credits, overtime, premium, night shift differential and holiday pay. The 13<sup>th</sup> month pay is paid not later than December 24 of every year.

7. **PHILHEALTH Benefits**

A unified benefit package for all PhilHealth members is being implemented which includes the following categories of personal health services:

a. **Inpatient hospital care:**

- Room and board;
- Services of health care professionals;
- Diagnostic, laboratory, and other medical examination services;
- Use of surgical or medical equipment and facilities;
- Prescription drugs and biological, subject to the limitations stated in Section 37 of RA 7875; and
- Inpatient education packages.

b. **Outpatient care:**

- Services of health care professionals;
- Diagnostic, laboratory, and other medical examination services;
- Personal preventive services;
- Prescription drugs and biological, subject to the limitations described in Section 37 of RA 7875; and

8. **PAG-IBIG Fund**

Home Mutual Development Fund, a premier and globally competitive provident financial institution that aims to uplift the quality of life of members through savings.

Under the law, it is mandatory for all employees covered by the SSS to become member of Pag-ibig Fund. Members who are earning P1,500 or below contribute 1% of their monthly basic pay, while those who are earning more than P1,500 contribute 2% of

their basic pay or P100 whichever is higher. Employee may contribute higher up to maximum of P500 per month. Employer is required to match the employee's contribution up to P100 per month.

**Benefits and Programs:**

- Provident Savings Benefit
- HDMF Housing Bonds
- Housing Loan
- Provident Program
  - Multi-Purpose Loan
  - Calamity Loan

**9. Social Security System (SSS)**

The company provides its employee a security net as being prescribed by the law upon employment through SSS which is a government organization that aims to promote social justice and provides meaningful protection to its members and their families against hazard of disability, sickness, maternity, old age, death and other contingencies resulting to loss of income or financial burden.

**Benefits and Programs:**

**a. Sickness**

Sickness benefit is a daily cash allowance paid for the number of days a member is unable to work due to sickness or injury. A member is qualified to avail himself/herself of this benefit if:

- he/she is unable to work due to sickness or injury and is thus confined either in the hospital or at home for at least four days;
- he/she has paid at least three monthly contributions within the 12-month period immediately before the semester of sickness;
- he/she has used up all current company sick leaves with pay for the current year; and
- he/she has notified his/her employer

The amount of an employee's sickness benefit is computed as the daily sickness allowance times 90 per cent of the average daily salary credit

**b. Maternity (see no. 1)**

**c. Disability**

It is a cash benefit paid to a member who becomes permanently disabled, either partially or totally. A member who suffers partial or total permanent disability, with at least one (1) contribution paid to the SSS prior to the semester of contingency, is qualified.

The complete and permanent loss of use of any of the following parts of the body under permanent partial disability: one thumb, sight of one eye one, big toe, one index finger, hearing of one ear, one hand, one middle finger, hearing of both ears, one arm one ring finger, one foot, one ear, one little finger, one leg, both ears.

The following fall under permanent total disability:

- Complete loss of sight of both eyes;
- Loss of two limbs at or above the ankle or wrists;
- Permanent complete paralysis of two limbs;
- Brain injury causing insanity; and
- Other cases as determined and approved by the SSS.

Types of disability benefits:

- The monthly pension which is paid to a disabled member who has paid at least 36 monthly contributions to the SSS; and
- The lump sum amount which is granted to those who have not paid the required 36 monthly contributions.

**d. Retirement**

It is a cash benefit paid to a member who can no longer work due to old age.

A member is qualified to avail himself of this benefit if:

- He/she is 60 years old and unemployed and has paid at least 120 monthly contributions prior to the semester of retirement.
- He/she is 65 years old, whether employed or not. If employed he/she should have paid 120 monthly contributions prior to the semester of retirement, whether employed or not. The types of retirement benefits are:

- a. the monthly pension, and

- b. the lump sum amount. The monthly pension is a lifetime cash benefit paid to a retiree who has paid at least 120 monthly contributions to the SSS prior to the semester of retirement. The lump sum amount is granted to a retiree who has not paid the required 120 monthly contributions.

**e. Death & Funeral**

The death benefit is cash paid to the beneficiaries of a deceased member. The primary beneficiaries are the legitimate dependent spouse until he or she remarries and legitimate, legitimated, legally adopted or illegitimate dependent children of the member. In the absence of primary beneficiaries, the secondary beneficiaries are the dependent parents of the member. In their absence, the person designated by the member as beneficiary in his/her member's record will be the recipient.

The types of death benefits are:

- the monthly pension
- the lump sum amount.

The monthly pension is granted only to the primary beneficiaries of a deceased member who had paid 36 monthly contributions before the semester of death.

The lump sum is the amount granted to the primary beneficiaries of a deceased member who had paid less than 36 monthly contributions before the semester of death.

A funeral grant of P20,000 (effective September 1, 2000) is given to whoever pays the burial expenses of the deceased member or pensioner.

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## **10. Employees' Compensation Program (ECP)**

The Employees' Compensation Program (ECP) is a government program designed to provide a package of benefits for public and private sector employees and their dependents in the event of work-related contingencies such as sickness, injury, disability, or death.

### **Benefits and Programs:**

- a. *Loss of income benefit*** or a cash benefit given to a worker to compensate for lost income due to his or her inability to work.
- b. *Medical benefits*** which include the reimbursement of the cost of medicine for the illness or injury, payments to providers of medical care, hospital care, surgical expenses, and the costs of appliances and supplies where necessary. The medical services are limited to ward services of an accredited hospital.
- c. *Rehabilitation services*** include physical therapy, vocational training, and special assistance provided to employees who sustain a disability as a result of sickness or injury arising out of employment. The objective is to develop the workers' mental, vocational, and social potential and to help them remain as productive members of society.
- d. *Career's allowance*** which is provided to an employee who suffers a permanent total disability

(PTD) arising out of employment the extent of which is such that he or she could not on his or her own attend to his or her basic personal needs.

- e. *Death benefits*** which are granted to beneficiaries of an employee who dies as a result of sickness or injury arising out of employment. When a worker on PTD status dies, his or her primary beneficiaries shall receive eighty percent (80%) of his or her monthly income benefit plus ten percent (10%) for every dependent child but not exceeding five (5).

## **11. Separation Pay**

Separation pay is given to employees in instances covered by Articles 283 and 284 of the Labor Code of the Philippines. An employee's entitlement to separation pay depends on the reason or ground for the termination of his or her services. An employee may be terminated for just cause (i.e., gross and habitual neglect of duty, fraud, or commission of a crime), and other similar causes as enumerated under Article 282 of the Labor Code and, generally, may not be entitled to separation pay. On the other hand, where the termination is for authorized causes, separation pay is due.

**a. One-Half Month Pay per Year of Service**

An employee is entitled to receive a separation pay equivalent to one-half (1/2) month pay for every year of service, a fraction of at least six months being considered as one (1) whole year, if his/her separation from the service is due to any of the following authorized causes:

- Retrenchment to prevent losses (i.e., reduction of personnel effected by mgnt. to prevent losses);
- Closure or cessation of operation of the company not due to serious losses or financial reverses; and
- When the employee is suffering from a disease not curable within a period of six (6) months and his/her continued employment is prejudicial to his/her health or to the health of his/her co-employees.

**b. One-Month Pay per Year of Service**

An employee is entitled to separation pay equivalent to his/her one- month pay for every year of service, a fraction of at least six (6) months being considered as one whole year, if his/her separation from service is due to any of the following:

- Installation by employer of labor-saving devices;

- Redundancy, as when the position of the employee has been found to be excessive or unnecessary in the operation of the enterprise;
- Impossible reinstatement of the employee to his or her former position or to a substantially equivalent position for reasons not attributable to the fault of the employer, as when the reinstatement ordered by a competent authority cannot be implemented due to closure or cessation of operations of the establishment/ employer, or the position to which he or she is to be reinstated no longer exists and there is no substantially equivalent position in the establishment to which he or she can be assigned.

In the computation of separation pay, the salary base properly used in computing the separation pay should include not just the basic salary but also the regular allowances that an employee has been receiving



**B. COMPANY INIATED BENEFITS**

**1. Vacation Leave**

Upon regularization, all employees of Roxaco are entitled to paid vacation leave (VL) equivalent to 1.25 working days per month. The leave credits shall vary depending on the length of service with the company, as provided in the table below:

<u>Length of Service</u>	<u>Leave Credits</u>
0 - 5 years	15 days
Over 5 - 8 years	16
Over 8 - 10 years	17
Over 10 - 13 years	18
Over 13 - 15 years	19
Over 15 years	20

VL may be granted by his superior at anytime of the year. Applications for VLs must be submitted to the Senior Officer at least 3 days in advance. Employees are encouraged to enjoy time off to reinvigorate themselves

Unused vacation leave credits are converted in their cash equivalent at the end of the year.

**2. Sick Leave**

Upon regularization, all employees of Roxaco are entitled to paid sick leave (SL) equivalent to 1.25 working days per month. The leave credits shall vary depending on the length of service with the company, as provided in the table below:

<u>Length of Service</u>	<u>Leave Credits</u>
0 - 5 years	15 days
Over 5 - 8 years	16
Over 8 - 10 years	17
Over 10 - 13 years	18
Over 13 - 15 years	19
Over 15 years	20

The Company considers sick leave as any temporary absence due to illness or non-occupational injury that prevents an employee from coming to work. Application for emergency leave must be submitted upon return to work

Unused sick leave credits are converted in their cash equivalent at the end of the year.

### 3. Emergency Leave

Three (3) days of emergency leave with pay per year in addition to the employees' vacation leave credit shall be granted in cases of emergency such as bereavement (first degree of affinity or consanguinity), marriage of the employee, fire and similar calamities affecting the employee, and other serious emergencies as determined by the Senior Vice President.

Verbal approval by the superior is needed before going on leave. Application for emergency leave must be submitted not later than 5 days upon return to work.

### 4. Health Care Plan

The company provides all regular employees through a Health Maintenance Organization (HMO) provider a health card that will help them with their medical expenses. The Company pays for the total costs of the employees' coverage plus one (1) free dependent. No premiums will be paid by the employee.

Presently, the group hospitalization plan is provided by Maxicare Healthcare Corporation. Married employees or those with children can register only one dependent, who is either the spouse or a child. Single employees are not eligible to register any dependent. Features of the healthcare plan are out-patient care, preventive health care, annual check-up, in-patient care, emergency care and additional concessions depending on the job classification. Each employee will be provided with a summary of benefits.

The Group Hospitalization Levels are:

1. Platinum - Executives
2. Gold - Managers
3. Silver - Supervisors
4. Bronze - Professional/Technical and Monthly Rank and File

Dependents will enjoy the next lower hospitalization level. However, dependents of employees will also be entitled to the bronze level.

In the future, should the company decide to shift to another health care provider, principally the same coverage and range of benefits will apply.

### 5. Pre-employment Medical Exam

The company renders free routine pre-employment check up for all qualified applicants selected for any position. This includes chest x-ray and thorough vital signs and laboratory examination.

### 6. Annual Physical Medical Exam

All regular employees are schedule to undergo medical check up annually at the expense of the company.

### 7. Group Insurance Plan

For added security and protection, the Company provides a reasonable Group Life Insurance plan. All regular employees are enrolled under the plan. The Company pays for the group insurance premiums.

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## 8. Financial Assistance Plan

Purposes:

- Asset acquisition
- Medical Treatment
- Educational expenses
- Other Purposes (with CEO approval)

Loanable Amount:

- Officers below Vice President: maximum of 6 months salary but fully covered by the monetary equivalent of retirement / resignation benefits.
- Vice Presidents and up: maximum of P750,000 but fully covered by the monetary equivalent of retirement / resignation benefits.

Amortization: Semi-monthly with payments not to exceed 20% of gross monthly salary.

Interest: 1% over the company's highest short-term clean borrowing rate at the time of availment; subject to review and revision every 12 months from the time of availment.

Tenor: Minimum of 1 year  
Maximum of 4 years

Others: No multiple availments  
Clean up period of 30 days  
Employed by the Company for at least 2 yrs  
Subject to availability of funds

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## 9. Job Opportunities/ Promotions/ Training and Development

Roxaco's policy is to promote from within whenever practicable. When an opening occurs in the Company, those employees who have expressed a desire and have proven that they have the attitude and qualifications necessary to do the job will be considered before recruitment is made from the outside. Decisions to promote will be based on qualifications, experience, previous job performance, attendance record and the interest shown by the employee through his participation in the training opportunities and seminars which are available to all or upon approval by the Senior Officer.

The company believes in continuing development of potentials of an employee. For this purpose, in house or on-the-job training shall be conducted for the benefit of the employees. They may also be sent to training programs outside the company to further enhance their skills and knowledge. Also a regular employee may recommend and justify a specific seminar or course related to his function for approval by the Senior Officer.

## 10. Performance Management System Rewards

Performance Management System (PMS) is a means of obtaining better results by establishing a shared understanding of what is to be achieved, of managing, developing and motivating people in a way that it will be achieved.

The PMS rewards system enables the management to recognize and reward employees' contribution in the achievement of the corporate targets.

The mechanism involve in the implementation of the rewards recognizes the causal effect in the balanced scorecard, such that an individual who performed well will result to a better team performance, that will impact on the company's performance and to the whole group in totality.

The PMS reward is an incentive which is in the form of a variable pay wherein the cash equivalent will vary depending on the following:

- Company's performance in terms of the achievement of corporate goals and targets
- Individual performance based on the PMS rating

**11. Retirement Plan**

To provide financial assistance to Officers and Employees on their separation from the Company, either by retirement or resignation, the Company has put up a non-contributory retirement plan.

**a. Retirement Benefit**

The Plan provides for a normal retirement benefit (at age 60 yrs.) which is equal to the employees' final monthly salary as of the date of retirement for every year of service, multiplied by the applicable factor as follows:

<u>Years of Service</u>	<u>Applicable Factor</u>
Less than 5	None
5	0.50 (Normal retirement plan as per Labor Code)
6	0.60
7	0.70
8	0.80
9	0.90
10 to less than 20	1.00
20 and above	1.50

**b. Resignation Benefit**

If an employee voluntarily resigns from the Company after at least 5 years of service, he shall be entitled to receive a portion of his earned benefit credits as follows:

<u>Years of Service</u>	<u>Applicable Factor</u>
Less than 5	None
5 to less than 10	0.20
10 to less than 15	0.40
15 to less than 20	0.60
20 to less than 25	0.80
25 and above	1.00

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## ***C. WHAT ROXACO EXPECTS FROM YOU***

### ***1. Attendance***

The success and efficiency of day-to-day operations depend to a great extent on the employees reporting for work on time each day. If the employee is absent, or even late in reporting for work, he places an extra burden on his fellow employees.

The regular workweek of the employees is from Monday to Friday, 8:00am to 5:00pm with 2-hour lunch break from 12:00nn to 2:00pm.

Tardiness in excess of 15 minutes in any given day shall be deducted from payroll. Aggregate tardiness in excess of one hour in any given month shall be ground for disciplinary action.

If for some valid reasons the employee finds it impossible to report for work, he is expected to notify his immediate supervisor personally, or as soon as the employee can determine that he will be late or absent. The employee should explain fully the reason for his absence and when he expects to be able to resume work.

The employee should not depend on friends, relatives or fellow employee to report his absence. Absences of more than one day must be reported duly unless other arrangements have been made with the employee's Department Head. Absences due to illness for two days or more require a medical certificate from the attending physician.

### ***2. Dress Code***

All employees are required to wear clothes in accordance with the company's dress code. Employees are expected to wear clothes appropriate to their duties and responsibilities.

Male managers are expected to wear long-sleeved polo shirts with tie or long-sleeved barong, dark pants and leather shoes. Supervisors are expected to wear short-sleeved polo shirts with tie or short-sleeved barong, dark pants and leather shoes. Employees must wear short-sleeved polo without tie or short-sleeved barong, dark pants and leather shoes. During Fridays, all level can wear short-sleeved polo shirts or any other casual shirts with collar, but may not use clothes made of denim materials.

Female managers and supervisors are expected to wear the appropriate feminine attire such as dresses and skirts. Employees can wear pants provided that these are not casual. During Fridays, all levels can wear pants provided these are still considered appropriate office attire (i.e. no miniskirts, culottes, sleeveless shirts and blouses, shorts, half-shirts, midriff blouses.)

Casual attire may be worn only during field work which requires the employee to be out of the office for four (4) hours or more.

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### **3. Company I.D.**

The Company will provide the employee with a company I.D. upon regularization. The employee is expected to wear the I.D. at all times during office hours. This will make it easy for the employees to learn the names of his fellow employees & vice versa.

The replacement of lost I.Ds. shall be subject to current replacement costs. Should the employee resign, he must return the I.D. before he can receive his final pay check, clearance and certification of employment.

### **4. Change of Status**

The employee should inform the Administrative Head if he wishes to make changes in any of the following areas:

- Name (because of marriage)
- Address and Phone Number
- Marital Status
- Dependents
- Person to notify in case of emergency
- Beneficiary for SSS Retirement benefits

### **5. Security**

An employee is encouraged to report questionable activities or suspicious circumstances to his supervisor or the security officer promptly.

### **6. Telephone Calls**

Telephones are primarily for business use and may not be used for personal calls unless necessary.

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### **7. Security Passes and Package Inspection**

A security pass, signed by the Company's designated representative, is required in order to bring out any article from the office. If the employee is bringing in any article of value, he is advised to declare it to the floor security officer for logging in the control logbook. The unauthorized removal of any company property from the premises is ground for serious disciplinary action, including dismissal.

### **8. Visitors of Employees**

The employee is not allowed to receive visitors in his place of work. In cases for bonafide emergency, however, the Security Officer will inform the employee and in turn the employee shall ask the permission of his department head to leave his work area and attend to his visitor.

### **9. Outside Employment**

While Roxaco does not intend to interfere with an employee's personal affairs or limit his outside activities, it is not in favor of employees working in other jobs even if on a part-time basis only, as this greatly affects the employee's efficiency. He is not allowed while in the employ of Roxaco to engage in any activity which is in conflict with the interest of the Company or which will interfere with the performance of his job, including consulting, whether within or outside of the working hours without the prior written consent of the Senior Officer.



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## GENERAL POLICIES

These Rules and Regulations shall apply to all employees within the company premises and/or designated jobsites. It shall likewise apply to employees outside of the company premises if it involves Company property, or when the employee is on official business/ activity or participating in a company-sponsored activity. Moreover, in situations where the cause of action arises from a “superior-subordinate” relationship, these rules shall apply.

These Rules and Regulations shall be implemented independent of any civil or criminal action that may be filed against the erring employee. All infractions shall be duly recorded and form part of the 201 file of the employee concerned.

Everyone is expected to study, understand, and adhere to these rules and regulations. No one can plead ignorance of the same.

## OBJECTIVES

1. To acquaint the employees on the fundamental patterns of standards of behavior and performance expected of everyone;
2. To serve as a constant reminder of what employees are expected to do in order to ensure and attain high level of productivity;
3. To instill proper and correct attitude on the part of employees towards their work; and

4. To provide Department Heads and Supervisors with guidelines on the administrations of employee discipline.

## ADMINISTRATION

1. The administration of discipline is a line function and all Supervisors and Managers are primarily responsible for the behavior of their respective subordinates. Therefore, it is their duty to decide and impose appropriate disciplinary action whenever necessary within the limits of their authority as follows:

1.1 Offenses punishable by a penalty of **less than one (1) month suspension** shall be decided by the Supervisor or Manager concerned in consultation with Senior Vice President.

1.2 Offenses punishable by a penalty of **more than one (1) month suspension** shall, upon the recommendation of the Supervisor or Manager, be with the assent of the Senior Vice President.

1.3 Offenses punishable by **discharge** for cause shall be with the approval of the Senior Vice President or in his absence, any other officer of higher rank.

The Human Resources Section must always be informed in writing of the disciplinary action taken for the record purposes.

2. The VPCHR may be consulted by the Supervisor or Manager concerning disciplinary cases in their unit. When a violation is noted by the HR, the Supervisor or Manager concerned shall be notified accordingly so that action may be promptly taken by them.
3. These rules and regulations are not limited to cover all company rules and regulations, but are intended to define basic policy. Hence, other rules and regulations may subsequently be issued from time to time as the circumstances warrant.

## PROCEDURE

1. Upon receipt of a written complaint or report of an alleged violation, the Supervisor or Manager concerned shall investigate and review the facts of the case, giving the respondent the opportunity to be heard.
  - 1.1 The respondent must be served with a letter informing him/her of the alleged violation and directing him/her to explain in writing within two (2) working days upon receipt of the same.
  - 1.2 A duplicate of a written notice or letter must be signed by the respondent to signify that he or she received the same. This letter shall form part of his/her 201 File.

- 1.3 If the respondent refuses to receive the same, the Supervisor or Manager shall leave a copy to the respondent in the presence of two witnesses who shall attest to the fact that the respondent refuses to acknowledge receipt of the same. Such fact must be annotated in the receiving copy by the witnesses.
- 1.4 Failure of the employee to answer in writing within the said period shall be construed as a waiver of his right to submit his answer/explanation.

2. Thereafter, the Supervisor and/or the Manager concerned shall evaluate the facts of the case.
3. The Supervisor or Manager concerned shall then prepare a written report on the alleged infraction, his findings and the appropriate penalty to be imposed, if any. A copy of the said report together with the other copies of the documentary evidences and written testimonies, if applicable, shall be forwarded to the Human Resources Section for the proper disposition.

**Note: The above procedures shall not in any manner be construed as a limitation on the exercise of Management prerogative to create an Investigating Committee should the circumstances warrant its creation.**

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## TYPES OF DISCIPLINARY ACTION

1. Any employee who commits any of the offenses defined under these Rules and Regulations may be disciplined in accordance with the following table of penalties:
  - I. **Written Reprimand.** Normally given to first time offenders for violation of petty offenses.
  - II. **Suspension for three (3) days.** This places an employee under suspension for one (3) days for committing light offenses.
  - III. **Suspension for one (1) week.** This places an employee under suspension for one (1) week for committing minor offenses.
  - IV. **Suspension for more than one (1) week but less than one (1) month.** This places an employee under suspension for more than one (1) week but less than one (1) month for committing less serious offense.
  - V. **Suspension for one (1) to six (6) months.** This places an employee under suspension for one (1) to six (6) months for committing serious offenses.
  - VI. **Discharge.** This is the termination of an employee for commission of an extremely serious violation repeated infraction of the offenses defined under the rules.

2. If the Employee commits at least three (3) different infractions within a period of twelve (12) months from the first offense, the penalty next higher in degree than that prescribed shall be imposed on the fourth and subsequent offenses.
  1. Suspension carries with it loss of all fringe benefits and privileges. Such loss of benefits and privileges however shall be limited to the entire duration of the suspension period only.
  2. Discharge for cause carries with it the forfeiture of all fringe benefits and privileges.
  3. Notwithstanding the penalties enumerated above, depending on the gravity and the nature of the offense committed, the maximum penalty of discharge may be imposed.

## MITIGATING AND AGGRAVATING CIRCUMTANCES

1. If on account of some mitigating circumstances attending a particular case, it appears that the penalty to be imposed will be so severe, the penalty next lower in degree may be imposed.
2. A penalty may be raised to a higher degree/level when the penalty to be imposed appears to be so light on account of the presence of aggravating circumstances.

## CONDONATION OR COMMUTATION OF PENALTIES

All recommendation for a reduction on penalty/ies imposed shall be approved by the Manager or the Vice President, and noted by the Human Resources Section.

## PRIVATE DISAGREEMENTS, CONTROVERSIES, CIVIL OR CRIMINAL CASES BETWEEN EMPLOYEES

Management will not intervene in any disagreements, controversies or court cases ( civil or criminal ) between employees that are personal or private in nature. However, in such private disagreement, controversy or court action causes any animosity between the employees thereby affecting the peace and order within the Company premises or affecting the efficiency of work or which may prejudice the Company, Management will adopt and put in effect such measures as may be necessary to remedy the situation, including suspension of the erring employees as circumstances or the nature of the case may require.

## ADMINISTRATION AND AMENDMENT

1. **Management reserves its right to amend, alter, modify or change these Rules as the exigencies of the time or circumstances may warrant.**
2. Every employee shall, upon employment, be furnished with a copy of these Rules and any of its amendments and must acknowledge receipt of the same writing.

## EFFECTIVITY

1. **These Rules shall supercede all other Rules and Regulations previously promulgated for ROXACO employees.**
2. These Rules shall take effect after it has been widely circulated to all employees.

## DISCIPLINARY RULES AND REGULATIONS

- I - Warning
- II - Suspension for three (3) days
- III - Suspension for one (1) week
- IV - Suspension for more than one (1) week but less than one (1) month
- V - Suspension for one (1) to six (6) months
- VI - Discharge

A. OFFENSES AGAINST PERSONS	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1. Provoking or instigating a quarrel, or fighting in Company premises causing light physical injuries which incapacitates a person to work for or shall require medical attendance for:				
a. one to three days	II	III	IV	VI
b. four to six days	III	IV	V	VI
c. seven to less than ten days	IV	V	VI	
2. Threatening, intimidating, coercing or harassing a fellow employee or anybody on the jobsite or on Company property at anytime. When the offense is committed against a superior, the penalty provided for insubordination shall be imposed.	IV	V	VI	

1. Inflicting less serious physical injuries (which incapacitates a person to work for ten days to thirty days or which shall require medical attendance for the same period).	IV	V	VI	
2. Inflicting serious physical injuries (which incapacitates a person to work for more than thirty days or which will require medical attendance for the same period)	V	VI		
3. Taking the life of a Company official, employee or any person willfully or thru gross negligence on company premises or jobsite.  The offenses in item 1-5 under this rule shall apply even if committed outside of company premises or during non-company time if the cause of action is work related or one that arises from a "subordinate-superior" relationship.	VI			

6. Endangering the safety of other employees through negligence.	III	IV	V	VI
7. Causing physical injuries to co-workers on account of carelessness or negligence.	III	IV	V	VI

B. OFFENSES AGAINST PROPERTY	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1. Malversation of Company funds.	VI			
2. Stealing Company property.	VI			
3. Stealing property belonging to another while inside Company premises.	VI			
4. Attempting to steal from Company; removing Company property from premises without approval from authorized personnel.	V	VI		
5. Willful destruction of Company property.	VI			
6. Damaging Company property thru negligence or reckless, negligent or improper use of company tools and equipment.	III	IV	V	VI

7. Unauthorized use of Company tools, equipment.	I	II	IV	VI
8. Driving or operating Company vehicles without valid license.	V	VI		
9. Vandalism/Graffiti (such as destroying office equipment / furniture; writing/ painting on the walls, restrooms, etc.)	IV	V	VI	
10. Possession of Company tools or property without authority or valid reason for processing the same.	IV	V	VI	

C. FRAUDULENT ACTS	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1. Falsifying Company records, reports, receipts, papers or other document.	VI			
2. Falsifying daily time records.	V	VI		
3. Falsifying signatures, using another's name, or acting in the name of the Company without express authority.	V	VI		
4. Falsifying employment records, giving or submitting false statement in applying for employment.	V	VI		



5. Obtaining or attempting to obtain materials in a fraudulent manner.	V	VI		
6. Substituting Company material or equipment with other property.	V	VI		
7. Unauthorized disclosure of information, trade secrets, and unauthorized access to information/data.	IV	V	VI	
8. Unauthorized solicitation in any form such as requests for assistance, contributions and donations either in the form of cash or otherwise.	V	VI		

D. OFFENSES AGAINST PUBLIC MORALS	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1. Using indecent, abusive, derogatory and/or indecorous words whether verbally or used in letters or communications addressed to the Company or to any of its officers.	IV	V	VI	

2. Circulating false or malicious information tending to malign or besmirch the good name of the Company or any of its officers.	IV	V	VI	
3. Taking part in or promoting any gambling or any other game of chance or unauthorized lottery on Company job-site.	IV	VI		
4. Committing immoral, indecent acts, or willful indecent exposure inside company premises, property or job sites.	I	II	IV	VI
5. Using profane or obscene language in addressing another person on Company premises, property or job sites.	I	II	IV	VI
6. Exhibition or distribution of pornographic materials including possession of the same in Company worksites.	I	II	III	IV
7. Engaging in illicit relationship with co-employee under scandalous circumstances or affecting work performance.	V	VI		

## SEXUAL HARASSMENT

Commission of sexual harassment or any of the sexually improper conduct defined under the Company Rules and Regulations Implementing the Anti-Sexual Harassment Act of 1995 shall be penalized pursuant to the said rules.

E. OFFENSES AGAINST SECURITY	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1. Neglect use of ID or any other system of identification provided or required by the Company; or giving ID to any other person not entitled to it.	I	II	III	IV
2. Unauthorized possession of ice-picks, clubs, other deadly articles or bladed instruments such as hunting knife, balisong knife, “tres cantos”, dagger etc., inside the premises of the company.	V	VI		
3. Illegal possession of explosives within the premises of the company.	VI			
4. Refusing to submit to Company authorized security personnel in the performance of their duties.	I	III	VI	

5. Refusal to submit to or disobedience or failure to meet or observe security requirements or regulations of the Company.	I	III	VI	
6. Engaging in sabotage.	VI			
7. Entering restricted areas without specific permission.	I	III	VI	
8. Conviction of a crime or felony involving moral turpitude.	VI			
9. Unauthorized disclosure or giving away without authorization restricted Company information or other data of confidential nature to any person not authorized to acquire or possess such information or data.	V	VI		
10. Reporting for work obviously under the influence of liquor or dangerous drugs as listed under the Dangerous Drugs Act of 2002.	V	VI		

11. Bringing in or attempting to bring inside Company premises, property or jobsites, alcoholic beverages or any dangerous drugs.	V	VI		
12. Drinking any alcoholic beverage or use of dangerous drugs on Company premises.	V	VI		

F. LOAFING DURING WORKTIME	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4th
1. Leaving work assignment during work hours without previous permission and without reasonable cause.	II	III	IV	VI
2. Engaging in horse-play; officiousness and noisy conduct disturbing the work of other employees.	I	II	III	IV
3. Wasting time or loitering on Company time.	II	III	IV	VI
4. Stopping work before indicated time-out.	II	III	IV	VI

5. Leaving Company premises or jobsite during working time without previous permission of supervisor.	II	III	IV	VI
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G. HABITUAL TARDINESS	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4th
4. Tardiness without reasonable cause in excess of sixty (60) minutes in any one month or five (5) times in one month.	I	II	III	IV

H. HABITUAL ABSENTEEISM	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4th
1. Absence without permission or without reasonable cause.	I	II	III	IV
5. Being absent for two consecutive days to one (1) week without permission or without officially filling leave of absence.	III	IV	V	VI

<p>3. Same as above if unauthorized absences exceed seven (7) consecutive days but not more than one (1) month</p> <p><i>Failure to return to work promptly upon expiration of vacation or sick leave shall be considered absence without leave. So that the reason justifying the absence may be considered in excusing the personnel concerned, the same must be received by or communicated to the proper authority within 24 hours from the first day of absence.</i></p>	V	VI		
<p>4. Same as above if unauthorized absences exceed thirty (30) consecutive days.</p> <p><i>Note: The penalties for violation of Paragraph H, Item # 1-4 shall be applied on a yearly basis reckoned on the immediately preceding 12 month period so that every year shall start with the penalty for the first offense.</i></p>	VI			

<p>5. Doing private work during working hours without permission. Selling any kind of articles or lottery tickets, within the premises, without authorization of management.</p>	II	III	IV	VI
<p>6. Sleeping while on duty, in non-guarding or non-tending assignment.</p>	III	IV	V	VI
<p>7. Sleeping while on duty causing damage to property or physical injuries.</p>	V	VI		

I. HEALTH	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
<p>1. Refusal to submit Annual Physical Examination result</p>	I	V	VI	

J. CONFLICT OF INTEREST	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
<p>1. Engaging in business or professional activity during working hours, or in any activity that goes against the interest of the Company regardless of whether the same is done during working hours or not.</p>	II	IV	V	VI