

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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Company Name

A	L	S	O	N	S		C	O	N	S	O	L	I	D	A	T	E	D		R	E	S	O	U	R	C	E	S	,
I	N	C	.																										

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

A	I	S	O	N	S		B	U	I	L	D	I	N	G	,		2	2	8	6		C	H	I	N	O			
R	O	C	E	S			A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y	,			
M	E	T	R	O			M	A	N	I	L	A	,		P	H	I	L	I	P	P	I	N	E	S				

Form Type

1	7	-	A
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

legal@alcantaragroup.com
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Company's Telephone Number/s

982 - 3000
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Mobile Number

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No. of Stockholders

466
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Annual Meeting  
Month/Day

Any day of May
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Fiscal Year  
Month/Day

December 31
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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Robert F. Yenke
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Email Address

ryenke@alcantaragroup.com
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Telephone Number/s

982-3000
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Mobile Number

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Contact Person's Address

Alsons Building, 2286 Chino Roces Avenue, Makati City
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**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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**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 31 December 2016
2. SEC Identification Number 59366 3. BIR Tax Identification No. 001-748-412
4. ALSONS CONSOLIDATED RESOURCES, INC.  
Exact name of registrant as specified in its charter
5. Philippines 6. (SEC Use Only)   
Province, country or other jurisdiction of incorporation Industry Classification Code:
7. Alsons Building., 2286 Don Chino Roces Avenue, Makati City, Philippines 1231  
Address of principal office Postal Code
8. (632) 982-3000  
Registrant's telephone number, including area code
9. (Not applicable)  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC
- | Title of Each Class          | Number of Shares of Common Stock<br>Outstanding and Amount of Debt<br>Outstanding |
|------------------------------|-----------------------------------------------------------------------------------|
| Common Stock ₱1.00 par value | 6,291,500,000 Shares                                                              |
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [X] No [ ]
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(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 [X] No [ ]
- (b) has been subject to such filing requirements for the past 90 days.  
Yes [X] No [ ]
13. Aggregate market value of the voting stock held by non-affiliates of the registrant:  
₱ 1,801,588,354.28  
Assumption: Based on Closing Price of ₱1.43 as of 13 March 2017 and on 1,259,851,996 shares.

## TABLE OF CONTENTS

	<u>Page No.</u>
<b><i>PART I - BUSINESS AND GENERAL INFORMATION</i></b>	
Item 1 Business	1
Item 2 Properties	8
Item 3 Risks	9
Item 4 Legal Proceedings	10
Item 5 Submission of Matters to a Vote of Security Holders	10
<b><i>PART II - OPERATIONAL AND FINANCIAL INFORMATION</i></b>	
Item 6 Market for Registrant's Common Equity and Related Stockholder Matters	11
Item 7 Management's Discussion and Analysis or Plan of Operation	13
Item 8 Financial Statements	23
Item 9 Changes in and Disagreements With Accountants and Financial Disclosure	25
<b><i>PART III - CONTROL AND COMPENSATION INFORMATION</i></b>	
Item 10 Directors and Executive Officers of the Registrant	26
Item 11 Executive Compensation	31
Item 12 Securities Ownership of Certain Beneficial Owners and Management	33
Item 13 Certain Relationship and Related Transactions	35
<b><i>PART IV – CORPORATE GOVERNANCE</i></b>	
Item 14 Corporate Governance	37
<b><i>PART V – EXHIBITS AND SCHEDULES</i></b>	
Item 15 a. Exhibits	37
b. Reports on SEC Form 11-C (Current Report)	37
<b><i>SIGNATURES</i></b>	38
<b><i>INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES</i></b>	39
<b><i>INDEX TO EXHIBITS</i></b>	39

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. BUSINESS**

Alsons Consolidated Resources, Inc. (ACR or the Company) was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. (Tegre) in March 1995.

In 1994, the Alcantara Group, through Alsons Power Holdings Corporation (APHC), acquired a 55.80% interest in Tegre through a swap of APHC's 50.78% stake in Northern Mindanao Power Corporation (NMPC). The Securities and Exchange Commission (SEC) formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from ₱1 billion to ₱3 billion.

The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

On October 10, 1996, the Company completed its reorganization through a series of stock swaps. As a result of this reorganization, some of the Alcantara Group's established businesses became majority or minority owned subsidiaries of ACR and the Company's authorized capital was further increased from ₱3 billion to ₱12 billion.

ACR's core businesses, conducted through its various subsidiaries and associates, can be grouped into the following main categories: a) Energy and Power, b) Property Development, and c) Other Investments. A description of the general nature and scope of these businesses is presented below:

#### **Energy and Power**

ACR's investment in the Energy and Power business is through four holding firms namely, Conal Holdings Corporation (Conal or CHC) and Alsing Power Holdings, Inc. (Alsing), Alsons Renewable Energy Corporation (AREC) and Alsons Thermal Energy Corporation (ATEC). Conal owns all of ACR's diesel plants operating power generation businesses, namely: (1) Alsing Power Holdings, Inc. at 80%, (2) Alto Power Management Corporation at 60% and (3) Mapalad Power Corporation 100%. Alsing, in turn, owns 55% of: (a) Western Mindanao Power Corporation; and, (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing. AREC, which was organized on October 2, 2014 is currently in the process of developing Siguil Hydro Power Corporation and Kalaong Hydro Power Corporation, both in the renewable energy and holds 100% of these entities. ATEC was organized on December 3, 2015 wherein ACR transferred its direct interest in Sarangani Energy Corporation (Sarangani) on April 27, 2016.

ACR also formed Aces Technical Services Corporation (ACES), a wholly-owned subsidiary, on July 7, 2011 which served as the operations and maintenance Company of SEC and San Ramon Power, Inc. (SRPI). On October 13, 2016, ACR transferred its ownership of Sarangani into ATEC.

ACR also has a wholly owned subsidiary, Alsons Power International Limited (APIL), which handles the development of the power plant projects of ACR outside the country.



The four (4) operating power generation subsidiaries, Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), Mapalad Power Corporation (MPC) and Sarangani Energy Corporation (Sarangani) are all located in Mindanao.

WMPC operates a 100-megawatt (MW) diesel-fired electricity generating facility in Zamboanga City as a merchant plant after its 18-year “Build-Operate-Own” (BOO) arrangement with National Power Corporation (NPC) expired in December 2015. SPPC operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 15 kilometers east of General Santos City, also as a merchant plant after its 18-year BOO arrangement with NPC expired on April 28, 2016.

MPC rehabilitated and started operating 98 MW of the 103MW bunker-fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government on February 27, 2013. MPC currently operates as a merchant plant and serves various electric cooperatives in Mindanao.

The Mindanao Grid, where the four power plants of ACR’s Energy and Power business operate, is dominated by power generated by the Agus Hydroelectric System. However, when the water of Lake Lanao is at a critical level, the Agus Hydroelectric System cannot service the full demand of the Mindanao Grid. The MPC, SPPC and WMPC plants are therefore called for dispatch to supply this deficit. As the demand for power in Mindanao is expected to grow rapidly over the next few years, these power plants will play an important role in providing adequate and stable power for Mindanao.

Further assuring stable power supply to the Mindanao Grid is the 210MW coal-fired power plant in Maasim, Sarangani, of which ACR recently completed the construction of its first section of 105MW through its subsidiary, Sarangani. The limited notice to proceed with the construction of the second phase or section (“Phase 2” or “Section 2”) was issued in July 2016 and Section 2’s expected completion date is in the second quarter of 2019. In addition, ACR is also beginning site development and clearing works for SRPI’s 105MW coal-fired power plant project (ZAM100) in Zamboanga City. ZAM100 will supply power to Zamboanga City and other parts of the Zamboanga Peninsula.

### **Property Development**

ACR is also engaged in the Property Development business through its subsidiary, Alsons Land Corporation or ALC. Established on November 25, 1994, ALC was primarily involved in a 72-hole golf course development called the Eagle Ridge Golf & Country Club, Inc. (the Golf Club), with a residential component called the “Eagle Ridge Golf & Residential Estates” (Eagle Ridge), in General Trias, Cavite.

Eagle Ridge is a joint venture between ALC and Sta. Lucia Realty Development, Inc., which covers 700 hectares in General Trias, Cavite. The Golf Club is the only golf club in the Philippines with four completed signature golf courses and three fully operational clubhouses, with superior facilities that cater not only to golfers but also to their families and guests.

To maximize the use of its remaining land holdings, ALC is also engaged in the development of other types of housing products. Re-packaging its properties to better suit emerging market niches in the property sector, ALC launched “Campo Verde”, a joint venture project with Sunfields Realty Development, Inc. The 11-hectare property is located inside LTC and an hour away from Makati via the South Luzon Expressway and the Southern Tagalog Arterial Road Tollway. Campo Verde offers three (3) distinct Spanish themed homes that are ideal for young to growing families. The model house choices range from: Condesa with a lot area of 90 square meters and floor area of 36 square

meters; Duquesa with a lot size of 100 square meters and a floor area of 50 square meters; and, Reina with 120 square meter-lot and a floor area of 80 square meters. To date, ALC is still focusing in selling its remaining inventories.

Through subsidiary Kamanga Agro-Industrial Economic Development Corporation, ACR is also developing the Kamanga Agro-Industrial Economic Zone, where the power plant of Sarangani is located, in the Municipality of Maasim, Province of Sarangani, which was accredited with the PEZA as an agricultural and light-industry zone. Enterprises will be encouraged to set up their businesses in, or relocate to, this "Ecozone" to enjoy incentives prescribed by law through the PEZA.

To further expand its interest in the energy sector, the Company is presently considering several investment opportunities also in Mindanao.

### **Other Investments**

In 2007, ACR infused capital in ACR Mining Corporation (ACR Mining) amounting to ₱195 million to support the latter's acquisition of the 75% interest of Alsons Development and Investment Corporation (ALDEVINCO), one of its major stockholders, in the Joint Venture with Southern Exploration Corporation (SECO) to explore and develop the Manat Mining Claims situated in the provinces of Davao del Norte and Compostela Valley. ACR Mining was formerly known as ACR Management Corporation. Covered by Mineral Production Sharing Agreement (MPSA) Serial No. 094-97-XL for 25 years up to year 2022, the mining claim has a total area of 1,547.32 hectares. It is located in the Municipality of Nabunturan, Province of Compostela Valley and in the Municipality of Maco, Province of Davao del Norte. Previous exploration work at the project area identified three sub-parallel NW trending mineralized structures: Pagtulian, Katungbuan/Taglayag, and Magas. Detailed work on the Magas Vein Zone (MVZ) so far revealed an estimated inferred resource of 2.7 million tons containing: 2.8 g/t gold, 26 g/t silver, 0.09% copper, 0.85% lead, and 1.58% zinc. On May 24, 2015, the Board of Directors approved and declared ACR Mining as property dividend of record date of June 5, 2015. The Securities and Exchange Commission approved the Certificate of Filing the Notice of Property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

To further expand its interest in the energy sector, the Company is presently considering several investment opportunities also in Mindanao.

### **Status of publicly-announced new projects**

1. The first phase of 105MW of the 210 MW Sarangani Energy Corporation power plant commenced commercial operations as of April 29, 2016. The President of the Philippines personally inaugurated the plant's first phase and also attended the ground-breaking for its second phase on January 25, 2017. Upon completion of its second phase, SEC's 210MW plant will help provide a sustainable and lasting solution to the power shortage in Mindanao.
2. The 105MW SRPI power plant in Zamboanga City received its environmental compliance certificate from the Department of Environment and Natural Resources in March 2012. The Company has begun site preparation and clearing works. The expected construction of the plant that was previously forecast to commence in the later part of 2013 has been deferred to a later time. The total project cost is estimated at ₱13.5 billion. The Company is still in the process of negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant will service Zamboanga City and other nearby areas.

The Company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

**1. Business segments contribution to revenues**

**Table I – Revenue Contribution by Business Segment**

	(Amounts in Thousand PhP)			% to Total		
	2016	2015	2014	2016	2015	2014
Energy and Power	₱7,085,042	₱5,002,696	5,159,454	100%	100%	100%
Property Development	21,756	25,444	20,617	0%	0%	0%
	₱7,106,798	₱5,021,696	5,180,071	100%	100%	100%

Income from foreign sources amounting to ₱8 million in 2016, ₱25 million in 2016 and 2015, respectively. These fees represent technical advisory services related to the operation and maintenance of a power plant in Indonesia.

**2. Competition**

Aside from the numerous housing developments competing in Batangas, Cavite and Laguna areas, a shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Golf and Residential Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

While several power generation companies have either commenced construction of coal-fired power stations or announced plans to build them, Sarangani has secured its position in the market by entering into Power Sales Agreements (PSAs) with various distribution utilities. Having secured the approval of the Energy Regulatory Commission of these PSAs, SEC is assured of the market for its capacity.

The diesel power plants of WMPC, SPPC, and MPC are significantly contracted. These plants remain the preferred suppliers of most distribution utilities for peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations.

**3. Sources and Availability of Raw Materials and Supplies**

SPPC has fuel supply agreement with Pilipinas Shell Petroleum for the supply of an estimated 2 to 4 million liters of fuel per month until September 1, 2019. Wärtsilä Corporation of Finland supplies the engine parts and major maintenance services needed by the plants.

MPC and WMPC signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4 to 8 million liters of fuel per month for each plant. The agreement is valid until April 5, 2017 for MPC and December 13, 2018 for WMPC. Similar to WMPC and SPPC, MPC also has agreements with Pilipinas Shell Petroleum Corporation for the supply of its lubricating oils and with Wärtsilä Corporation for the supply of its engines.

Sarangani has a fuel supply and transport agreement with Toyota Tsusho Corporation for low sulfur coal or sub-bituminous coal, which is sourced from Kalimantan, Indonesia with net calorific value of 3,630 to 5,450 KCal per kilogram with price based on GlobalCoal New Castle Index. The agreement is valid for 10 years from April 29, 2016 until 2026.

#### **4. Dependence on a Single or a Few Customers**

SPPC and WMPC's sole customer used to be NPC through BOO arrangements and their energy conversion agreements (ECAs) with NPC ended on December 12, 2015 and April 28, 2016, respectively. These plants have secured, or are securing Power Supply Agreements (PSAs) with various distribution utilities. SEC on the other hand has secured 25-year PSAs with the following distribution utilities:

<u>Contracting Party</u>	<u>Contracted Capacity</u>
South Cotabato Electric Cooperative II, Inc.	70
Iligan Light and Power, Inc.	27
Cagayan Electric Power and Light Company, Inc.	20
Davao del Norte Electric Cooperative, Inc.	15
Davao del Sur Electric Cooperative, Inc.	15
Agusan del Norte Electric Cooperative, Inc.	10
Agusan del Sur Electric Cooperative, Inc.	10
Cotabato Electric Cooperative, Inc.	10
South Cotabato I Electric Cooperative, Inc.	10
Zamboanga del Sur I Electric Cooperative, Inc.	5
Zamboanga del Norte Electric Cooperative, Inc.	5
Misamis Oriental Electric Cooperative II	3

Alto Power Management Corp. (APMC), a subsidiary of ACR, provides the plant and operation management services to SPPC, WMPC and MPC. Also, APMC International Ltd., a wholly owned subsidiary of APMC, provided operations and maintenance management services to PT Makassar Power Indonesia until April 2016.

The Property Development and other businesses of ACR are not dependent on a single or few customers and the loss of one or a few customers will have no material adverse effect on the Company and its subsidiaries

#### **5. Effect of Existing or Probable Governmental Regulations on the Business**

Act No. 9136, the Electric Power Reform Act (EPIRA), and its Implementing Rules and Regulations (IRR), provide for significant changes in the Power Sector which includes among others:

- a. The unbundling of the generation, transmission, distribution and supply of power and other disposal assets, including its contract with IPP and electricity rates;
- b. Creation of a Wholesale Electricity Spot Market (WESM) within one year; and,
- c. Open and nondiscriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides: (i) cross ownership restrictions between transmission and generation companies and between transmission and distribution companies; and, (ii) a cap of 50% on the demand of a distribution utility sourced from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA; and (iii) specifically relating to generation companies, a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

## **6. Research and Development**

ACR and its subsidiaries do not allocate specific amounts or a fixed percentage for research and development. All research, if any, are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

## **7. Employees**

As of December 31, 2016, ACR and its 50% or more directly or indirectly-owned subsidiaries had a manpower complement of 411 employees, broken down as follows: 5 executives, 21 managers, 98 supervisors and 287 associates. The Company believes that changes in manpower complement will be minimal for the next twelve months. The employees of the Company and its subsidiaries are not unionized.

## **8. Bankruptcy Proceedings**

The Company has not contemplated any plan for bankruptcy, receivership or similar proceedings. Neither is there any material reclassification, merger, consolidation nor sale of any significant amount of assets in the ordinary course of business.

## **9. Cost and Effect of Compliance with Environmental Laws**

As a holding company, ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries follow the regulations embodied in the EPIRA. All its plants meet the exhaust emission standards set by DENR. Compliance with existing environmental laws has corresponding costs, which include expenditures for the following:

- a. renewal fees for the DENR permit/license to operate;
- b. exhaust emission tests and monitoring (costs covered by the environmental guarantee fund);
- c. environmental monitoring fund (SPPC ₱500,000 and WMPC ₱598,000); and,
- d. environmental guaranty fund (SPPC ₱500,000 and WMPC ₱508,000). SPPC has spent for desulfurization facilities amounting to ₱11,785.

The Company meets all governmental, environmental, health and safety requirements. The Company's operating units are regularly inspected and have not experienced significant governmental, environment, health or safety problems. For the past three years, the total amounts spent in complying with environmental laws by the subsidiaries are as follows: (1) ₱2,747,044 in 2016; (2) ₱5,130,967 in 2015; and, (3) ₱6,721,230 in 2014.

## **10. Investment Acquisition**

On October 9, 2015, the Board of Directors approved the subscription to non-voting preferred shares in ALDEVINCO amounting to ₱2.2 billion. The preferred shares are entitled to receive, out of the unrestricted retained earnings of the ALDEVINCO, cumulative dividends at the rate of 4% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares.

On February 27, 2013, CHC acquired from the Iligan City Government, the 98 MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II valued at ₱387million. MPC rehabilitated the two

plants at total cost of ₱800 million, and the energy generation capacity of the plants increased to 103MW

Alsons Power Holdings Corporation (APHC), also a company under the Alcantara Group, entered into a placement agreement with Indophil Resources NL, an Australian company (“Indophil” or “IRNL”), to purchase 207,708,334 Indophil shares in two (2) tranches. On December 26, 2011, APHC incorporated Alsons Prime Investments Corporation (APIC) as a wholly owned subsidiary primarily to hold the Indophil investment. The Agreement was concluded on February 6, 2012, with APIC owning 17.26% of Indophil’s total outstanding shares.

On September 23, 2014, APIC offered to acquire all of Indophil’s issued shares not already owned by APIC under a Scheme of Arrangement. Under the Scheme of Arrangement, APIC offered Indophil shareholders A\$0.30 cash for each share that they owned. With Indophil shareholders approving the Scheme of Arrangement during their December 18, 2014 meeting, and the Australia Supreme Court approving the same on January 13, 2015, payment to all shareholders on the share register as at the Record Date of January 20, 2015, except for shares already owned by APIC’s affiliates, ACR and Alsons Corporation (AC), was completed on January 28, 2015. In July 2015, APIC was bought by a third party and ceased being part of the Alcantara Group. Accordingly, the joint voting agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

On December 11, 2015, the Company entered into a share swap agreement with APIC, whereby the former assigned and transferred to the latter all its interest in IRNL in exchange for ownership interest in Indophil Resources Philippines, Inc., a Philippine corporation owned by IRNL (IRPI). Accordingly, the Company recognized the investment in IRPI amounting to ₱1,213 million representing the carrying value of the investment at date of the share swap agreement.

The transfer of the Company’s investment in IRNL to investment in IRPI has no commercial substance since the Company still exercises significant influence over IRPI due to its representation in the board of directors and operating committee of the board of IRPI. Accordingly, ACR treats its investment in IRPI as an “investment in associate”, using the equity method in the 2015 consolidated financial statements.

Mr. Nicasio I. Alcantara, Director of AC and ALDEVINCO, has been Indophil’s non-executive Director since December 2011. Mr. Paul G. Dominguez on the other hand, is also a member of the Board of Directors of ALDEVINCO and is the Chairman of IRPI until December 31, 2016.

## Item 2. **PROPERTIES**

### **DESCRIPTION OF PROPERTIES**

The Company's energy and power operations are located in three different sites. WMPC's power plant is in a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City, while SPPC's plant is situated in a 16-hectare property located in Alabel, Sarangani Province, which is 15 kilometers east of General Santos City. The WMPC and SPPC properties are fully owned by the above-mentioned subsidiaries of ACR. CHC's power plants, IDPPs I and II, which are operated by MPC, are on an 8-hectare property in the municipality of Lugait, Misamis Oriental and in the City of Iligan. These power plants were acquired by virtue of a Deed of Sale between the City of Iligan and CHC dated February 27, 2013. The lots on which the power plants of CHC are located were acquired by MPC from ALDEVINCO in November 21, 2013. The Sarangani coal-fired power plant is located in Maasim, Sarangani Province.

The power assets were used as collateral in various loans, specifically: (1) the WMPC and SPPC power plants were used as collateral for the loans obtained to finance the construction of the said power plants, (2) the CHC power plants, and the realty estate owned by MPC, were used as collateral for the rehabilitation of the CHC power plants; and (3) Sarangani's real estate and coal-fired power plant are mortgaged to its various lender banks.

ALC, the Company's property development company, used to own a 700-hectare property in General Trias, Cavite. ALC also has properties in Batangas, Cabuyao in Laguna, and along Don Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments. In addition, ALC owns the property, including the improvement, Alsons Building, where the Company maintains its corporate headquarters.

All of these properties are in good condition.

**Table II – Property, Plant and Equipment (consolidated)**

(Amounts in Thousand PhP)	December 31, 2016	December 31, 2015
Main Engine of Power Plant Structures and Others	<b>₱19,236,073</b>	<b>7,897,194</b>
Land, Buildings and Leasehold Improvements	<b>4,642,574</b>	<b>4,417,171</b>
Plant Mechanical, Switchyard and Desulfurization Equipment	<b>552,089</b>	<b>872,079</b>
Machinery and Other equipment	<b>429,137</b>	<b>344,929</b>
Construction in Progress	<b>2,943,872</b>	<b>13,297,824</b>
Cumulative Translation Adjustments	<b>-</b>	<b>(2,413,269)</b>
Total	<b>27,803,745</b>	<b>24,415,928</b>
Less: Accumulated Depreciation and Amortization	<b>(9,094,868)</b>	<b>(8,739,796)</b>
<b>Net Book Value</b>	<b>₱18,708,877</b>	<b>15,676,132</b>

### Item 3. **RISKS**

Through prudent management and cautious investment decisions, ACR constantly strives to minimize risks that can weaken its financial position. However, certain risks are inherent to specific industries and are not within the direct control of the Company.

Some of the risks that the company and its subsidiaries may be exposed to are the following:

#### **1. Foreign Exchange Rate Fluctuations**

The Company's exposure is primarily associated with fluctuations in the value of the Peso against the U.S. Dollar and other foreign currencies. The spare parts and insurance of SPPC and WMPC are denominated in U.S. Dollars. The Company keeps a portion of its short-term investments in foreign currency to serve as a hedge in foreign exchange fluctuations.

#### **2. Interest Rate Risks**

The Company's interest rate risk management policy centers on reducing overall interest expense and on minimizing other costs of borrowing. Changes in market interest rates would have material impact on the Company's interest-bearing obligations, specifically on those with floating interest rates.

ACR and its subsidiaries manage their interest rate risks by leveraging its debt portfolio and by optimizing a mix of fixed and variable interest rates. Other measures, are employed to avert risk include pre-payment of debts and re-financing of loans. Moreover, utilization of existing credit facilities has been kept to a minimum.

#### **3. Liquidity Risks**

The Company and its subsidiaries carefully manage their liquidity position to be able to finance their working capital, debt service and capital expenditure requirements. Sufficient levels of cash and short-term money market placements are maintained to meet maturing obligations. Management regularly monitors and forecasts its cash commitments, matches debt payments with cash generated from the assets being financed, and negotiates with creditors on possible restructuring or re-financing of existing loans to avail of better terms and conditions.

#### **4. Credit Risks**

ACR and subsidiaries transact only with companies and institutions that are in a sound financial position and have demonstrated good credit standing. The power companies' receivables are from various electric cooperatives and the collection of which has been current and up to-date except for SPPC's long-outstanding receivable from NPC consisting of US\$7,336,536.91 and ₱96,255,433.46 plus interests from April 25, 2005 to April 25, 2010, which arose from a decision by the ERC that NPC has appealed to the Supreme Court. On November 23, 2016, the Supreme Court Second Division issued a resolution that denied NPC's motion for reconsideration with finality. Receivables of the property companies come from installment sales of industrial/residential lots and housing units. Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

Further discussion on the Company's financial risk management objectives and policies is contained in Note 31 of the Consolidated Financial Statements.



#### **Item 4. LEGAL PROCEEDINGS**

Southern Philippines Power Corporation (SPPC) has a long-outstanding receivable that is disputed by NPC, which the parties brought to the Energy Regulation Commission (ERC) for arbitration. On June 3, 2013, ERC decided in favor of SPPC, and NPC appealed the ERC decision to the Court of Appeals (CA), which affirmed the ERC decision. On August 17, 2015, the CA denied NPC's motion for reconsideration and decided in favor of SPPC. On September 18, 2015, NPC petitioned the Supreme Court (SC) to review the ERC and CA decisions. On July 16, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality.

Some of the subsidiaries or affiliates of the Company are also from time to time involved in routine litigation as well as various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of these legal matters, in which its subsidiaries or affiliates are involved, will be material to the Company's financial condition and results of operations. Refer to Note 34 of the Consolidated Notes to Financial Statements attached to this report for detailed description.

#### **Item 5. SUBMISSION of MATTERS to a VOTE of SECURITY HOLDERS**

During the calendar year covered by this report, no business matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 6. MARKET FOR REGISTRANT'S COMMON EQUITY and RELATED STOCKHOLDER MATTERS

#### 1. Market Information

All the common shares of the company are listed in the Philippine Stock Exchange.

The following are the high and low market prices of the Company's shares for the past three years:

**Table III – Market Price of ACR Shares**

**Table 1 – Market Price of ACR Shares**

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017	High	₱1.59			
	Low	1.23			
2016	High	1.60	₱2.15	₱1.68	₱1.67
	Low	1.19	1.36	1.60	1.19
2015	High	2.36	2.26	1.98	1.76
	Low	1.94	1.87	1.41	1.33
2014	High	1.50	2.30	2.20	2.12
	Low	1.27	1.40	1.90	1.93

Stock Price as of April 4, 2017 was at ₱1.42 per share.

#### 2. Stockholders

As of December 31, 2016, ACR has 6,291,500,000 shares outstanding held by 466 stockholders, inclusive of the two (2) accounts under PCD Nominee Corporation. The list of the top twenty stockholders of the Company as recorded by Prime Stock Transfer Services, Inc., the Company's stock transfer agent, are as follows:

**Table 2 – Top Twenty (20) Stockholders**

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1.	Alsons Corporation	2,592,524,072	41.21%
2.	Alsons Power Holdings Corp.	1,249,999,600	19.87%
3.	Alsons Development and Investment Corp.	1,188,524,026	18.89%
4.	PCD Nominee Corporation (Filipino)	1,098,212,151	17.46%
5.	PCD Nominee Corporation (Non-Filipino)	130,544,000	2.07%
6.	SEC Account No. 2 fao: Various Customers of Guoco Securities	2,090,000	0.03%
7.	All Asia Capital Trust & Investment Division	1,830,000	0.03%
8.	EBC Securities Corporation	1,030,000	0.02%

9.	Crisostomo, Emily A.	1,000,000	0.02%
9.	Cruz, Felipe Jr. A.	1,000,000	0.02%
9.	Nora T. Go	1,000,000	0.02%
10.	First Integrated Capital Securities, Inc. (555300)	900,000	0.01%
11.	First Integrated Capital Securities, Inc. (555200)	795,000	0.01%
12.	Ansald, Godinez & Co., Inc.	755,000	0.01%
13.	George Go	750,010	0.01%
14.	AACTC FAO Trinity Investment	680,000	0.01%
15.	Esteban Yau	600,000	0.01%
16.	Roy C. Tia	513,000	0.01%
17.	S. J. Roxas & Co., Inc.	507,000	0.01%
18.	Antonio Co	500,000	0.01%
18.	Mendoza, Marites &/or Alberto Mendoza	500,000	0.01%
18.	Roqueza, Ricardo S.	500,000	0.01%
18.	San Jose, Roberto V.	500,000	0.01%
19.	Vega, Luis &/or Eliseo C. Ocampo, Jr.	450,000	0.01%
20.	Gillermo F. Gili, Jr.	430,000	0.01%
<b>Total shares of top 20</b>		<b>6,276,133,859</b>	<b>99.76%</b>

### 3. Dividends

Declaration of dividends is subject to approval by the Board of Directors.

The historical dividend declarations are follows:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2016	May 27, 2016	₱100,664,000	₱0.016	June 30, 2016	July 25, 2016
2016	May 27, 2016	4,400,000	0.0008	June 30, 2016	July 25, 2016
2015	March 27, 2015	3,145,750	0.0005	June 5, 2015	March 22, 2016
2015	May 22, 2015	62,915,000	0.01	June 5, 2015	June 16, 2015

Dividends on preferred shares amounting to ₱4 million in 2016 and 2015 were applied against the Company's subscriptions receivable from Alsons Corporation.

Management continuously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends from 20% of the previous year's un-appropriated retained earnings.

### 4. Sales of Unregistered Securities Within the Last Two (2) Years

There are no other securities sold for cash by the Company within the last two (2) years that were not registered under the Securities Regulation Code.

## Item 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

### **REVIEW OF CURRENT YEAR 2016 vs. 2015 OPERATIONS**

Highlights of the Company's financial performance are as follows:

#### **1. Revenues and Profitability**

ACR and Subsidiaries posted a significant improvement in its consolidated revenues during the year at ₱7,107 million, a jump of 42% from the ₱5,022 million reported in the previous year. This increase was due mainly to the contribution of Sarangani, which commenced commercial operations on April 29, 2016. WMPC and SPPC are now operating as full merchant plants after their ECAs expired on December 12, 2015 and April 12, 2016, respectively.

Cost of services posted a significant increase at ₱4,684 million, 52% higher than the ₱3,072 million in 2015. The increase in cost was also due to the start of commercial operations of SEC posting a direct cost of ₱1,934 million. The full operations of SPPC and WMPC as merchant plants in 2016 also posted an increase in cost of fuel as pass-through item.

Gross profit also improved by 24%, ₱2,422 million from ₱1,950 million in 2015 due to the contribution of SEC.

General and administrative expenses increased 22% at ₱531 million from ₱434 in 2015. The increase is attributable to SEC expenses during the year. Operating profit also improved 25% at ₱1,892 million from ₱1,516 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) jumped 52% from ₱1,781 million to ₱2,698 million this year. This big leap is the contribution of SEC during the year.

Meanwhile, finance charges increased by 1.67x from ₱324 million to ₱865 million. The interest expense incurred on the project loan to complete the first phase of the SEC plant is now at fully recognized as an expense after the project was completed and commenced operations. Last year, the interest was capitalized as part of project cost.

On the other hand, the Company realized a net other charges of ₱155 million from ₱84 million in 2015 as the Company recognized an impairment loss of ₱245 million on goodwill this year. This impairment was negated by the income from insurance claim SPPC during the year amounting to ₱70 million. The last year's one-time realized foreign exchange loss of ₱218 million was incurred when the Company settled its foreign currency denominated debt.

As a result of the foregoing, the consolidated net income declined 8% from last year's ₱691 million to ₱636 million; however the income attributable to Parent recorded an improvement of 69% at ₱317 million from ₱188 million in the previous year and posting strong earning per share of ₱0.05 from ₱0.029 last year.

## 2. Financial Position

As of December 31, 2016, total resources of ACR and Subsidiaries remained strong at ₱30,810 million, increasing by 2% versus the ₱30,166 million level reported in 2015.

Current assets dropped 23%, from ₱7,903 million to ₱6,083 million. The decline came largely from the decrease in cash and cash equivalents of SEC, which were used to complete the first phase of its plant as well as lower prepaid expenses, and a deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Parent Company. In contrast, noncurrent assets rose by 11%, representing capital expenditures incurred for the completion of the first phase of SEC's power plant and the additional investment made in Aviana Development Corporation during the year.

On the other hand, Current liabilities increased by 44% from ₱2,025 million to ₱2,910 million, largely on account of higher current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities decreased by 3%, due to the recognition of the current maturing portion of the Company's long-term debt.

ACR's balance sheet remained strong with a current ratio at 2.09:1 in 2016 versus the 3.90:1 level in 2015, while its debt-to-equity ratio increased slightly at 2.25:1 from 2.08:1, due to availment of additional debts.

Net cash inflows from operating activities significantly improved at ₱2,382 million, 74% up from last year's ₱1,368 million. The lower acquisition of spare parts and extended credit terms of trade payables resulted in the improvement of cash from operations this year. Net cash used for investing activities was 97%, a jump to ₱2,809 million from last year's ₱1,902 million due mainly to capital expenditures for the completion of the construction of SEC plant. Together with net cash inflows from financing activities amounting to ₱2,827 million, largely from loan availments, available funds totaled ₱2,682 million in 2016, from which ₱ 3,280 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached ₱2,050 million, 48% lower than ₱3,940 million in the previous year.

## 3. Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2016 showed continued improvement in core income at ₱900 million compared to the ₱909 million earned in 2014. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

**Table 3 – Comparative KPIs (2016 Vs. 2015)**

Financial KPI	Definition	Calendar Year	
		2016	2015
<b>Profitability</b>			
Revenues		₱7,107	₱5,022
EBITDA		₱2,698	₱1,781
EBITDA Margin	EBITDA ÷ Net Sales	38%	35%
Return on Equity	Net Income ÷ Total Average Stockholders' Equity	6%	7%

<b>Net Earnings Attributable To Equity Holders</b>		<b>₱317</b>	<b>₱188</b>
<b>Efficiency</b>			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	28%	29%
<b>Liquidity</b>			
Net Debt Coverage	Cash Flow from Operating Activities ÷ Net Financial Debt	13%	10%
Debt-To-Equity Ratio		2.03:1	2.08:1
Current Ratio	Current Assets ÷ Current Liabilities	2.09:1	3.90:1

### **Profitability**

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from ₱1,781 million to ₱2,694 million in 2016 due mainly to higher revenues earned during the year, as a result EBITA Margin improved to 38% from 35% in the previous year. The First Section of SEC power plant that began operations effective April 29, 2016, contributed to this improvement.

Return on equity (ROE) remained stable at 6% from last year's 7% while the net income attributable to the equity holders of the parent showed dramatic improvement at ₱317 million compared to last year's ₱188 million.

### **Efficiency**

The Company's operating expense ratio decreased to 28% in 2016 from 29% in 2015. The decrease was due mainly to the higher gross income contributed by Sarangani during the year.

### **Liquidity**

As a result of additional project loan drawdowns to complete Sarangani 1 during the year, financial debt increased by 0.44%. Consequently, net debt coverage increased to 15% from last year's 10%. Current ratio on the other hand decreased to 2.09:1 from last year's 3.90:1 due largely to the lower balance of cash and cash equivalents in 2016.

## **DESCRIPTION OF KEY PERFORMANCE INDICATORS:**

1. **Revenues.** Revenue is the amount of money that the Company and its subsidiaries receive arising from their business activities and is presented in the top line of the consolidated statements of income. The present revenue drivers of the Company are: (i) Energy and power; and (ii) Real estate. Revenue growth is one of the most important factors that management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making sound investment decisions.

2. **EBITDA.** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
3. **Net Earnings Attributable to Equity Holders of Parent.** Net income attributable to shareholders is one more step down from net income on the consolidated statements of income. The net income of a company is all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.
4. **Debt-to-Equity Ratio.** This measures the Company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **Current Ratio.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

#### Significant Disclosures

Please refer to **Annex D** of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Annex D and the disclosures made by the Company in its Audited Consolidated Financial Statements, it is not aware of the following:

1. Unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows because of their nature, size or incidence;
2. Issuance and repurchase of equity securities;
3. Segment revenues and segment results for business segments and geographical segments;
4. Changes in contingent liabilities or contingent assets since the annual balance sheet date;
5. Existence of material contingencies and other transaction events that are material to an understanding of the current period;
6. Known trends, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a material way. ACR does not anticipate having, within the next twelve (12) months, any cash flow or liquidity problem nor does it anticipate any default or breach of any of its existing notes, loans, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, ACR expects to meet all financial loan covenants for the next interim period;
7. Events that will trigger direct or contingent material financial obligations to the Company;

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year;
9. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations;
10. Significant elements of income or loss that did not arise from the Company's continuing operations;
11. Material events subsequent to the end of the reporting period that have not been reflected in the consolidated financial statements;
12. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations.

### **Notes to Consolidated Financial Statements**

#### *Accounting Policies and Principles*

The consolidated financial statements of ACR and its Subsidiaries for the years ended December 31, 2016 and 2015 are presented in accordance with Philippine Financial Reporting Standards (PFRS) applied on a consistent basis.

#### *Seasonality Aspects of the Business*

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

#### **Material Changes in Consolidated Balance Sheet Accounts by 5% or More**

1. Cash and cash equivalents, 48% Decrease

The decrease in cash and cash equivalents (2016: ₱2,051 million vs. 2015: ₱3,940 million) was principally due to the usage of the loan for the completion of the construction of SEC plant. Cash generated from operations during the year was ₱2,090 million, 53% higher than previous year's ₱1,368 million. The proceeds of loan presented in the financing activities amounting to ₱4,871 million was used to finance the construction and completion of the first phase of Sarangani's power plant.

2. Short-term cash investments, 66% Decrease

Short-term cash investments decreased (2016 ₱58 million vs. 2015: ₱173 million) due to the usage of the funds for operating activities

3. Trade and other receivables, 18% Increase

The increase was due to the higher balance of trade receivables. The trade receivable balance of Sarangani during the year amounted to ₱393 million vs none in 2015.



4. Spare parts and supplies, 31% Increase

The build-up consisted mainly of the purchase coal and spare parts for Sarangani during the year.

5. Prepaid expenses and other current assets, 34% Decrease

The decrease is due to the decline in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year. The last year's balance amounted to ₱894 million to ₱587 million this year.

6. Investment in Real Estate, 88% Decrease  
Investment in Associate, 71% Increase

The infusion into Aviana Development Corp. (ADC) of the Lanang property of the Company in exchange for shares of stock in ADC resulted to the 88% decrease in the Investment in Real and the 71% increase in Investment in Associate.

7. Property, plant and equipment, 19% Increase

The growth is due mainly to expenditures incurred for the completion of the construction of the first phase of Sarangani Energy's power plant.

8. Goodwill, 23% Decrease

The decrease was due to the recognition of partial impairment of the goodwill amounted to ₱245 million during the year.

9. Deferred Tax Assets, 121% Increase

The Increase is due largely to the deferred tax impact of the accrued decommissioning liability and impairment losses.

10. Other Noncurrent Assets, 12% Increase.

The increase was due to the advance payments made for SEC 2 power plant projected amounting to ₱40 million during the year.

11. Accounts payable and other current liabilities, 8% Increase

Higher balance of trade payables of SEC and accrued interest on project loan caused the increase in accounts payable and other current liabilities.

12. Loans payable, 122% Increase

The increase was due the availments of short-term working capital facility of SPPC and WMPC during the year.

13. Income tax payable, 9% Decrease

The decrease was due to the lower taxable income earned during the year.

14. Current Portion of Long-term Debt, 96% Increase  
Long-term debt-net of Current Portion, 3% Decrease

The variances were due to additional loan drawdown to complete the construction of SEC 1 Power Plant. The maturing principal within the next twelve months was reclassified to current portion long-term debt which caused the 90% increase.

15. Deferred Tax Liabilities, 17% Decrease

The decline in deferred tax liabilities was due to the reduction of capitalized interest of the SEC 1 Power Plant. The reduction was in the form of depreciation expense recognized during the year.

16. Retirement liabilities, 394% Increase

The increase was due mainly to additional accrual during the year due to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

## REVIEW OF 2015 vs. 2014 OPERATIONS

### 1. Revenues and Profitability

ACR and Subsidiaries posted consolidated revenues of ₱5,022 million in 2015, is lower than the ₱5,180 million reported in 2014. The 3% decline was due mainly to the lower energy fees brought about by the lower indices during the year in spite of higher energy sales volume generated by the 3 power plants of the Company.

Cost of services was reported at ₱3,072 million, 13% lower than the ₱3,548 million in 2014. The change in depreciable life of the power plants of SPPC and WMPC from original ECA period to another 10 years caused the decline in costs of services.

Gross profit improved by 20% in 2015 to ₱1,950 million from ₱1,632 million in 2014 due to lower costs.

General and administrative expenses was also lower in 2015 at ₱434 million from ₱467 million in 2014 due mainly to lower taxes and licenses and personnel costs. Operating profit as a result significantly improved at ₱1,516 million from ₱1,165 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was lower in 2015 at ₱1,781 million from ₱2,088 million in the previous year due mainly to the foreign exchange loss incurred when the Company settled its US Dollar-denominated liability in 2015 at a higher Philippine Peso translation compared to the US Dollar.

Meanwhile, interest income was 8% higher in 2015 at ₱24 million from ₱22 million in 2014 due mainly to the higher cash placements made during the year. Interest expense was 57% higher at ₱324 million in 2015 from ₱207 million in 2014, the interest expenses incurred for the project loan was capitalized to power plant cost of SEC that is currently under completion during the year.

On the other hand, the Company realized a net other charges of ₱84 million in 2015 from an income of ₱109 million in 2014. The foreign exchange losses of a US Dollar-denominated debt caused the downturn in other income (charges) account.

Core income without the effect foreign exchange was however improved 23% from ₱741 million to ₱909 million and the net income attributable to the Company of ₱0.064 per share, 14% higher than last year of ₱0.056 per share.

The non-recurring foreign exchange loss, however dampened the Company's net income to ₱691 million, 5% lower than last year's net income of ₱727 million. The earnings attributable to the equity holders of the parent were reduced to ₱188 million from last year's ₱359 million. As a result, basic earnings of ₱0.029 per share decreased from ₱0.056 per share in 2014.

## **2. Financial Position**

As of December 31, 2015, total resources of ACR and Subsidiaries remained strong at ₱30,166 million, increasing by 17% versus the ₱25,725 million level reported in 2014.

Current assets grew by 1%, from ₱7,814 million to ₱7,903 million. The increment came largely from the increase in cash and cash equivalents of Sarangani as well as higher prepaid expenses, and deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Company. Similarly, noncurrent assets rose by 24%, representing capital expenditures incurred for the on-going construction of the power plant.

On the other hand, current liabilities decreased by 18% in 2015, from ₱2,463 million to ₱2,025 million, largely on account of lower current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities increase by 36%, as Sarangani drew from its project loan to finance its capital expenditures as well as the availment by the Company of its FXCN Facility with various noteholders.

Accordingly, ACR's consolidated balance sheet remained strong with a current ratio at 3.90:1 in 2015 versus the 3.17:1 level in 2014, and continued to be underleveraged despite an increase in its debt-to-equity ratio, from 1.47:1 to 1.85:1.

Meanwhile, net cash inflows from operating activities decreased 31% from ₱1,977 million in 2014 to ₱1,368 million in 2015, as a result of higher acquisition of spare parts and supplies as well as prepaid expenses with a combined amount of ₱792 million during the year. Together with net cash inflows from financing activities amounting to ₱1,958 million, largely from loan availments, available funds totaled ₱3,301 million in 2015, were used for power plant project construction of SEC 1 amounting to ₱1,520 during the year. The net cash balance after accounting for the above changes reached ₱3,940 million, 57% higher than last year's ₱2,512 million in the previous year.

### Key Performance Indicators (KPI)

The Company's financial KPI for the year ended December 31, 2015 showed significant improvement compared to 2014 as follows: (Amounts in million pesos, except ratios)

**Table 4 – Comparative KPIs (2015 Vs. 2014)**

Financial KPI	Definition	Calendar Year	
		2015	2014
<b>Profitability</b>			
Revenues		₱5,022	₱5,180
EBITDA		₱1,781	₱2,088
EBITDA Margin	EBITDA ÷ Net Sales	35%	40%
Return on Equity	Net Income ÷ Total Average Stockholders' Equity	7%	7%
<b>Net Earnings Attributable To Equity Holders</b>		₱188	₱359
<b>Efficiency</b>			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	29%	40%
<b>Liquidity</b>			
Net Debt Coverage	Cash Flow from Operating Activities ÷ Net Financial Debt	10%	18%
Debt-To-Equity Ratio		2.08:1	1.55:1
Current Ratio	Current Assets ÷ Current Liabilities	3.901	3.17:1

### Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company decrease from ₱2,088 million to ₱1,781 million in 2014. EBITA Margin also decreased from 40% in 2014 to 35% in 2015 due mainly to non-recurring foreign exchange loss incurred in during the year resulting from the settlement of the Company's US Dollar-denominated debt.

Return on equity (ROE) stood at 7% for both years. Net income attributable to the equity holders of the Parent decreased to ₱188 million from ₱359 in 2014 due to the above non-recurring loss during the year. The Company's core income however, improved to ₱909 million from last year's ₱741 million.

### Efficiency

The Company's operating expense ratio decreased to 29% in 2015 from 40% in 2014. Operating expenses in 2014 was higher due mainly to the higher real property taxes charged to the newly rehabilitated MPC plant which is a none-controllable item.

### **Liquidity**

As a result of additional project loan drawdowns during the year, financial debt increased by 27%. Consequently, net debt coverage decreased to 10% from last year's 18%. Current ratio on the other hand improved to 3.90:1 from last year's 3.17:1.

## Notes to Consolidated Financial Statements

### *Accounting Policies and Principles*

The consolidated financial statements of ACR for the years ended December 31, 2016 and 2015 are presented in accordance with PFRS applied on a consistent basis.

### *Seasonality Aspects of the Business*

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

### **Material Changes in Consolidated Balance Sheet Accounts by 5% or More**

1. Cash and cash equivalents, 57% Increase

The growth in cash and cash equivalents (2015: ₱3,940 million vs. 2014: ₱2,512 million) was principally due to receipt of the loan proceeds by Sarangani and the Company that remain unused as of the end of 2015. Cash generated from operations during the year was ₱1,368 million, 31% lower than previous year's ₱1,976 million. The proceeds of loan presented in the financing activities amounting to ₱9,338 million was used to finance the on-going construction of the first phase of Sarangani's power plant.

2. Short-term cash investments, 402% Increase

Short-term cash investments increased (2015: ₱173 million vs. 2014: ₱34 million) due to funds from operating activities

3. Trade and other receivables, 56% Decrease

The decrease was due to the conversion of a due from related party into an investment in preferred shares amounting to ₱2.2 billion.

4. Spare parts and supplies, 105% Increase

The build-up consisted mainly of the purchase of spare parts for Sarangani during the year which is intended for its upcoming commercial operation in 2016.

5. Prepaid expenses and other current assets, 139% increase

The increase is due to the deposit in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year.

6. Noncurrent portion of installments receivables, 14% Decrease

The decrease is due to collection of maturing accounts during the year.

7. Property, plant and equipment, 17% Increase

The growth is due mainly to expenditures incurred for the construction of the first phase of Sarangani's power plant.

8. AFS financial assets, 1,904% Increase

The significant increase was due to the investment in preferred shares of Alsons Development and Investment Corporation with a cumulative dividend feature of 4% per annum.

9. Goodwill, 5% increase

The change in the amount of goodwill was due mainly to the change in foreign exchange rate of Philippine ₱ vis-à-vis the US \$ from ₱44.72 in 2014 to ₱47.06 in 2015.

10. Retirement plan assets, 36% Decrease

The decrease was mainly due to settlement of retiring employees of WMPC during the year as a result of the expiration of its ECA with NPC effective December 12, 2015.

11. Deferred Tax Assets, 55% Decrease

The decrease in payable to customers arising from the overbilling charged by Mapalad Power in the previous year caused the decrease in this account.

12. Accounts payable and other current liabilities, 8% Decrease

The increase in accrued interest due to higher loan availments during the year caused the increase in accounts payable and accrued expenses accounts.

13. Loans payable, 15% Increase

The availment of a short-term working capital facility of Mapalad Power Corporation during the year, caused the increase in this account.

14. Income tax payable, 46% Decrease

The decrease was due to the lower taxable income earned during the year.

15. Derivative liability, 100% Decrease

The embedded derivatives arising from the exchange option of APHC-ACR Loan Facility Agreement which was assigned to its Lender Bank in accordance with the Omnibus Loan and Security Agreement. The decline in derivative liability was the result of partial prepayment of the loan during the year thereby resulting to a mark-to-market gain. The salient features of this loan were discussed in Note 18 of the Notes to Consolidated Financial Statements. The derivative liability was a result of re-measurement of the options, such that a mark-to-market loss and the corresponding liability were recognized. In 2015, the loan was fully settled and the remaining balance of derivative liability was derecognized.

16. Current and Long-term debt, 33% Increase

The increment was due to the drawdown from the project loan facility of Sarangani during the year as well as the availment of a ₱7.2 billion FXCN Facility and the settlement of the US\$100 million UBS loan of the Company.

17. Retirement liabilities, 13% Decrease

The decrease was due mainly to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

**Item 8. FINANCIAL STATEMENTS**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

1. SyCip Gorres Velayo & Co. (SGV) is the Company's external auditors for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.
2. In compliance with SEC Memorandum Circular No. 8, Series of 2003 on rotation of External Auditors, SGV's previous engagement partner was replaced in 2014.
3. Fees for the years ended December 31, 2016 and 2015 were ₱582,200 and ₱598,900, respectively. The above fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for 2016 and 2015. The fees and services were approved by the Audit Committee in compliance with the Code of Corporate Governance.

The other fees billed by SGV pertained to:

In 2016, SGV was engaged to conduct as a vote tabulator during the Annual Meeting of the Company. For this separate engagement, SGV billed the Company ₱112,000 as professional fee, inclusive of any applicable taxes.

4. There have been no disagreements with SGV on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.



### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

##### 1. Board of Directors and Executive Officers

###### a. The Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly or as often as required, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified.

The following are the directors and officers of the Company and their business experience for the last five years:

**Table V- Board of Directors**

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director (until June of 2016)	Carlos G. Dominguez	Filipino
Director	Conrado C. Alcantara	Filipino
Independent Director	Jacinto C. Gavino, Jr.	Filipino
Independent Director	Jose Ben R. Laraya	Filipino
Director	Honorio A. Poblador III	Filipino
Independent Director	Thomas G. Aquino	Filipino

**Tomas I. Alcantara**, 70, Filipino, became the Chairman of the Board of Directors and the President of the Company in August 2001. He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Masters in Business Administration (MBA) from Columbia University, and he attended the Advanced Management Program of the Harvard Business School. He is presently the Chairman of the Board of Directors and President of Alsons Development & Investment Corporation and Sarangani Agricultural Company, Inc., and other companies in the Alcantara Group (since August 2001).

Mr. Alcantara is also the Chairman of the Alsons Aidx Information Systems, Inc. (since August 2001). He is a Trustee of the European IT Service Center Foundation (since August 2002) and of the Foundation for Revenue Enhancement (August 2004). He has been a Director of Holcim Philippines, Inc. since July 2003, Philweb Corporation (May 2002) and DBP-Daiwa Capital Markets Phils., Inc. (July 1995).

Mr. Alcantara served as Undersecretary for the Industry & Investment Group of the Department of Trade and Industry, the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995, and the Special Envoy of the Philippine President to Asia Pacific Economic Cooperation forum in 1996. He was also the Chairman of the Board of Directors and the President of Holcim Manufacturing Corporation (formerly Alsons Cement Corporation) from May 1997 to July 2003 and has served as a Director of that

company since 1997. He was a Member of the Advisory Board of Rizal Commercial Banking Corporation (RCBC) from April 1997 to June 2007. Mr. Alcantara served as a Director of Philippine Reclamation Authority (formerly Public Estate Authority) from 2003 to April 2006 and Chairman of the Manila Economic & Cultural Office from March 2001 to August 2010.

**Editha I. Alcantara**, 68, Filipino, has served as Director of the Company since March 8, 1995. She holds a Business Administration degree from Maryknoll College and an MBA from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of that company. Presently, she is a Director (since 1980) and the Treasurer (since October 2000) of other companies in the Alcantara Group.

She is also a Director of the Philippine Wood Producers Association (since May 16, 1980), and has served as a Trustee for the Philippine Business for the Environment, Inc. since July 1995 and as a Trustee of Miriam College since December 1998.

**Tirso G. Santillan Jr.**, 73, Filipino, became a Director of the Company in June 11, 1996. He has also been the Executive Vice-President since April 27, 1995. He holds a Bachelor of Arts degree in Engineering and a Masters in Business Management degree from the Ateneo de Manila University.

Presently, he heads the Power Business Unit of the Alcantara Group. He has been the Executive Vice-President of Alto Power Management Corporation since January 1996, Conal Holdings Corporation since June 1997, Southern Philippines Power Corporation and Western Mindanao Power Corporation since March 1996. He is also a Director of Sarangani Agricultural Co., Inc. since May 2002.

Additionally, he has been the Managing Partner of Private Capital of Asia Ltd. since June 1991. Mr. Santillan worked with the First Pacific Group from February 1987 to May 1991.

**Alejandro I. Alcantara**, 62, Filipino, has served as a Director of the Company since July 2003. He graduated from the Ateneo de Davao with a degree in Economics. Mr. Alcantara has been a Director and the President of Aquasur Resources Corporation since 1993 and has served in the same capacity with Finfish Hatcheries, Inc. since 1995. He has also served as the Executive Vice President & General Manager of Sarangani Agriculture Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He also became a Director of other companies in the Alcantara Group in 1986. Mr. Alcantara also served as a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

**Ramon T. Diokno**, 69, Filipino, rejoined the Company as a Director in March 18, 2009. Previously, he served the Company as a Director from June 19, 2002 to June 29, 2006 and as its Chief Financial Officer from January 16, 2001 to June 30, 2006. He holds an Economics and Accountancy degree from the De La Salle University and a Masters of Science in Management degree from the Massachusetts Institute of Technology.

Mr. Diokno is also the Chief Financial Officer of Lepanto Consolidated Mining Co and its wholly-owned subsidiaries. He is currently also a Director of Alsons Insurance Brokers Corporation.

**Carlos G. Dominguez**, 70, Filipino, has served as Director of the Company since March 8, 1995. He holds an Economics degree and an MBA from the Ateneo de Manila University. He also attended the Executive Program at the Stanford University. Currently, he is the President of Retail Specialist, Inc. (1991), Philippine Tobacco Flue-Curing and Redrying Corporation, Baesa Redevelopment Corporation, Halifax Capital Resources, Inc. (1992), C.G. Dominguez and Associates, Inc., Huntly Corporation (1993) and Linden Suites, Inc. (1997). He is also a Director of RCBC Capital Corporation (1994), the Chairman of Philippine Eagle Foundation (2001) and a member of the Board of Trustees of the Ninoy and Cory Aquino Foundation (1995).

Mr. Dominguez also serves as Director of United Paragon Mining Corporation (since 1993), Transnational Diversified Corporation (1999), Alip River Development and Export Corporation (2000) and Diamond Star Agro Products, Inc. (2007).

He served as the Minister of Natural Resources during the Corazon C. Aquino Administration from 1986 to 1987 and as Secretary of Agriculture from 1987 to 1989. He was Chairman of the Board of Directors of Republic Planters Bank from 1987 to 1992, Chairman of the Board of Directors and the President of Philippine Airlines from 1993 to 1995, Chairman of the Board of Directors of RCBC Capital Corporation from July 1994 to May 2002, Chairman of the Board of Directors and the President of the Philippine Associated Smelting and Refining Corporation from 1999 to 2002, a Director of the Manila Electric Company from 2001 to July 2003, a Director of Roxas Holdings, Inc. from 1997 to May 2009, a Director of iPVG Corporation from October 2004 to June 2008 and President of Lafayette Philippines, Inc. from January 2006 to April 2008. In June of 2016, upon accepting his appointment to become the Secretary of Finance of the Republic of the Philippines, Mr. Dominguez resigned from the Board.

**Conrado C. Alcantara**, 44, Filipino, has served as Director of the Company since November 2010. He graduated from the Boston University with a degree in Political Science and attended a Post Baccalaureate Program in Management at Harvard University. He presently serves as a Director and President of Infinicor, Inc. He also became a Director of C. Alcantara & Sons, Inc. in July 2006 and of Alsons Land Corporation in July 2009.

**Jacinto C. Gavino, Jr.**, 67, Filipino, has served as Independent Director of the Company since May 2005. He has been a full-time Faculty of the Asian Institute of Management (AIM) since 1990 and he presently holds the Fr. James F. Donelan, SJ, Professorial Chair in Business Ethics. He is on the core faculty of the Washington SyCip Graduate School of Business (WSGSB). He was also the Associate Dean of the Master in Management Program from 1993 to 1995, and Associate Dean for Research from 1995 to 1999.

He is currently a Director of Productronica Holdings, Inc. (2003), Aurotech Corporation (2000), Green Chemicals Corporation (2006), RNuable Energy Corporation (2011) and Sarangani Agricultural Co., Inc. (2005). He also serves as a Trustee of Fundacion Santiago (2002) and the Center for Family Ministries at the Loyola School of Theology (2006). He also does consultancy work for various businesses and non-profit organizations.

Professor Gavino holds a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971), a Master in Business Administration degree from the Ateneo de Manila University (1984), and a Doctorate in Public Administration from the University of the Philippines (1993). He also taught in the Ateneo de Manila University, Maryknoll College, and the University of the Philippines.

**Jose Ben R. Laraya**, 77, Filipino, has served as Independent Director of the Company since March 1995. He holds a Commerce degree from De La Salle College and an MBA from the University of the Philippines. He also attended the Advanced Management Program at Harvard Business School. Currently, he serves as Chairman of the Board of Directors of Ultrex Management & Investments Corporation (1992) and Laraya Holdings, Inc. (2007). He also serves as President of Trully Natural Food Corporation (2004), and a Director of La Frutera, Inc. (1997).

Previously, he served as Vice-Chairman of Philcom Corporation from October 1996 to February 1999, President of National Steel Corporation from September 1980 to February 1989, Dole Asia from February 1989 to June 1992, and APC Group, Inc. from September 1995 to February 1999.

**Honorio A. Poblador III**, 71, Filipino, has served as a Director of the Company since March 8, 1995. He holds a Political Science degree from the Ateneo de Manila University. Currently, he serves as Chairman of the Board of Directors of Asuncion Realty Corporation (since 1995), Chairman of the Board of Directors and President of Asmaco, Inc. and President of Asian Aesthetic Excellence, Inc. and Mayriad Human Resources and Services, Inc.

He is also a Director of Philippine Communications Satellite Corporation, Philippine Overseas Telecommunications Corporation, and Elnor Investment Corp. (since 1983), Philcomsat Holdings Corporation (1998), the Philodrill Corporation (1997), F & C Realty Corporation and POB Corporation (2003).

**Dr. Thomas G. Aquino**, 68, Filipino, became an Independent Director of the Company in May 20, 2011. He is a Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He was formerly the Senior Undersecretary of Philippine Department of Trade and Industry. He supervised the country's foreign trade promotions, trade negotiations under World Trade Organization & the ASEAN Free Trade Agreements as well as bilateral trade talks with the country's major economic trading nations. He served as overall lead negotiator for the country's first free trade agreement, namely the Philippines-Japan Economic Partnership Agreement and was country representative to the High Level Task Force on ASEAN Economic Integration. For public service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country both at home and abroad by the President of the Republic of the Philippines.

Before entering public service, Dr. Aquino held important roles in the fields of economics and business in the private sector as Vice President for Business Economics and Director of the Strategic Business Economics Program of UA&P. He returned to private practice as strategy consultant to companies and economic policy adviser to government entities. He is the Chairman of NOW Corporation and Independent Director of A Brown Company, both publicly listed at the Philippine Stock Exchange. He obtained his Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

**b. The Executive Officers**

The following Company executive officers do not own more than 2% of ACR:

**Table VI – Executive Officers**

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Chief Financial Officer	Robert F. Yenke	Filipino
Corporate Secretary	Roberto V. San Jose	Filipino
Assistant Corporate Secretary	Angel M. Esguerra III	Filipino

**Robert F. Yenke**, 56, Filipino, assumed post as the Company's new Chief Financial Officer on January 25, 2017 following the retirement of Mr. Luis R Ymson, Jr. Mr. Yenke, has previously served as Regional Treasurer and Finance Director of Intel Singapore for 25 years. He obtained his BS Management degree from the Ateneo de Manila University in 1981 and MBA at the University of the Philippines in 1991. He also currently serves as VP Finance and Administration of the Power Business Unit of the Alcantara Group.

**Roberto V. San Jose**, 75, Filipino, has been the Corporate Secretary of the Company since June 1991. He received his Bachelor of Arts degree from De La Salle University and his law degree from the University of the Philippines. He is a member of the Philippine Bar and a Consultant of the Castillo Laman Tan Pantaleon and San Jose Law Offices. In addition to serving as Corporate Secretary for the Company, he serves as Director, Officer and/or Corporate Secretary of Anglo Philippine Holdings Corp., CP Equities Corporation, Atlas Resources Management Group, MAA Consultants, Inc. and several other companies. He is also the Corporate Secretary of Premiere Horizon Alliance Corporation, Marc Ventures Holdings, Inc., Solid Group Inc., United Paragon Mining Corporation, FMF Development Corporation, Beneficial Life Insurance Co., Inc., The Metropolitan Club, Inc., and other client corporations of the Castillo Laman Tan Pantaleon and San Jose Law Firm.

**Angel M. Esguerra III**, 55, Filipino, was appointed as the Assistant Corporate Secretary of the Company on August 10, 2010. He is a member of the Philippine bar and obtained his Bachelor of Arts degree in Economics and his Law degree from the University of the Philippines. Mr. Esguerra practiced with several firms then joined a trans-national energy company with power plants in the Asia-Pacific Region as internal counsel, and served as the Corporate Secretary of its Philippine subsidiaries such as Batangas Power Corp. and Subic Power Corporation. In June of 2010, he joined the Alcantara Group as head of its Legal Services department and now serves as the Corporate Secretary of the group's other companies.

## **2. Family Relationship of Directors and Officers**

Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara and Ms. Editha I. Alcantara are siblings, while Mr. Conrado C. Alcantara is their nephew.

## **3. Independent Directors**

The following are the Company's independent directors. They are neither officers nor substantial shareholders of ACR:

- a. Jacinto C. Gavino, Jr.
- b. Jose Ben R. Laraya
- c. Thomas G. Aquino

## **4. Warrants and Options Outstanding**

There are no warrants or options granted by the Company to any of its Directors or executive Officers.

## **5. Pending Legal Proceedings**

None of the directors and officers was involved in any bankruptcy proceedings as of March 31, 2017 and during the past five years. Neither have they been convicted by final judgment in any criminal proceedings or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

## **6. Significant employees**

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

## **7. Legal Proceedings where Property is the Subject**

There are no material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

## **Item 11. EXECUTIVE COMPENSATION**

A director's compensation represents a per diem of ₱30,000 for every Board of Directors' meeting and ₱15,000 for every Executive Committee meeting and Audit Committee meeting.

Sections 9 and 10 of the Amended By-laws which pertain to compensation and other arrangements with the Directors read:

Section 9. Compensation of Directors. Each director shall receive, for his services as Director such amount as may be fixed by the stockholders for each regular or special meeting of the Board actually attended by him provided, that nothing herein contained shall be construed to preclude any director from serving the company in

any other capacity and receiving such compensation therefore as may be fixed from time to time by the Board of Directors.

Section 10. Profit Sharing. The Board of Directors shall be authorized and empowered to pay or distribute to the members of the Board of Directors and the Executive Committee, and the officers of the Corporation, amounts of up to five percent (5%) of the net income before tax in each year, to be allocated at its discretion. If the income arises from the consolidation, or equity accounting of earnings of subsidiaries or affiliates, the computation of net income subject to profit sharing, shall be based on the cash or property dividends declared and actually received by the Company during the year.

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were ₱2,655,000 and ₱3,210,000 for the years 2016 and 2015, and ₱3,145,000 in 2014, respectively. For 2017, the Company estimates that it will pay an aggregate amount of ₱3,525,000 as compensation to its Directors and Executive Officers.

**Table VII - Summary of Compensation of Directors and Executive Officers**

<b>Name and Principal Position</b>	<b>Year (With 2017 Estimates)</b>	<b>Salary (₱)</b>	<b>Bonus (₱)</b>	<b>Other Annual Compensation Income (₱)</b>
1. Tomas I. Alcantara Chairman and President	<b>2017</b>	₱ -	₱ -	<b>₱315,000</b>
	<b>2016</b>	-	-	225,000
	<b>2015</b>	-	-	285,000
	<b>2014</b>	-	-	310,000
2. Editha I. Alcantara Director & Treasurer	<b>2017</b>	-	-	<b>405,000</b>
	<b>2016</b>	-	-	<b>240,000</b>
	<b>2015</b>	-	-	<b>255,000</b>
	<b>2014</b>	-	-	345,000
3. Tirso G. Santillan, Jr. Director, EVP & COO	<b>2017</b>	-	-	<b>405,000</b>
	<b>2016</b>	-	-	<b>300,000</b>
	<b>2015</b>	-	-	<b>375,000</b>
	<b>2014</b>	-	-	405,000
4. Jose Ben R. Laraya Director	<b>2017</b>	-	-	<b>405,000</b>
	<b>2016</b>	-	-	<b>300,000</b>
	<b>2015</b>	-	-	<b>345,000</b>
	<b>2014</b>	-	-	405,000
5. Ramon T. Diokno Director	<b>2017</b>	-	-	<b>300,000</b>
	<b>2016</b>	-	-	<b>285,000</b>
	<b>2015</b>	-	-	<b>300,000</b>
	<b>2014</b>	-	-	270,000
All other Officers and Directors as a group unnamed	<b>2017</b>	-	-	<b>1,695,000</b>
	<b>2016</b>	-	-	<b>1,305,000</b>
	<b>2015</b>	-	-	<b>1,650,000</b>
	<b>2014</b>	-	-	1,410,000

Other Annual Compensation received from ACR represents per diems given for every attendance in a Board, an Executive Committee (Excom) meeting or an Audit Committee meeting. The disclosure on the compensation of Key Management Personnel is presented in Note 20 of the consolidated financial statements.

The Company and the executive officers are not involved in any of the following transactions:

1. Standard arrangement and any material arrangements;
2. Employment contract (between the registrant and named executive officers);
3. Compensatory plan or arrangement;
4. Outstanding warrants or options;
5. Adjustments or amendments on the stock warrants or options.

The members of the Compensation Committee of the Company are as follows:

Position	Name
Chairman	Tomas I. Alcantara
Member	Honorio A. Poblador III
Member (Independent Director)	Jose Ben R. Laraya
Member	Tirso G. Santillan, Jr.

#### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The above named executive officers of the company are not employees of ACR and are not covered by any existing employment contracts. They only receive per diem if they attend a Board meeting, an Executive Committee meeting, and/or an Audit Committee meeting.

#### **Warrants and Options Outstanding: Repricing**

There are no outstanding warrants or options held by the directors or executive officers of the Company.

#### **Item 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

##### **1. Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2016, Alsons Consolidated Resources, Inc. knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in the following table:



**Table VIII - Beneficial Owners of Voting Securities**

Title of Class	Name and address of Record Owner	Relationship with Issuer	Name of Beneficial Owner and Relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common	<b>Alsons Corporation<sup>1</sup> (AC)</b> Alsons Bldg., 2286 Don Chino Roces Avenue, Makati City	Affiliate	Alsons Corporation <sup>2</sup>	Filipino	2,592,524,072	41.21%
Common	<b>Alsons Power Holdings Corp<sup>1</sup>. (APHC)</b> Alsons Bldg., 2286 Don Chino Roces, Avenue Makati City	Affiliate	Alsons Power Holdings Corporation <sup>2</sup>	Filipino	1,249,999,600	19.87%
Common	<b>Alsons Development &amp; Investment Corp<sup>1</sup>. (ADIC)</b> 329 Bonifacio St., Davao City	Affiliate	Alsons Development and Investment Corporation <sup>2</sup>	Filipino	1,188,524,026	18.89%
Common	<b>PCD Nominee Corporation<sup>3</sup> (Fil)</b> MSE Bldg., Ayala Ave., Makati City	None	Various <sup>4</sup>	Filipino	1,140,489,577	18.13%

## 2. Security Ownership of Management

The following table shows the securities beneficially owned by all directors, nominees and executive officers of ACR as of December 31, 2016:

**Table IX - Security Ownership of Management**

**Directors:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	r	0.00%
Common	Editha I. Alcantara	100,000	Filipino	r	0.00%
Common	Alejandro I. Alcantara	1	Filipino	r	0.00%
Common	Jacinto C. Gavino, Jr.	1	Filipino	r	0.00%
Common	Ramon T. Diokno	1	Filipino	r	0.00%
Common	Jose Ben R. Laraya	100	Filipino	r	0.00%
Common	Conrado C. Alcantara	1	Filipino	r	0.00%
Common	Honorio A. Poblador III	100	Filipino	r	0.00%
Common	Thomas G. Aquino	100	Filipino	r	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	r	0.00%
Total		100,406			0.00%

**Officers:**

<sup>1</sup> The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.

<sup>2</sup> The respective Boards of Directors of each of AC, APHC and ADIC has power to decide how the shares are to be voted.

<sup>3</sup> The PCD Nominee Corporation is not related to the Company.

<sup>4</sup> There are no holders of more than 5% of common stock under PCD. The clients of the various PCD participants have the power to decide how the Company's shares are to be voted.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	R	0.00%
Common	Editha I. Alcantara	100,000	Filipino	R	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	R	0.00%
Common	Roberto V. San Jose	500,000	Filipino	R	0.00%
Total		600,002			0.00%

### 3. Voting Trust Holder of 5% or More

No person holds five percent (5%) or more of the issued and outstanding shares of stock of the Company under voting trust or similar agreement.

### 4. Changes in Control

There are no arrangements which may result in a change in control of the registrant.

### Item 13. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

During the last three (3) years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a Director, or any security holder owning more than 5% of any class of the Company's issued and outstanding shares and/or his/her immediate family member had a material interest thereon.

In the normal conduct of business, the following are among the other transactions with its affiliates and related parties disclosed in the audited financial statements under Notes 17 (Loans Payable), 18 Long-term Debt) and 21 (Related Party):

- In October 2015, the Company subscribed to 22 million redeemable preferred shares of Alsons Development and Investment Corporation (ALDEVINCO), A shareholder, through a conversion of its' advances to ALDEVINCO amounting to ₱2.2 billion. The redeemable preferred shares have a par value of ₱100 per share with cumulative dividend of 4% per annum and non-participating. The Parent Company accounts for its investment in redeemable preferred shares as part of AFS investment in the Financial Statements.
- On December 27, 2011, the Company acquired 72% of the outstanding shares of C. Alcantara and Sons, Inc. (CASI) from ALDEVINCO, for a total consideration of 1,226 million represents the market value of Lanang Landholdings of CASI as determined by an independent third party appraiser.

In 2014, CASI obtained its Tax Clearance from the Bureau of Internal Revenue and approval of SEC for its liquidation effective March 31, 2014. As a result, ACR received the Lanang property of CASI as liquidating dividend amounting to ₱1,226 million.

- On March 21, 2013, ALDEVINCO and ACIL (collectively referred to as AG) and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI shall own 60% and AG shall own 40% of the outstanding capital stock of the Joint Venture Corporation (JVC), Aviana Development Corporation (ADC) shall undertake the development of the Lanang

property in Davao. On September 17, 2013, ADC was incorporated as JVC. ACR has subscribed 296 preferred shares and 32 common shares for 34% ownership in ADC.

There were no transactions to which the Company was a party during the past two (2) fiscal years where a director, executive officer, nominee for director, or stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company retains the law firm of Castillo Laman Pantaleon and San Jose Law Offices for legal services, where Atty. Roberto V. San Jose is a Consultant. During the last two fiscal years, ACR paid ₱2,228,643 and ₱1,557,560 in 2016 and 2015, respectively. Included in the amount paid in 2016 amounting to ₱1,825,442 pertains to legal advisory services on the Fixed-rate Corporate Note facility documentation and review. The Company believes that the legal fees are reasonable for the services rendered.

**List all parents of the registrant showing the basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent, if any.**

With the Company's issuance of the voting preferred shares, the Company's ultimate parent company is Alsons Corporation or AC, which owns 68.63% of all the common and the preferred shares. The Company's outstanding common shares, which are all listed in the Philippine Stock Exchange, are owned and controlled by the following Companies: Alsons Corporation - 41.21%; Alsons Power Holdings Corporation - 19.87%; and Alsons Development & Investment Corporation - 18.89%.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 14. CORPORATE GOVERNANCE**

In compliance with the directive of the Securities and Exchange Commission and in view of the ASEAN Corporate Governance Scorecard Assessment, please refer to the attached ACGR.

## **PART V - EXHIBITS AND SCHEDULES**

### **Item 15. EXHIBITS AND REPORTS**

#### **15.1 Consolidated Financial Statements**

The Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 are attached as Exhibit 1:

- Management's Responsibility to the Financial Statements
- Independent Auditor's Report
- Consolidated Balance Sheets December 31, 2016 and 2015
- Consolidated Statements of Income for the three years ended December 31, 2016, 2015 and 2014
- Consolidated Statements of Comprehensive Income for the three years ended December 31, 2016, 2015 and 2014
- Consolidated Statements of Cash Flows for the three years ended December 31, 2016, 2015 and 2014.
- Notes to Consolidated Financial Statements

#### **15.2 Supplementary Schedules**

Independent Auditor's Report on Supplementary Schedules SRC Annex 68-E Schedules

- A. Financial Assets – (Cash equivalents, Short-term cash investments, and Available for Sale Financial Assets)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
- C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock
  - Schedule of Retained Earnings Available for Dividend Declaration
  - Conglomerate Map
  - Schedule of All Effective Standards and Interpretations

#### **15.3 Reports on SEC Form 17-C**

- Report on SEC Form 17-C filed during the year ended December 31, 2016 is attached together with this report and presented in Exhibit 6:

### SIGNATURES

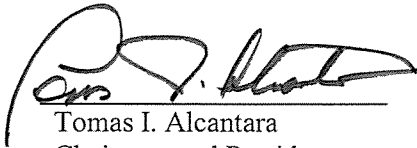
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on \_\_\_\_\_.

### ALSONS CONSOLIDATED RESOURCES, INC.

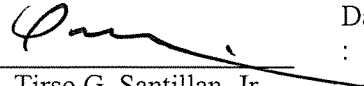
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the date indicated.

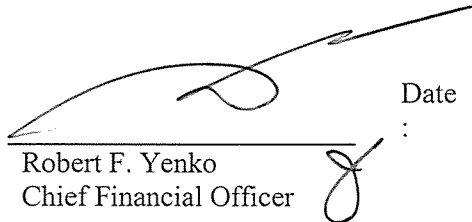
By:

  
Tomas I. Alcantara  
Chairman and President


Date : 4/6/17

  
Tirso G. Santillan, Jr.  
Executive Vice-  
President and Chief  
Operating Officer

Date : 4/7/17

  
Robert F. Yenke  
Chief Financial Officer

Date : 4/6/17

  
Roberto V. San Jose  
Corporate Secretary

Date : 4/7/17

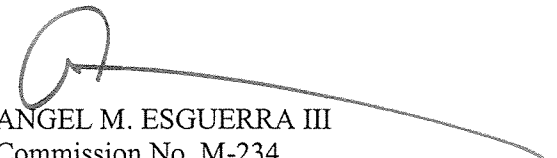
APR 07 2017

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ affiants exhibiting to me their Identifications, as follows:

<u>NAMES</u>	<u>IDENTIFICATION NO.</u>	<u>DATE &amp; PLACE OF ISSUE</u>
Tomas I. Alcantara	PP#EB8610644	07-09-13 / DFA Manila
Tirso G. Santillan, Jr.	DL#N17-72-000977	02-13-15 / LTO QC
Robert F. Yenke	N01-16-031117	10-12-16/ LTO QC
Roberto V. San Jose	PP#EB6079962	08-03-12 / DFA Manila

Page No. 249  
Book No. 51  
Series of 2017  
Book No. III



  
ANGEL M. ESGUERRA III  
Commission No. M-234  
Notary Public for Makati City, Until December 31, 2017  
Roll No. 34787; 06/01/87  
IBP Lifetime No. 00259; 06/01/95; Pasay Chapter  
PTR OR No. 5943493; 01/23/17; Makati City  
Alsons Bldg., 2286 Chino Roces Ave., Makati City

ALSONS CONSOLIDATED RESOURCES, INC.  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY  
SCHEDULES  
FORM 17-A, Item 7

Exhibit No.

**Consolidated Financial Statements**

Exhibit 1

Statement of Management's Responsibility  
Report of Independent Public Accountants  
Consolidated Balance Sheets as of December 31, 2016, 2015 and 2014  
Consolidated Statements of Income for the three years ended December 31,  
2016, 2015 and 2014  
Consolidated Statements of Comprehensive Income for the three  
Years ended December 31, 2016, 2015 and 2014  
Consolidated Statements of Cash Flows for the three years ended December  
31, 2016, 2015 and 2014  
Notes to Consolidated Financial Statements

**Supplementary Schedules**

Exhibit 2

Independent Auditor's Report on Supplementary Schedules  
SRC Annex 68-E Schedules  
A. Financial Assets – (Cash equivalents, Short-term cash investments, and  
Available for Sale Financial Assets)  
B. Amounts Receivable from Directors, Officers, Employees, Related Parties  
and Principal Stockholders  
C. Amounts receivable from related parties which are eliminated during the  
consolidation of financial statements  
D. Intangible Assets - Other Assets  
E. Long-term Debt  
F. Indebtedness to Related Parties  
G. Guarantees of Securities of Other Issuers  
H. Capital Stock  
Schedule of Retained Earnings Available for Dividend Declaration  
Conglomerate Map  
Schedule of All Effective Standards and Interpretations

\*

## INDEX TO EXHIBITS

### Form 17-A

	<u>Page No.</u>
Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
Instruments Defining the Rights of Security Holders, Including Indentures	**
Voting Trust Agreement	*
Material Contracts	**
Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
Letter re: Change in Certifying Accountant	*
Report Furnished to Security Holders	*
Published Report Regarding Matters Submitted to Vote of Security Holders	*
Consent of Experts and Independent Counsel	*
Power of Attorney	*

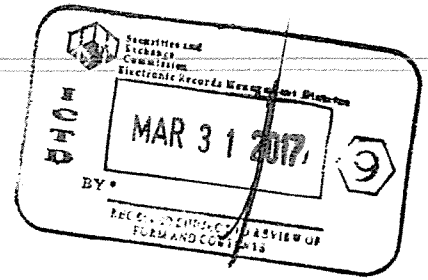
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\* These Exhibits are either not applicable to the Company or require no answer.

\*\* There were no changes or additions to those already provided in our SEC Form 11-A and in our succeeding filing.

# **Annual Corporate Governance Report for 2016**





SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year Consolidated Changes in the ACGR for 2016
2. Exact Name of Registrant as Specified in its Charter ALSONS CONSOLIDATED RESOURCES, INC.
3. Alsons Building, 2286 Chino Roces Avenue, Makati City, Philippines 1231  
Address of Principal Office Postal Code
4. SEC Identification Number 59366 5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 001-748-412
7. (632) 982-3000  
Issuer's Telephone, Including area code
8. N/A  
Former name of former address, if changed from the last report

## TABLE OF CONTENTS

	Page No.
<b>A. BOARD MATTERS</b>	
1) BOARD OF DIRECTORS	4
(a) Composition of the Board	4
(b) Summary of Corporate Governance Policy	4
(c) Review of Vision and Mission	5
(d) Directorship in Other Companies	5
(e) Shareholding in the Company	7
2) CHAIRMAN AND CEO	7
3) CEO SUCCESSION	8
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	9
5) CHANGES IN THE BOARD OF DIRECTORS	9
6) ORIENTATION AND EDUCATION PROGRAM	11
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.</b>	
1) POLICIES	12
2) DISSEMINATION OF CODE	14
3) COMPLIANCE WITH CODE	14
4) RELATED PARTY TRANSACTIONS	14
(a) Policies and Procedures	14
(b) Conflict of Interest	15
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS	16
6) ALTERNATIVE DISPUTE RESOLUTION	16
<b>C. BOARD MEETINGS &amp; ATTENDANCE</b>	
1) SCHEDULE OF MEETINGS	16
2) DETAILS OF ATTENDANCE OF DIRECTORS	16
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS	17
4) ACCESS TO INFORMATION	17
5) EXTERNAL ADVICE	18
6) CHANGES IN EXISTING POLICIES	18
<b>D. REMUNERATION MATTERS</b>	
1) REMUNERATION PROCESS	18
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS	19
3) AGGREGATE REMUNERATION	20
4) STOCK RIGHTS, OPTIONS AND WARRANTS	20
5) REMUNERATION OF MANAGEMENT	20
<b>E. BOARD COMMITTEES</b>	
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES	20
2) COMMITTEE MEMBERS	22
3) CHANGES IN COMMITTEE MEMBERS	23
4) WORK DONE AND ISSUES ADDRESSED	23
5) COMMITTEE PROGRAM	24
<b>F. RISK MANAGEMENT SYSTEM</b>	
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM	25
2) RISK POLICY	25
3) CONTROL SYSTEM	27

## TABLE OF CONTENTS

	Page No.
<b>G. INTERNAL AUDIT AND CONTROL</b>	
1) STATEMENT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEM	28
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function	28
(b) Appointment/Removal of Internal Auditor	29
(c) Reporting Relationship with the Audit Committee	29
(d) Resignation, Re-assignment and Reasons	29
(e) Progress against Plans, Issues, Findings and Examination Trends	29
(f) Audit Control Policies and Procedures	30
(g) Mechanisms and Safeguards	30
<b>H. ROLE OF STAKEHOLDERS</b>	
1) POLICIES AND ACTIVITIES	31
2) CORPORATE RESPONSIBILITY	32
3) EMPLOYEE PARTICIPATION MECHANISM	32
4) HANDLING EMPLOYEE COMPLAINTS	32
<b>I. DISCLOSURE AND TRANSPARENCY</b>	
1) OWNERSHIP STRUCTURE	32
2) ANNUAL REPORT DISCLOSURE	33
3) EXTERNAL AUDITORS' FEE	33
4) MEDIUM OF COMMUNICATION	33
5) AUDITED FINANCIAL REPORT SUBMISSION	34
6) COMPANY WEBSITE	34
7) DISCLOSURE OF RPT	34
<b>J. RIGHTS OF STOCKHOLDERS</b>	
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS	34
2) TREATMENT OF MINORITY STOCKHOLDERS	35
<b>K. INVESTORS RELATIONS PROGRAM</b>	41
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES</b>	42
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL</b>	43
<b>N. INTERNAL BREACHES AND SANCTIONS</b>	44
<b>O. SIGNATURE PAGE</b>	45

## A. BOARD MATTERS

### 1. Board of Directors

Number of Directors per Articles of Incorporation	<b>11</b>
---------------------------------------------------	-----------

Actual Number of Directors from January to June 2016	<b><u>11</u></b>
------------------------------------------------------	------------------

Actual number of Directors from July to December 2016	<b><u>10</u></b>
-------------------------------------------------------	------------------

#### (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
1. Tomas I. Alcantara	ED	N.A.	Nomination Committee	AUG 2001	<u>27 MAY 2016</u>	ASM	<u>15</u>
2. Editha I. Alcantara	ED	N.A.	Nomination Committee	MAR 1995	<u>27 MAY 2016</u>	ASM	<u>21</u>
3. Tirso G. Santillan, Jr.	ED	N.A.	Nomination Committee	JUNE 1996	<u>27 MAY 2016</u>	ASM	<u>20</u>
4. Alejandro I. Alcantara	NED	N.A.	Nomination Committee	JULY 2003	<u>27 MAY 2016</u>	ASM	<u>13</u>
5. Ramon T. Diokno	NED	N.A.	Nomination Committee	MAR 2009	<u>27 MAY 2016</u>	ASM	<u>7</u>
6. Carlos G. Dominguez	NED	N.A.	Nomination Committee	MAR 1995	<u>27 MAY 2016</u> (resigned June 2016)	ASM	<u>20</u>
7. Conrado C. Alcantara	NED	N.A.	Nomination Committee	NOV 2010	<u>27 MAY 2016</u>	ASM	<u>6</u>
8. Honorio A. Poblador III	NED	N.A.	Nomination Committee	MAR 1995	<u>27 MAY 2016</u>	ASM	<u>21</u>
9. Jose Ben R. Laraya	ID	N.A.	Nomination Committee	MAR 1995	<u>27 MAY 2016</u>	ASM	<u>21</u>
10. Jacinto C. Gavino, Jr.	ID	N.A.	Nomination Committee	MAY 2005	<u>27 MAY 2016</u>	ASM	<u>11</u>
11. Thomas G. Aquino	ID	N.A.	Nomination Committee	MAY 2011	<u>27 MAY 2016</u>	ASM	<u>5</u>

(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, disclose duties, and board responsibilities.

<sup>1</sup> Reckoned from the election as of the Annual Stockholders' Meeting (ASM) held on 27 May 2016.

)

~~The latest revised Corporate Governance Manual was approved by the Board of Directors last 31 July 2014. The manual was also submitted to the PSE/SEC and posted in the Company's website. The revised Manual incorporates provisions from SEC Memorandum Circular No. 9, Series of 2014 amending SEC's Revised Manual on Corporate Governance to include references to stakeholders.~~

~~The Board of Directors, management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to institutionalize the principles of good corporate governance in the entire organization.~~

~~The Board of Directors respects the rights of the stockholders, particularly, the right to vote on all matters that require their consent or approval, right to inspect corporate books and records, the right to information, the right to dividends and appraisal right. All stockholders are encouraged to personally attend the meetings. Although all stockholders are treated equally and without discrimination, minority stockholders may request in writing the holding of meetings and the particular items that they want to be taken up in the agenda relating to a legitimate purpose and business of the Company subject to the requirements of the By-Laws.~~

~~To ensure a high standard of best practice for the Company, the Board should conduct itself with honesty and integrity in the performance of its duties characterized by transparency, accountability and fairness. Included in its duties and functions are:~~

- ~~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.~~
- ~~2.) Establish and maintain an investor relations program that will keep the shareholders and other stakeholders informed of important developments in the Company.~~
- ~~3.) Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.~~
- ~~4.) Adopt a system of check and balance within the board of directors. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision making and reporting processes at all times.~~

~~As a commitment to the standards of full **Disclosure and Transparency** as contained in the Revised Manual of Corporate Governance of the Company, the Board shall therefore commit at all times to full disclose of material information dealings. It shall cause the filing of all required informaton through the appropriate Exchange mechanisms for listed companies and submission to the Commission for the interest of its stockholders and other stakeholders.~~

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

~~The board formulates the Company's vision, mission, strategic objectives, policies and procedures and reviews, updates and approves as changes occur.~~

**(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.
Tomas I. Alcantara	Southern Philippines Power Corporation Western Mindanao Power Corporation Alto Power Holdings, Inc. Alsing Power Holdings, Inc. Conal Holdings Corporations	ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman

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

	Sarangani Energy Corporation San Ramon Power, Inc. Alsons Energy Development Corporation Kamanga Agro-Industrial Ecozone Development Corp. Aces Technical Services Corporation Alsons Land Corporation ACR Mining Corporation Market Developers, Inc. (MADE) Eagle Ridge Golf & Country Club, Inc. Alsons Renewable Energy Corporation <u>Alsons Thermal Energy Corporation</u>	ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman ED-Chairman
Editha I. Alcantara	Southern Philippines Power Corporation Western Mindanao Power Corporation Alto Power Holdings, Inc. Alsing Power Holdings, Inc. Conal Holdings Corporations Sarangani Energy Corporation San Ramon Power, Inc. Alsons Energy Development Corporation Kamanga Agro-Industrial Ecozone Development Corp. Aces Technical Services Corporation Alsons Land Corporation ACR Mining Corporation Market Developers, Inc. (MADE) Eagle Ridge Golf & Country Club, Inc. <u>Alsons Thermal Energy Corporation</u>	ED ED ED ED ED ED ED ED ED ED ED ED ED ED
Tirso G. Santillan, Jr.	Sarangani Energy Corporation San Ramon Power, Inc. Mapalad Power Corporation Alsons Energy Development Corporation Kamanga Agro-Industrial Ecozone Development Corp. Siguil Hydro Power Corporation Kalaong Hydro Power Corporation Aces Technical Services Corporation A/S Power Development Inc. ACR Mining Corporation Market Developers, Inc. (MADE) Alsons Renewable Energy Corporation <u>Alsons Thermal Energy Corporation</u>	ED ED ED-President ED ED ED-Chairman & President ED-Chairman & President ED ED ED ED ED ED
Alejandro I. Alcantara	Alsons Land Corporation Market Developers, Inc. (MADE)	NED NED
Conrado C. Alcantara	Alsons Land Corporation Market Developers, Inc. (MADE)	NED NED

(ii) Directorship in Other Listed Companies

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Tomas I. Alcantara	Holcim Philippines, Inc. Philweb Corporation Philippine Bank of Communications	NED ID ID
Thomas G. Aquino	NOW Corporation A Brown Company	ED NED

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Tomas I. Alcantara	Alsons Corporation (ALCORP), Alsons Power Holdings Corporation (APHC), and Alsons Development and Investment Corporation (ALDEVINCO)	Chairman, Director and President of Significant Shareholders.
Editha I. Alcantra	ALCORP, APHC and ALDEVINCO	Director and Treasurer of Significant Shareholders.
Alejandro I. Alcantara	ALCORP, APHC and ALDEVINCO	Director of Significant Shareholders

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

The Company has not imposed any limit on the number of board seats of its directors in other companies but it may consider the adoption of such guidelines taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

(e) Shareholding in the Company

Complete following table on the numbers 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
1. Tomas I. Alcantara	1	-	0.00%
2. Editha I. Alcantara	100,000	-	0.00%
3. Tirso G. Santillan, Jr.	1	-	0.00%
4. Alejandro I. Alcantara	1	-	0.00%
5. Ramon T. Diokno	1	-	0.00%
6. Carlos G. Dominguez	100	-	0.00%
7. Conrado C. Alcantara	1	-	0.00%
8. Honorio A. Poblador III	100	-	0.00%
9. Jose Ben R. Laraya	100	-	0.00%
10. Jacinto C. Gavino, Jr.	1	-	0.00%
11. Thomas G. Aquino	100	-	0.00%
Total 11			

2) Chairman & CEO

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

Yes

☐

No

/

Identify the Chairman and CEO:

Chairman of the Board	Mr. Tomas I. Alcantara
CEO/President	Mr. Tomas I. Alcantara

The CEO of the Company who also assumes the role of the Chairman of the Board holds only one vote. Generally, the Board is the governing body of the Company, and all corporate acts are approved by the Board of Directors. The Board has constituted Nomination, Compensation, Executive and Audit Committees to ensure that there are adequate checks and balances in the Corporate Governance structure of the Company and an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

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

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

Definition	Chairman	Chief Executive Officer
<b>Role</b>	<p>The Chairman of the Board shall preside over all meetings, whether regular or special of the Board of Directors and shall likewise preside over all meetings of stockholders. He shall have such other powers and duties as may be assigned to him by the Board of Directors.</p> <p>Further, the Chairman of the Board also:</p> <p>(a) Ensures that the meetings of the board are held in accordance with the By-Laws; (b) Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of management, the directors and other stockholders; (c) Maintains qualitative and timely lines of communication and information between the Board and management.</p>	<p>The President shall be the Chief Executive Officer of the Company and shall have general management and supervision of the business affairs and property of the Company. He shall have the power to enter into contracts and arrangements for and in behalf of the Company and to employ, appoint and remove officers and employees of the Company. He shall see to it that all orders and resolutions of the Board of Directors are carried into effect. The President shall submit to the stockholders at each annual meeting, a complete report of the operations of the Company for the preceeding year, and the state of its affairs, and he shall from time to time report to the Board of Directors all matters within his knowledge which the interests of the Company may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors..</p>
<b>Accountabilities</b>		
<b>Deliverables</b>		

#### 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 through its Nomination Committee, review and evaluate the qualifications of all persons nominated to the Board and other appointments, which includes CEO/President and the top key management positions that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of such.

(Revised Manual of Corporate Governance, page 12, item ii-a, Nomination Committee)

Part of the duties of the Board is to appoint competent, professional, honest and highly motivated management officers and to do this, management has adopted an effective Succession Planning Program.

The program includes the promotion and hiring decisions when filling key positions that become vacant and the specific development activities for each candidate, identified as "ready or nearly ready now" to assume the position in case of vacancy. While not completely closing the doors to external candidates, priority is given to internal applicants. Each incumbent in an identified succession position is responsible for nominating candidates to be included in the succession pool and in identifying the specific development plan to prepare the successor.

Specific to the CEO/President, the major qualities identified are integrity, maturity, energy, business acumen, leadership acumen, organizational skills, intellectual capacity, gloval mindset, superior judgment, insatiable appetite for accomplishment and results and powerful motivatiion to grow and convert learning into practice.

#### 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.



*It is the policy of the Company that the membership of the Board shall be a combination of executive and non-executive directors, including independent directors, in order that no director or small group of directors can dominate the decision-making process.*

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

*It is the policy of the Company that chosen non-executive directors possess the qualifications and stature that will enable them to effectively participate in the deliberations of the Board.*

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:** (Revised Manual on Corporate Governance, pages 3-4 and pages 8-9)

<b>Executive/Non-Executive/Independent Director</b>	
<b>Role</b>	<i>The Board of Directors is the governing body elected by the stockholders to exercise the corporate powers of the Company, conduct its business and control its properties</i>
<b>Accountabilities</b>	<i>A Director should observe the following norms of conduct:</i>  <i>a) Conduct fair business transaction with the Company and ensure that personal interest does not conflict with the interests of the Company.</i> <i>b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</i> <i>d) Act judiciously and carefully evaluate the issues, make inquiries and request clarification.</i> <i>d) Exercise independent judgment</i> <i>e) Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporations and By-Laws, the rules and regulations of the Commission, and, where applicable, the requirements of relevant regulatory agencies as well as developments in the industry.</i> <i>f) Observe confidentiality</i>
<b>Deliverables</b>	<i>Direct the Company towards sustained progress</i>

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

*The Company defines independence as a state or quality possessed by the respective individuals, which refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken.*

*The Board of Directors of the Company has three (3) independent directors. It is a given requirement that all directors exercise independent judgment. A director should view each problem or situation objectively.*

*The Audit Committee is constituted to perform oversight function over the Company's internal and external auditors to ensure that they are given unrestricted access to all records and other requirements; and free from interference by outside parties to enable them to perform their respective audit function.*

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

*The Company will formalize its policy that will be consistent with the related SEC Memorandum Circular 9, Series of 2011 on the Term Limits for Independent Directors, which took effect on January 2, 2012 and the SEC Advisory dated March 31, 2016. Accordingly, the Company will notify, and justify, to the SEC the reelection of any independent director in 2017.*

## **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 Director that happened during the period:**

Name	Position	Date of Cessation	Reason
<u>Carlos G. Dominguez</u>	<u>Director</u>	<u>June 17, 2016</u>	<u>To serve as Secretary of Finance of the Republic of the Philippines</u>

**(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>	<p>The Directors are selected and elected to serve the Company according to the procedures set forth in the By-Laws, with particular care in regard to a director's ability to perform duties and responsibilities as specified in the Revised Manual on Corporate Governance.</p> <p>In case of vacancies and other authorized instances, the Board may select or appoint its own members recommended by the Nomination Committee. It may appoint members of senior management as a Director. The invitation to join the Board is extended by the Board itself.</p>	The Board follows a screening process and evaluates it Director based on background, skills and characteristics, ability to act in good faith in the interest of the Company and its stakeholders, capacity to provide business continuity, possession of a keen understanding of the business and any other qualification as specified in the Revised Manual on Corporate Governance.
<b>b. Re-appointment</b>	The process followed in re-appointment follows the same procedures as if a new appointment is made.	The same criteria observed as if a new appointment is made.
<b>c. Permanent Disqualification and/or Removal</b>		<p>The criteria for the permanent disqualification of a Director are appropriately described in Section E of the Revised Manual on Corporate Governance, which involves final or permanent judgment or order by a competent judicial or administrative body, order of the Commission or any court or administrative body of competent jurisdiction and/or conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p> <p>Any person earlier elected as Independent Director who becomes an officer, employee or consultant of the Company.</p> <p>Any person judicially declared as insolvent.</p>
<b>d. Temporary Disqualification and/or Reinstatement and/or Suspension</b>	<p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the qualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> <p>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>The disqualification shall be lifted if the limit is later complied with.</p>	<p>A Director will be temporarily disqualified under the following:</p> <p>Refusal to comply with the disclosure requirements of the Commission and its implement Rules and Regulations.</p> <p>Absence in more than 50% 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.</p> <p>Dismissal or termination for cause as a director of any company covered by the Manual</p>

		<p>If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock.</p> <p>If any of the judgements or orders cited in the grounds for permanent disqualification has not yet become final.</p>
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#### Voting Result of the last Annual General Meeting (held last 27 May 2016)

The number of nominees for directors is 11 and this equals the number of board seats available so that each of the 11 nominee for directors received equal number of votes of 11,259,692,525 each (Tomas I. Alcantara, Editha I. Alcantara, Carlos G. Dominguez, Honorio A. Poblador III, Tirso G. Santillan, Jr., Ramon T. Diokno, Conrado C. Alcantara, Alejandro I. Alcantara, Jose Ben R. Laraya, Thomas I. Aquino and Jacinto C. Gavino, Jr.)

#### 6) Orientation and Education Program

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

The Company does not have a formal orientation program, however new directors are provided with reference reading materials to assist them in understanding better the business and operations of the Company. Among the reading materials provided are: Audited Financial Statements; SEC Form 20-IS-Information Statement/Annual Report; Revised Manual on Corporate Governance; Articles of Incorporation and By-Laws and other relevant write-ups, references and reports.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Tomas I. Alcantara (Chairman President)	07 November 2014 06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Editha I Alcantara (Director-Treasurer)	07 November 2014 06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Alejandro I Alcantara (Director)	06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Carlos G. Dominguez (Director)	09 June 2014 1 September 2015	Corporate Governance Seminar	Center for Training and Development, Inc.
Tirso G. Santillan, Jr. (Director-EVP)	07 November 2014 06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Conrado C. Alcantara (Director)	06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Honorio A. Poblador III (Director)	18 February 2014 06 November 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Ramon T. Diokno (Director)	07 November 2014 06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Jose Ben R. Laraya (Independent Director)	07 November 2014 06 November 2015 <u>09 December 2016</u>	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.

Thomas G. Aquino (Independent Director)	07 November 2014 06 November 2015 09 December 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Jacinto C. Gavino, Jr. (Independent Director)	09 December 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Luis R. Ymson, Jr. (Chief Financial Officer & Compliance Officer)	07 November 2014 06 November 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Roberto V. San Jose (Corporate Secretary)	07 November 2014 21 April 2015 04 July 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc. <u>Institute of Corporate Directors</u>
Angel M. Esguerra, III (Asst. Corporate Secretary)	07 November 2014 06 November 2015 09 December 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Esperidion D. Develos, Jr. (Chief Audit Executive)	07 November 2014 06 November 2015 09 December 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.
Sylvia M. Duque (Member, Nomination Committee)	07 November 2014 09 December 2016	Corporate Governance Seminar	Risks, Opportunities, Assessment & Management (ROAM), Inc.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
n.a.			

## 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:

The Company's Code of Conduct and Policies which was approved by the Board and posted on the Company's website, touches on the topics identified below:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>This policy requires directors, officers, employees and consultants who find themselves in a potential or actual conflict of interest situation to promptly disclose the matter and, as applicable, seek an appropriate decision from the authorised person. Unless otherwise authorized by the Company, the person concerned should inhibit him/herself from any action, transaction, discussion, evaluation, or decision involving such conflict of interest. The policy also prohibits the Company from granting personal loan to directors or officers unless allowed by applicable laws and regulations.</p> <p>A Conflict of Interest is a set of circumstances that creates a risk that professional judgment or actions regarding a primary interest will be unduly influenced by a secondary interest. Primary interest refers to the principal goals of the Company, such as the protection of its interests, the advancement of its financial and business performance and, the quality of service it provides to its clients. Secondary interest includes not only financial gain of an employee or group of employees, but also such motives as the desire for professional advancement and the wish to do favors for family and friends as such terms are defined in the Related Party Transactions Policy.</p> <p>GUIDELINES</p>		

	<p>1) Employees are expected, at all times, to act in the best interests of the Company and to exercise sound judgment, unclouded by personal interest or divided loyalties, therefore while employed by the Company or any of its affiliates:</p> <p>(a) An employee is expected to devote his/her time, attention and skill to the affairs of the Company and its affiliates during the usual business hours and will use his/her best endeavors to further its interests in every way.</p> <p>(b) An employee is expected to at all times to diligently, faithfully and to the best of his/her ability, perform the duties and responsibilities for which he/she has been employed as well as abide any additional instructions as may reasonably be requested of him/her.</p> <p>(c) An employee is required to use all proper means within his/her area of control and responsibility to maintain and improve the business, and to protect and further the reputation and interest of the Company and its affiliates.</p> <p>(d) An employee is not permitted to work for, or have any interest in any other company or business, or undertake any activity which might interfere with his/her duties, or negatively affect his/her performance, or create a conflict with the company's interest.</p> <p>2) Whenever a director, officer, employee or consultant of the company find themselves in a possible or actual conflict of interest situation, they shall be required to disclose such fact to their supervisor or direct superior in order for the latter to determine the extent to which the possible or actual conflict of interest may adversely affect the Company's interests. This disclosure shall also include a request for approval from the company to engage in the subject action or activity.</p> <p>This supervisor or direct superior, on his/her own, or with the help of other qualified officers of the Company, shall assess the circumstances as well as all factors involving such possible or actual conflict and fairly decide on whether to allow the same or not.</p>
<b>(b) Conduct of Business and Fair Dealings</b>	<p>Directors and Officers should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.</p> <p>In espousing professionalism among all employees, the Company strictly prohibits behavior that violates common decency as referred to in the Code of Conduct (ACR Employees Handbook, Section 1, 2-e page 4)</p>
<b>(c) Receipts of gifts from third parties</b>	<p>Directors, Senior Management and Employees must avoid situations where personal interests of the Company. Examples include involvement in competing businesses, accepting or giving preferential treatment, favors or gifts to customers and/or suppliers. (ACR Employee Handbook Section 1, 2-d , page 4)</p>
<b>(d) Compliance with Laws &amp; Regulations</b>	<p>A director should have a working knowledge of the statutory and regulatory requirements that affect the Company. Officers and employees shall adhere to the norms and restrictions imposed by applicable laws, rules and regulations.</p>
<b>(e) Respect for Trade Secrets/Use of Non-public Information</b>	<p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p>
<b>(f) Use of Company Funds, Assets and Information</b>	<p>Directors, Officers and Employees shall use company property and resources including company time, supplies and softwares, efficiently, responsibly and only for legitimate business purposes only.</p>
<b>(g) Employment &amp; Labor Laws &amp; Policies</b>	<p>The Company has an Employees' Handbook of Policies which provides for employee rights and obligations to ensure uniformity and consistency in the interpretation and implementation of Human Resources Policies, which are consistent with and in accordance with relevant provisions of the Labor Code.</p>
<b>(h) Disciplinary action</b>	<p>Employees disciplinary measures are imposed in progressively increasing weight whenever violations are committed against the prescribed policies, rules and regulations. A running period of one calendar year will be the basis for computing and imposing applicable penalties/recurring violations. The Management has the prerogative to impose appropriate disciplinary action depending on mitigating or aggravating circumstances. (ACR Employees Handbook, Section III, page 12)</p>
<b>(i) Whistle Blower</b>	<p>This specific policy pertains to "whistle-blowing" which refers to the disclosure by covered employees who</p>

	<p>have personal knowledge of fraud, misappropriations, discrimination, sexual harassment and other wrongful conduct by employees at the Company.</p> <p><b>GUIDELINES</b></p> <p>1) Mechanism. The Company shall designate a dedicated e-mail address for employees to freely communicate any wrongful conduct committed by employees while working at the Company. The reporting employee may report the wrongful conduct anonymously. This reporting mechanism is in addition to the existing system of reporting to a supervisor, a manager at the higher level, or in the Office of the Chairman, or others as specified in the individual policies.</p> <p>2) Confidentiality. Allegations of wrongful conduct will be taken seriously, and the Human Resources Department will direct the conduct of the investigation of such allegations. Reports will be kept confidential to the greatest extent possible, consistent with the need to conduct an investigation. The identity of the individual making the allegation will be kept confidential so long as it does not hinder or frustrate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.</p> <p>3) Wrongful Conduct to be Reported. Reporting must be made in good faith. This policy is not intended to be a mechanism to communicate grievances against other employees of the Company or, unless such grievance is a wrongful conduct under existing policy.</p> <p>Violations of existing policies and any other unlawful or questionable actions may be reported through the dedicated whistle-blowing e-mail address on the matters such as, but not limited to:</p> <ul style="list-style-type: none"> <li>(i) Loss and fraudulent act or suspected fraudulent act,</li> <li>(ii) Criminal activity,</li> <li>(iii) Discrimination and Sexual Harassment</li> <li>(iv) Violation of the code of conduct and accountability</li> <li>(v) Acceptance of gifts or other inducements</li> <li>(vi) Conflict of Interest</li> <li>(vii) treatment of a customer/client</li> <li>(viii) Dangerous act affecting health and safety</li> <li>(ix) Act causing damage to the environment</li> <li>(x) Breach of standing financial instructions</li> <li>(xi) Showing undue favor to a vendor or client or to a job applicant, or</li> <li>(xii) Information on any of the above that has been, is being, or is likely to be concealed.</li> </ul> <p>This list is not exclusive and is merely a guide.</p> <p>It should be emphasized that this policy is intended to assist employees who reasonably believe that they have personally witnessed any of the foregoing violations. It is not designated to question financial or business decision taken by management, and it should not be used to reconsider the decision on any matter that had already been rendered under the formal disciplinary and grievance procedures. Once the whistle-blowing procedures are in place, it is reasonable to expect employees to use them rather than air their complaints outside the Company.</p> <p>4) No Harassment of a Whistle-blower. No employee, who in good faith, reports a violation, will suffer harassment or retaliation or bullying. The Company will not tolerate any harassment or victimization in whatever form or manner of a whistle-blower and will treat this as a serious disciplinary offense, which will be dealt with under the Company's existing disciplinary rules and regulations.</p> <p>5) Untrue Allegations. If an employee makes an allegation in good faith, which allegation was proven to be false by subsequent investigation, no action will be taken against such employee. In making a disclosure, the employee should exercise due care to ensure veracity of the information. If, however, an employee makes malicious allegations or retaliations, disciplinary action may be taken against that individual.</p> <p>6) Sanction. The Human Resources Department will be primarily responsible for imposing the sanction to employees who have been proven guilty for not following this policy. The appropriate sanction shall be based on the Company's Code of Conduct.</p> <p>7) Amendment and/or Termination. At any time, and at its sole discretion, the Company may amend, modify or suspend or completely withdraw this policy, in a whole or in part.</p> <p>8) Approvals. All approvals for any amendment to this policy are vested with the President upon the recommendation by the Human Resources, Internal Audit and Legal Departments.</p>
<b>(j) Conflict Resolution</b>	<p>Conflicts affecting directors, senior management and employees are amicably settled by internal discussions and meetings.</p>

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

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

*The executive officers, department heads and all employees have thoroughly familiarized themselves with the provisions of the Company's rules and regulations. Each employee has to be well informed. The department heads is given the responsibility to keep his subordinates well-acquainted with and compliant to the Company's rules and regulations and any changes thereof.*

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	Related party transactions are conducted at arm's length with consideration paid or received by the Company and on terms at least similar to any such terms available to non related party. The Board thru its Audit Committee defines the threshold for approval and/or disclosure, if needed.
(2) Joint Ventures	Related party transactions are conducted at arm's length with consideration paid or received by the Company and on terms at least similar to any such terms available to non related party. The Board thru its Audit Committee defines the threshold for approval and/or disclosure, if needed.
(3) Subsidiaries	Related party transactions are conducted at arm's length with consideration paid or received by the Company and on terms at least similar to any such terms available to non related party. The Board thru its Audit Committee defines the threshold for approval and/or disclosure, if needed.
(4) Entities Under Common Control	Related party transactions are conducted at arm's length with consideration paid or received by the Company and on terms at least similar to any such terms available to non related party. The Board thru its Audit Committee defines the threshold for approval and/or disclosure, if needed.
(5) Substantial Stockholders	Substantial stockholders shall disclose to the board, through the Corporate Secretary, details of all their directorships and any shareholdings owned by them or members of their family. It is the responsibility of the stockholder to promptly notify the board of any proposed related party transaction. Conflicted stockholders shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues.
(6) Officers including spouse/children/siblings/parents	Officers shall disclose to the board, through the Corporate Secretary, details of all their directorships and any shareholdings owned by them or members of their family. It is the responsibility of the officer to promptly notify the board of any proposed related party transaction. Conflicted officers shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues.
(7) Directors including spouse/children/siblings/parents	Directors shall disclose to the board, through the Corporate Secretary, details of all their directorships and any shareholdings owned by them or members of their family. It is the responsibility of the officer to promptly notify the board of any proposed related party transaction. Conflicted officers shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues.

**(8) Interlocking director relationship of Board of Director**

As provided under the Corporation Code, management obtains the Board's approval before entering into any related party transaction ("RPT"). Thus, the RPT is specifically included in the notice and agenda of the Board meeting, and the Directors are fully informed of each proposed RPT. Moreover, the Directors of the Company who are also directors of the related party with whom the RPT is to be entered (the "inter-locked" Directors) are expressly excluded from the calculation of the quorum of the meeting during which the proposed RPT is considered. In the vote for the RPT, the inter-locked Directors are excluded from the voting.

**(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.

*No related party transaction with subject directors/ officers and 5% shareholders, other than the per diem received for attending meetings of the Board and its committees.*

**(ii) Mechanisms**

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

	Directors/Officers/Significant Shareholders
Company	The Company's accounting and audit departments continuously reviews its transactions and any sign of a conflict of interest is examined and investigated.
Group	The Company's accounting and audit departments continuously reviews its transactions and any sign of a conflict of interest is examined and investigated.

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

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Alsons Corporation (AC)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other
Alsons Development & Investment Corporation (ALDEVINCO)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other
Alsons Power Holdings Corporation (APHC)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other

(b) Indicate, if applicable, any relation of a commercial, contractual or business that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholder	Type of Relationship	Brief Description
Alsons Corporation (AC)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other
Alsons Development & Investment Corporation (ALDEVINCO)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other
Alsons Power Holdings Corporation (APHC)	Affiliated with other significant shareholders	AC, ALDEVINCO & APHC are affiliates of each other



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

Name of Shareholder	% of Capital Stock affected (Parties)	Brief Description of the Transactions
None	None	None

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	Between the Company and its stockholders, any "dispute" is addressed by conciliation meetings and efforts, on the Company's part, to assist the stockholders in their issue with the Company. To the extent allowed by law, rules and regulations, the Company extends advice and assistance to the stockholder, particularly those who have missing share certificates or those inheriting the same from relatives who had passed away.
Corporation & Third Parties	Between the Company and its third parties, the Company ensures that its contracts have alternative dispute resolution provisions, such as arbitration, that will allow the Company to avoid costly and time-wasting litigation. If the counter-party allows it, the venue of arbitration is in the Philippines.
Corporation & Regulatory Authorities	Between the Company and regulatory authorities, the Company simply seeks clarifications on the requirement(s) imposed by such agencies and attempts to comply with same. Such measures include conferences with the appropriate officials of the Commission.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Director's meetings scheduled before or at the beginning of the year?

Yes, board of directors' meetings are scheduled at the beginning of the year, in accordance with the requirements of the Articles of Incorporation and By-Laws.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman	1. Tomas I. Alcantara	27 May 2016	7	7	100%
Member	2. Editha I. Alcantara	27 May 2016	7	6	86%
Member	3. Tirso G. Santillan, Jr.	27 May 2016	7	7	100%
Member	4. Alejandro I. Alcantara	27 May 2016	7	4	57%
Member	5. Ramon T. Diokno	27 May 2016	7	7	100%
Member	6. Carlos G. Dominguez (resigned June 2016)	27 May 2016	7	2	50% (during his term)
Member	7. Conrado C. Alcantara	27 May 2016	7	7	100%
Member	8. Honorio A. Poblador III	27 May 2016	7	6	86%
Independent	9. Jose Ben R. Laraya	27 May 2016	7	7	100%
Independent	10. Jacinto C. Gavino, Jr.	27 May 2016	7	7	100%
Independent	11. Thomas G. Aquino	27 May 2016	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?

Management is unaware if the non-executive directors have a separate meeting or meetings during the year without the presence of any executive.

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

No, the minimum quorum requirement for Board decisions is set at a majority as specified in the Corporation Code and the Company's articles of incorporation and/or by-laws.

## 5) Access to Information

- (a) How many days in advance are board papers for board of directors meetings provided to the board?

*Notice of the meeting, agenda, reference materials and other related reports are required to be sent to the members of the Board of Directors at least three (3) days prior to the date of the meeting.*

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

*Yes, each Director has 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? Yes

*The Company secretary is 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 Company. He informs the members of the Board, 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. He ensures that all board procedures, rules and regulations are strictly followed by the members.*

- (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 Secretary has the appropriate administrative and interpersonal skills; and is aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.*

- (e) Committee Procedures

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

Yes / No

Committee	Details of the procedures
Executive	<i>Notice of the meeting and related Agenda are sent at least three days before the scheduled meeting date, with presentation materials (if any), to be sent as soon as possible thereafter.</i>
Audit	
Nomination	
Compensation	

## 6) External Advice

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

Procedures	Details
<i>Engagement of consultants</i>	<i>At Board or Committee meetings, Directors may suggest the engagement of consultants, whether o financial, accounting or legal matters, who can render advise on issues arising from the operations of the Compan and/or its subsidiaries.</i>
<i>Direct Advice from Advisors and/or Counsel</i>	<i>The Directors can directly contact the external advisors of the Company and ask them to address the issues raised by such Directors and arising from the operations of the Company and/or its subsidiaries. Conferences among the Directors and advisors may be arranged.</i>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None	None	None

D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Board's Compensation Committee establishes a formal and transparent procedure for developing a policy on remuneration of CEO to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates	The Board, with the Compensation Committee, establishes a formal and transparent procedure for developing a policy on remuneration of senior managers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

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

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

	Remuneration	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Per diem	At each meeting of the Board of Committee, the Company pays the ED a per diem for attendance of the meeting	The Board reviews the remuneration of executive directors to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.
Non-Executive Directors	Per diem	At each meeting of the Board of Committee, the Company pays the NED a per diem for attendance of the meeting	The Board reviews the remuneration of non-executive directors to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

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

Yes, the details are set forth below.

Remuneration Scheme	Date of Stockholders' Approval
<i>Per diems in 2013 were duly reported to the stockholders at the annual meeting in the information statement and annexes thereto</i>	<i>23 May 2014</i>
<i>Per diems in 2014 were duly reported to the stockholders at the annual meeting in the information statement and annexes thereto</i>	<i>22 May 2015</i>
<i>Per diems in 2015 were duly reported to the stockholders at the annual meeting in the information statement and annexes thereto</i>	<i><u>27 May 2016</u></i>

### 3) Aggregate Remuneration

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

Remuneration	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None		
(b) Variable Remuneration			
(c) Per diem Allowance	<i>The aggregate amount paid by the Company to its Directors and Executive Officers as a group was ₱3,210,000.00</i>		
(d) Bonuses	None		
(e) Stock Options and/or other financial instruments			
(f) Others (specify)			
<b>Total</b>	<i><u>₱ 3,210,000.00</u></i>		

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Options/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>Not Applicable</i>				

#### (b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
<i>Not Applicable</i>		

### 5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
<i>Luis R. Ymson, Jr., Chief Financial Officer</i>	<u>₱ 90,000.00</u>
<i>Esperidion D. Develos, Jr., Chief Audit Executive</i>	<u>₱ 90,000.00</u>
<i>Roberto V. San Jose, Corporate Secretary</i>	<u>₱210,000.00</u>
<i>Angel M. Esguerra, III, Asst. Corporate Secretary</i>	Not included in the Company's per diem

## 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	3	0	2	The Company By-Laws, Article 1, Section 8	<p>The Executive Committee exercise all the powers of the Board except: (1) The approval of any action for which stockholders' approval is required; (2) The filling of vacancies in the board; (3) The amendment or repeal of the By-Laws or the adoption of new by-laws; (4) The amendment or repeal of any resolutions of the Board of Directors which by its terms is not so amendable or repealable; and (5) Distribution of cash dividends to the shareholders.</p> <p>The act of the majority of the members of the Executive Committee shall be the act of the Executive Committee. Minutes of all the proceedings of the executive Committee shall be kept, and shall be submitte to the Board of Directors for its information.</p>	The Executive Committee has the same responsibilities as the Board except for the responsibility for (1) The approval of any action for which stockholders' approval is required; (2) The filling of vacancies in the board; (3) The amendment or repeal of the By-Laws or the adoption of new by laws; (4) The amendment or repeal of any resolutions of the Board of Directors which by its terms is not so amendable or repealable and (5) Distribution of cash dividends to the shareholders.	The Executive Committee has the same power as the Board except for the power to (1) approve any action for which stockholders' approval is required; (2) Filling of vacancies in the board; (3) Amending or repealing of the By-Laws or the adoption of new by laws; (4) Amending or repealing of any resolutions of the Board of Directors which by its terms is not so amendable or repealable and (5) Distribution of cash dividends to the shareholders.
Audit	2	1	2	Audit Committee Charter	Assists the Board of Directors in fulfilling its responsibility for oversight of corporate governance processes, particularly those which affect the integrity of consolidated financial statements and any formal announcements relating to the financial performance	Ensuring that the Company provides its stockholders with the best possible value, and oversight responsibility in matters relating to: 1. The Company's consolidated financial statements and the financial reporting process 2. Systems of internal accounting, financial controls, information technology security and managing business risks 3. The functions of internal and external	Authority to conduct or authorize investigations into any matter within its scope of responsibility, with full access to all records, books of accounts, facilities and personnel. It has the authority to obtain advice and assistance from outside legal, accounting and other advisors, and to meet with and seek information it requires from employees, officers and directors

						auditors and their performance 4. Adoption of the highest standards of accounting and business ethics 5. Compliance with legal and regulatory matters	
Nomination	1	2	1	Revised Manual on Corporate Governance	Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;	Ensure that all persons nominated to the Board and other appointments that require Board approval are qualified, and that the Board's processes and procedures in the election or replacement of directors are effective.	Screening of all persons nominated to the Board and other appointments; such other implied power to ensure that the Board's processes and procedures in the election or replacement of directors are effective.
Compensation	2	1	1	Revised Manual on Corporate Governance	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.	Establishment of a formal and transparent procedure for developing a policy on remuneration of directors and officers so that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.	Recommend to the Board a policy on the remuneration of directors and officers.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (from 2013)
Chairman	Tomas I. Alcantara	27 May 2016	1	1	100%	3 years
Member (ED)	Editha I. Alcantara	27 May 2016	1	1	100%	3 years
Member (ED)	Tirso G. Santillan, Jr.	27 May 2016	1	1	100%	3 years
Member (ID)	Jose Ben R. Laraya	27 May 2016	1	1	100%	3 years
Member (ID)	Thomas G. Aquino	27 May 2016	1	1	100%	3 years

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (from 2013)
Chairman (ID)	Jose Ben R. Laraya	27 May 2016	5	5	100%	3 years
Member (ED)	Editha I. Alcantara	27 May 2016	5	3	60%	3 years
Member (ED)	Tirso G. Santillan, Jr.	27 May 2016	5	5	100%	3 years
Member (ID)	Jacinto C. Gavino, Jr.	27 May 2016	5	4	80%	3 years
Member (NED)	Ramon T. Diokno	27 May 2016	5	5	100%	3 years

Disclose the profile or qualifications of the Audit Committee members.

Each member has a working knowledge of the statutory and regulatory requirements and responsibilities, the business environment, operations and the risks relating thereto, and key accounting and financial reporting concepts and practices relevant to the various companies included in the Company.

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

The Audit Committee provides assistance to the board of directors in fulfilling the oversight responsibility to the shareholders relating to the functions of external auditors and their performance.

In consultation with the CEO, CFO and CAE, the Audit Committee recommends the appointment, compensation, and replacement of the external auditor. It reviews and approves the audit plan, and receives audit reports; including disagreements with management on critical accounting policies and practices. The Audit Committee assesses and ensures the independence of the external auditor, and recommends rotation, if applicable.

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (from 2013)
Chairman	Tomas I. Alcantara	27 May 2016	1	1	100%	3 years
Member (NED)	Sylvia M. Duque	27 May 2016	1	1	100%	3 years
Member (NED)	Carlos G. Dominguez	27 May 2016	1	1	100%	3 years
Member (ID)	Jose Ben R. Laraya	27 May 2016	1	1	100%	3 years

**(d) Compensation Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (from 2013)
Chairman	Tomas I. Alcantara	27 May 2016	-	-	-	3 years
Member (ED)	Tirso G. Santillan, Jr.	27 May 2016	-	-	-	3 years
Member (NED)	Honorio A. Poblador III	27 May 2016	-	-	-	3 years
Member (ID)	Jose Ben R. Laraya	27 May 2016	-	-	-	3 years

**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	No change during the year.	
Audit		
Nomination		
Compensation		

**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
<b>Executive</b>	This Committee reviewed all matters and actions for approval of the Board prior to presentation to the Board. Thus, all actions of the Board were recommended by this Committee after study and evaluation.	In reviewing all matters and actions for approval by the Board prior to presentation to the Board, this Committee addressed all contentious issues that the Board raised, as well as those issues arising from the study and evaluation of the proposed transactions. Such issues included (i) the transfer of shares of subsidiaries from a subsidiary to the Company; (ii) agreements with other shareholders of a foreign company for joint voting of said shares; (iii) loans with banks and affiliates for the funding of projects; audited annual and quarterly financial statement; conversion of advances into equity in a land-holding subsidiary; (iv) development expenses budget; (v) cash dividends; (vii) acceptance of a partner in a power project.
<b>Audit</b>	a. Assessed and challenged, where necessary, the correctness of the quarterly, midyear and annual consolidated financial statements and all	All questions raised to clarify items in the financial statements were adequately answered, particularly the assumptions used in the

	<p>related disclosures and reports certified by the CFO before submission to the board and released to the SEC and the public. In consultation with the CFO and CAE assured the relevance and consistency of the accounting policies applied; no material errors or misstatements and fraud occurred.</p> <p>b. In consultation with the External and Internal Auditors, assessed the effectiveness and adequacy of the internal control systems. Understood the audit plan and obtained results of audit activities, including significant findings, corresponding recommendations and Management responses and plans of action.</p> <p>c. Obtained assurance that the External and Internal Auditors had free and full access to the Company records and were free from interference in the conduct of the audits. Recommended the appointment of the External Auditor</p> <p>d. Obtained and understood updates on ongoing projects of subsidiaries and visited and did ocular inspection of the existing facilities</p> <p>e. Revised the Audit Committee Charter to comply with the new guidelines and completed the assessment of the performance of the Committee</p>	<p>valuation and impairment assessment, which were all disclosed in the financial statements under Significant Judgments and Estimates.</p> <p>Aside from those specifically identified and disclosed under the Notes to Financial Statements, there were no issues raised that materially affected the accuracy of financial statements.</p> <p>None</p> <p>None</p> <p>There were no material issues raised and the Committee agreed to continuously improve its performance</p>
<b>Nomination</b>	This Committee reviewed and evaluated the qualifications of the persons nominated to the Board	The issue of the qualifications of the persons nominated to the Board were addressed by this Committee.
<b>Compensation</b>	Members of this Committee were consulted on the proposed increase of the per diems for the directors and executive officers, which increase was implemented.	The issue of whether or not to increase the per diems of the directors and executive officers was addressed by this Committee.

#### 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
<b>Executive</b>	This Committee will continue to review and evaluate the transactions to be brought to the Board.	This Committee will address all the issues arising from transactions to be brought to the Board.
<b>Audit</b>	<p>This Committee will continue to assess and challenge, where necessary, the correctness of the quarterly, midyear and annual consolidated financial statements and all related disclosures and reports certified by the CFO before submission to the Board and release to the SEC and the public. In consultations with the CFO and CAE, this Committee will continue to: (a) assure the relevance and consistency of the accounting policies applied; (b) ensure that no material errors or misstatements and fraud occur; (c) in consultation with the External and Internal Auditors, assess the effectiveness and adequacy of the internal control systems, review the audit plan and obtain results of audit activities, including significant findings, correspondence, corresponding recommendations and Management responses and plans of action; (d) obtain assurance that the External and Internal Auditors had free and full access to the Company records and were free from interference in the conduct of the audits; (e) Recommended the appointment of the External Auditor; (f) obtain and understand updates on ongoing projects of subsidiaries and visit and do ocular inspection of the existing facilities; (g) revise the Audit Committee Charter to comply with the new</p>	This Audit Committee will address all the issues arising from transactions to be brought to the Executive Committee and/or Board.



	guidelines and complete the assessment of the performance of the Committee.	
<b>Nomination</b>	<i>This Committee will continue to review and evaluate the qualifications of all persons nominated to the Board, as well as other appointments that require Board approval. Moreover, it will continue to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;</i>	<i>This Committee will address the issues arising from nominations to the Board, including the issue of qualifications of various nominees. The Committee will also determine whether it needs a separate Charter similar to that of the Audit Committee.</i>
<b>Compensation</b>	<i>Members of the Compensation Committee continue to develop a policy on remunerations of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.</i>	<i>This Committee will most likely address the issues arising from such a policy, including the extent of application, and the criteria for officers to be beneficiaries of such policies in the context of the business environments where the Company or its subsidiaries operate.</i>

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company

*The Company believes that the oversight and accountability for the risk assessment process is critical to ensure that the necessary commitment and resources are secured, that it occurs at the right level in the organization and the risks are evaluated through a rigorous and ongoing process, the results of which are timely acted upon.*

#### (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 through the Audit Committee reviewed the effectiveness and adequacy of the risk management system.*

#### (c) Period covered by the review

Year 2016

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

*The review of the Company's risk management system is continuous and reports on its adequacy and effectiveness obtained as regularly as needed.*

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

*Annual review is conducted.*

### 2) Risk Policy

#### (a) Company

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Credit Risk</i>	<i>The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.</i>	<i>Ensure that the counterparty will meet its obligation</i>
<i>Liquidity Risk</i>	<i>The Company maintains sufficient funds or will not</i>	<i>Ensure that the Company maintains</i>

	have difficulty in raising funds to meet or settle its obligations at a reasonable price	sufficient funds to finance its operations
<i>Interest Rate Risk</i>	The Company manages its interest cost using a mix of fixed and variable debt rates and monitors possible changes in interest rates using sensitivity analysis	Ensure that changes in market interest rates will not materially affect the fair value or future cash flows of financial instruments
<i>Equity Price Risk</i>	The Company intends to hold on to investments indefinitely in response to liquidity requirements or changes in market conditions	Ensure that decreases as a result of changes in the value of individual stocks will not materially affect the fair value of quoted AFS investments
<i>Foreign Currency Risk</i>	The Company manages its exposure to foreign currency risk by maintaining sensitivity analysis of possible decline in values and limits its transactions denominated in currencies other than its functional currency	Ensures that losses due to changes in foreign currency is limited
<i>Capital Management</i>	The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital or issue new shares to stockholders. The Company monitors capital on the basis of the debt-to-equity ratio.	Ensures that the Company maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value

**(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:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Credit Risk</i>	<p>The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.</p> <p>In the Group's real estate business, the transfer of the property is executed only upon full payment of the purchase price. There is a provision in the Sales Contract which allows forfeiture of the instalment/deposits made by the customer in favor of the Group in case of default.</p> <p>In the power generation business, it is the policy of the Group to comply with all the provisions in the Energy Conversion Agreements (ECA)</p> <p>With respect to financial assets of the Group, maximum exposure arising from default of the counterparty is equal to the carrying value of the instruments.</p>	<p>Ensure that the counterparty will meet its obligation under a financial instrument or a customer contract and avoid financial loss.</p> <p>Minimize Group's exposure to bad debts.</p> <p>Minimize the credit risk exposure or any margin loss from possible default in the payment of instalment.</p>
<i>Liquidity Risk</i>	The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements.	Maintain sufficient cash and cash equivalents to meet maturing obligations and pay dividend declarations.
<i>Interest Rate Risk</i>	The Group's policy is to manage its interest cost using a mix of fixed and variable debt rates and monitors possible changes in interest rates using sensitivity analysis	Ensure that changes in market interest rates will not materially affect the fair value or future cash flows of financial instruments
<i>Equity Price Risk</i>	The Group intends to hold on to investments indefinitely in response to liquidity requirements or changes in market conditions	Ensure that decreases as a result of changes in the value of individual stocks will not materially affect the fair value of quoted AFS investments
<i>Foreign Currency Risk</i>	The Group manages its exposure to foreign currency risk by maintaining sensitivity analysis of possible decline in values and limits its transactions denominated in	Ensures that losses due to changes in foreign currency is limited

	<i>currencies other than its functional currency</i>	
<i>Capital Management</i>	<i>The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital or issue new shares to stockholders. The Company monitors capital on the basis of the debt-to-equity ratio.</i>	<i>Ensures that the Group maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value</i>

(c) **Minority Shareholders**

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

<b>Risk to Minority Shareholder</b>
<i>The principal risk to the minority shareholders of the exercise by the controlling shareholders' voting power is lack of control.</i>

3) **Control System Set Up**

(a) **Company**

Briefly describe the control system 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>
<i>Financial Risks</i>	<i>Financial Statement risk assessment</i>	<i>Evaluate risks related to the material misstatement of the Company financial statements through input from the Accountants, Internal Audit and Operations. The evaluation considers the characteristics of the financial reporting elements; particularly, materiality and susceptibility of the underlying accounts, transactions, or related support to a likelihood that a control may fail to operate as intended and its impact to financial reports.</i>
<i>Market Risks</i>	<i>Market risk assessment</i>	<i>Evaluate market movements that could affect the Company's performance, particularly interest rates and currency.</i>
<i>Credit Risks</i>	<i>Credit risk assessment</i>	<i>Evaluate the potential that a borrower will fail to meet its obligations in accordance with agreed terms.</i>

(b) **Group**

Briefly describe the control system 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>
<i>Financial Risks</i>	<i>Financial Statement risk assessment</i>	<i>Evaluate risks related to the material misstatement of the Company financial statements through input from the Accountants, Internal Audit and Operations. The evaluation considers the characteristics of the financial reporting elements; particularly, materiality and susceptibility of the underlying accounts, transactions, or related support to a likelihood that a control may fail to operate as intended and its impact to financial reports.</i>
<i>Market Risks</i>	<i>Market risk assessment</i>	<i>Evaluate market movements that could affect the Company's performance, particularly interest rates and</i>

		currency.
Credit Risks	Credit risk assessment	Evaluate the potential that a borrower will fail to meet its obligations in accordance with agreed terms.

(c) Committee

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

Committee/Unit	Control Mechanisms	Details of its Functions
Audit Committee		The Committee encourages continuous improvement of and fosters adherence to the policies, procedures and best practices set up by the Company as well as the subsidiaries under it, at all levels. It provides for open communications among and between management, the external auditors, internal auditors and the board of directors.

## 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

*The Company's Manual on Corporate Governance defines internal control system as the framework under which internal controls are developed and implemented to manage and control business risks to which the Company is exposed. The manual further identifies the objectives of the internal control system which is to ensure the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.*

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

*The Board of Directors confirm the adequacy and effectiveness of the internal control system of the Company.*

(c) Period covered by the review;

Year 2016

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

*The review of internal controls is continuous and the Board of Directors, thru its Audit Committee renders an annual report of its adequacy and effectiveness.*

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

*Not applicable, quarterly review is conducted.*

### 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.

		Indicate whether In-House or	Name of Chief	
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Role	Scope	Outsource Internal Audit Function	Internal Auditor/Auditing Firm	Reporting Process
To provide independent assurance to the Board and Management as to the status of the Company's risk management, control and governance processes.	The Internal Audit Team is involved in the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. It's responsibilities thereby include, though not limited to, the following: Evaluation of the reliability and integrity of information and the means used to identify, measure, classify, and report such information; Evaluation of the means of safeguarding assets; and, Assessment of the effectiveness and efficiency with which resources are employed.	In-House	Mr. Esperidion D. Develos, Jr.	The Internal Audit Group reports functionally to the Board of Directors through the Audit Committee. Its activities are 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 and/or any other auditing standards as may be adopted by the Internal Audit

- (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?

*The appointment or removal of the Chief Internal Auditor is vested in the Audit Committee.*

- (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 the directors and the audit committee and to all records, properties and personnel?

*The results of the financial, operations and compliance review conducted by Internal Audit are reported directly to the Audit Committee. In the performance of its audit function, it has full access to all records, facilities, properties and personnel of the line companies and is authorized to review and appraise policies, plans, procedures, and processes. The internal audit activity is free from interference in determining its scope, performing its work and communicating its results. A separate meeting between the Audit Committee and the Chief Audit Executive may be conducted to discuss any matter that may be necessary to be discussed privately.*

- (d) Resignation, Re-assignment and Reasons

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

*The Internal Auditors' assignments are rotated periodically to avoid familiarity and ensure independence. For the year 2016, the following Internal Auditors tendered their resignation.*

Name of Audit Staff	Reason
<u>Marie Ghiselle Villorente</u> (Group Internal Auditor)	<u>Career advancement</u>

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

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

<b>Progress Against Plans</b>	<i>The progress of Annual Internal Audit Plan versus the Actual engagements completed or on-going is being monitored annually and is reported to the Audit Committee</i>
<b>Issues</b>	<i>Issues are discussed with the Auditees in informal and formal meetings for clarification and/or agreement to subsequently comply or discuss required changes or updates to existing policies or procedures, if necessary.</i>
<b>Findings</b>	<i>Findings are discussed with the Auditees in informal and formal exit meetings and their responses considered and included as Auditees' Comments in final Audit Reports</i>
<b>Examination Trends</b>	<i>As a holding Company, the examinations are being conducted on the subsidiaries</i>

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

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

*The Internal Audit Plan is presented to the Audit Committee for approval on a yearly basis. The assignments are prioritized to cover transactions mostly at risk in case of non-compliance or deviation. The timing, scope and limitations of the actual audit activity is based on volume, size and complexity of transactions, the degree of delegation of authority, extent and effectiveness of information technology and extent of regulatory compliance.*

*Under the Internal Audit Annual Plan, for financial audits, which are designed to validate the existence, accuracy and completeness of account balances, account balances as of a particular date are reviewed. For operations audit, which involve the walkthrough of procedures and compliance review, samples for testing are selected from a period of one year.*

*All audit findings are discussed with the line management operating heads to validate that the Internal Auditor's understanding of the processes and procedures is accurate and to obtain agreement on the facts and key statements in the report. The Auditees' comments, responses on recommendations, concurrence or non-concurrence with the findings, corrective actions and timetable for such actions are incorporated in the audit report.*

*Internal audit will report on the results of the review on the next nearest Audit Committee meeting.*

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

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Cash	Implemented
Receivables	Implemented
Inventories	Implemented
Fixed Assets	Implemented
Investments	Implemented
Payables	Implemented
Requisition, Procurement and Storage Process	Implemented
Release of Materials and Inventory Process	Implemented
Expenditure and Disbursement Process	Implemented

Recruitment/Labor Contracting/Salary and Benefit Management Process	Implemented
Contract Review	Implemented
Billing and Collection Process	Implemented
Project Management Process	Implemented
Outside and Contracted Service Review	Implemented
Compliance Review over Regulatory Reports	Implemented

**(g) Mechanism and Safeguards**

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>a. The Group reports directly to the Audit Committee, not to Management</p> <p>b. The Group does not assume operating responsibilities and is not required nor expected to develop or install procedures, prepare records or engage in any activity which will be subject of review</p> <p>c. Internal Auditors are free from interference in determining the scope of examination, in performing audit work and in communicating results of audit</p> <p>d. Internal Auditors have free and full access to all records, properties and personnel</p>	<p>The Financial Analysts engaged by the Company for various purposes are so engaged precisely because of their independence so that their findings are credible to those who will be using their findings. They have the quality to avoid being unduly influenced by a vested interest and being free from any constraints that would prevent a correct course of action being taken.</p>	<p>The Investment Banks who transact, or propose to transact, with the Company, are not affiliated with the Company and possess the quality to avoid being unduly influenced by avested interest and being free from any constraints that would prevent a correct course of action being taken.</p>	<p>The Rating Agencies that rate the Company are not affiliated with the Company and possess the quality to avoid being unduly influenced by a vested interest and being free from any constraints that would prevent a correct course.</p>

- (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 information must state that all directors, officers and employees of the company have been given proper instruction of their respective duties as mandated by the Code and that internal mechanism are in place to ensure that compliance.**

*The Chairman and President (who is the CEO) and the Compliance Officer attest to the company's full compliance with the SEC Code of Corporate Governance.*

**H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
Customers' welfare	The Company's commitments to its stakeholders include a commitment to its customers of product excellence and quality service	The Company adheres to its commitments to its customers by adopting and maintaining practices that will produce an excellent product and/or render services of excellent quality
Supplier/contractor selection practice	The Company's selection practice for its suppliers and contractors takes into account not only the lowest price but the right price and quality for the services or goods being supplied.	The Company reviews its requirements from suppliers and contractors and considers prices and quality of products and goods supplied or services to be rendered.
Environmentally friendly value-chain	To the extent possible, the environment is considered in deciding who will provide	The Company assiduously reviews its requirements from suppliers and

	the products and services in the company's value chain.	contractors and considers the environmental impact of the products or good supplied or services to be rendered.
Community interaction	The Company's commitments to its stakeholders include a commitment to its host communities of shared efforts in sustainable development. Thus, the Company continued outreach to host communities in coordination with the Conrado and Ladislawa Alcantara Foundation Inc. (CLAFI), a non-stock, non-profit entity overseeing the Corporate Social Responsibility (SCR) functions of the Company and the Alcantara Group.	Donation of workbooks; provision of tutoring and mentoring programs, and English review sessions; scholarships for short-term technical-vocational courses; high school and college students; donations of study chairs, computer equipment, and entire school buildings.
Anti-corruption programmes and procedures?	Corruption is deterred by the dissemination of ethical expectations and the enforcement of rules and regulations.	The Company disseminates its materials to establish ethical standards of conduct, and reinforces the same by regular lectures during its monthly general meeting of all Group employees.
Safeguarding creditors' rights	The Company respects the rights of its creditors by complying with all of its affirmative covenants, negative undertakings and all other obligations in its various creditors' agreements.	The Company regularly reviews its loan and security agreements to ensure that all of the rights of the creditors are observed, and all of its obligations are complied with.

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

3) Performance-enhancing mechanisms for employee participation.

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

*The company, as part of the Group, provides its employees with Management-initiated Benefits in addition to providing the benefits mandated by statutes. Management-initiated Benefits include additional vacation leave, sick leave, transportation allowance, rice, uniform, medical & hospitalization benefits, accident and life insurance.*

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

*The data for the Company employees relating to health, safety and welfare are to be extracted from the data for the Group employees, which extraction is currently on-going.*

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

*The data for the Company's training and development program for its employees are to be extracted from the data for the Group employees, which extraction is currently on-going.*

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

*This Company is considering the codification of this policy.*

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

*Currently, complaints by employees concerning illegal and unethical behavior, including corruption, if any, are processed through the appropriate department, including but not limited to, the Human Resources Department, Internal Audit or Legal. Depending on the nature of the complaint, and the evidence of the complainant, the Company will call the attention of the employee concerned, ask him/her to submit an explanation and, depending on the employee's explanation, impose the appropriate sanction, which may include, but are not limited to, application of the Labor Code, section 282, its implementing rules and*



regulations, and relevant jurisprudence. Complaining employees are protected from retaliation by anonymity and confidentiality.

To further enhance the reception, investigation and handling of these complaints, as well as ensuring that complaining employees are protected from retaliation, the Company implemented its Whistleblowing Policy effective October 1, 2014. There is now a dedicated e-mail address where employees can report anonymously, if desired.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more (as of May 27, 2016)

Shareholder	Number of Shares	Percent	Beneficial Owner
Alsons Corporation	2,592,524,072	41.21%	Alcantara Family represented by its President, Mr. Tomas I. Alcantara
Alsons Power Holdings Corporation	1,249,999,600	19.87%	
Alsons Development & Investment Corporation	1,188,524,026	18.89%	
PCD Nominee Corporation (Fil)	<u>1,140,489,577</u>	<u>18.12%</u>	There are no holders of more than 5% of common shares individually. The clients of the various PCD participants have the power to decide how the shares are to be voted

Name of Senior Management	Number of Direct Shares	Number of Indirect shares/ Through (name of record owner)	% of Capital Stock
Tomas I. Alcantara	1	-	0.00%
Editha I. Alcantara	100,000	-	0.00%
Alejandro I. Alcantara	1	-	0.00%
Jacinto C. Gavino	1	-	0.00%
Ramon T. Diokno	1	-	0.00%
Carlos G. Dominguez	100	-	0.00%
Jose Ben R. Iaraya	100	-	0.00%
Conrado C. Alcantara	1	-	0.00%
Honorio A. Poblador III	100	-	0.00%
Thomas G. Aquino	100	-	0.00%
Tirso G. Santillan, Jr.	1	-	0.00%
<b>Total</b>	<b>100,406</b>	<b>-</b>	<b>0.00%</b>

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

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

## External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip, Gorres, Velayo & Co.	<u>₱558,768.00</u>	-

### 3) Medium of Communication

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

*The Company formally disseminates information to its stockholders via the Exchange and the Commission using facsimile transmission, emails, and uploading into the portals of these institutions. The Company also maintains a website that may be accessed by all stockholders and the public.*

### 4) Date of release of audited financial report

*April 15, 2015 with disclosure to the Philippine Stock Exchange and Securities Exchange Commission under SEC Form 17-A.*

### 5) 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 briefing 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)	<i>No. The Company's amended Articles of Incorporation and/or By-Laws are available to the public through the Commission. However, any stockholder may request the Company for a copy of the same. These amended Articles of Incorporation and/or By-Laws may also be uploaded into the Company's website as soon as the same shall be re-formatted for easier review by stockholders who will be accessing the site.</i>

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

*The Company's amended articles of incorporation and/or by-laws (the Corporation Code does not use the terms "memorandum and articles of association") are available to the public through the Commission. However, any stockholder may request the Company for a copy of the same. These amended articles of incorporation and/or by-laws may also be uploaded into the Company's website as soon as the same are re-formatted for easier review by stockholders accessing the site.*

### 6) Disclosure of RPT

RPT	Condition	Nature	Value
Major Stockholders	Party Secured	Advances	<u>775,568,499</u>
Subsidiaries of major stockholders	Unsecured	Advances	<u>12,621,851</u>
Affiliates	Unsecured	Advances	<u>78,939,230</u>

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?

~~As provided under the Corporation Code, management obtains the Board's approval before entering into any related party transaction ("RPT"). Thus, the RPT is specifically included in the notice and agenda for the Board meeting, and the Directors are fully informed of each proposed RPT. Moreover, the Directors of the Company who are also directors of the related party with whom the RPT is to be entered (the "inter-locked" Directors) are expressly excluded from the calculation of the quorum of the meeting during which the proposed RPT is considered. In the vote for the RPT, the inter-locked Directors are excluded from the voting.~~

## 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.

*A quorum for any meeting of the stockholders shall consist of a majority of the subscribed stock of the corporation, and a majority of such quorum shall decide any question at the meeting, save and except in those matters where the Corporation Law requires the affirmative vote of a greater proportion.  
(Amended By-Laws, Article 3, Section 4, page 10)*

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

Explain the system used to approve corporate acts.

System Used	Advice and Ratification
Description	Prior to the annual or any special stockholders meetings, a list and summary of corporate acts by the Board and management is prepared and distributed to the stockholders. At the annual or any special stockholders meeting, the Board directs the attention of the stockholders to this list and summary for their review and questions. If there are questions, the Board and management addresses the questions. If there are no further questions, the Chairman specifically asks the stockholders to ratify these acts of management.

#### (c) Stockholders's Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
The stockholders have the right, as provided by the Corporation Code and Articles of Incorporation, to, among others, (i) vote on all matters that require the stockholders' consent or approval; (ii) inspect corporate books and records; (iii) information; (iv) dividends; and (v) appraisal of the stockholders' shares.	Under the Company's By-laws, Articles III, section 2, a stockholder holding of record not less than ¼ of the outstanding capital stock of the Company may request in writing for a stockholders' meeting and the Board or the President must call for a special stockholders' meeting

#### Dividends

Declaration Date	Record Date	Payment Date
May 27, 2016	June 30, 2016	July 25, 2016
May 22, 2015	June 5, 2015	June 16, 2015
May 23, 2014	June 30, 2014	July 24, 2014
March 21, 2013	May 23, 2013	June 14, 2013
May 4, 2012	May 18, 2012	June 14, 2012

#### (d) Stockholders' Participation

- (i) 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
Notice and Full Disclosure	<i>The Board timely advises the stockholders of the annual stockholders with adequate information meaningfully participate in the meeting. The notice and other materials for the stockholders have reminders of the rights of the stockholders.</i>
Advise and Ratification	<i>Prior to the annual or any special stockholders meetings, a list and summary of corporate acts by the Board and management is prepared and distributed to the stockholders. At the annual or any special stockholders meeting, the Board directs the attention of the stockholders to this list and summary for their review and questions. If there are questions, the Board and management addresses the questions. If there are no further questions, the Chairman specifically asks the stockholders to ratify these acts of management</i>

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

**a. Amendments to the company's constitution**

*The articles of incorporation, as amended, is the constitution of the Company. Pursuant to the Corporation Code, section 16, the amendment of the articles required the vote or written assent of the stockholders representing at least 2/3 of the outstanding capital stock. Therefore, in amending its articles, the Company calls for a stockholders' meeting and asks its shareholders to actively participate in the corporate decision of amending the articles of incorporation or constitution of the Company.*

**b. Authorization of additional shares**

*The articles of incorporation, as amended, sets for the number and other details of the shares of the capital stock of the Company. Pursuant to the Corporation Code, section 38, the increase in the capital stock requires the vote of the stockholders representing at least 2/3 of the outstanding capital stock. Therefore, in authorizing additional shares in its capital stock, the Company calls for a stockholders' meeting and asks its shareholders to actively participate in the corporate decision of authorizing shares in the capital stock of the Company.*

**c. Transfer of all or substantially all assets, which in effect results in the sale of the company**

*Pursuant to the Corporation Code, section 40, the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company's assets requires the vote of the stockholders representing at least 2/3 of the outstanding capital stock. Therefore, in authorizing such a transfer, the Company calls for a stockholders' meeting and asks its shareholders to actively participate in the corporate decision of transferring all or substantially all of the Company's assets.*

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

*Yes, giving out notice of Annual Stockholders' Meeting is 23 days as counted from April 25, 2016 to May 27, 2016.*

- a. Date of sending out notices:** *On April 25, 2016, sending out of Notices and Definitive Information Statement in compact disc to all record stockholders was done thru personal delivery using courier service or registered mail.*

**b. Date of the Annual/Special Stockholders' Meeting: May 27, 2016**

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

*During the Annual Stockholders' Meeting, a stockholder referred to the previously disclosed fund-raising effort by the Company that did not proceed and asked whether the discontinued fund-raising effort was the cause of the delay of the power project of one of the Company's subsidiaries, Sarangani Energy Company, Inc.*

*The Company's management replied that it still intended to raise funds for its future projects and that the previously disclosed fund-raising effort was affected, among other factors, with the state of the international capital markets. Sarangani Energy's power project was not delayed by the adjustment in the Company's fund-raising effort because it had its own funding from project debt.*

*Another stockholder asked whether the Company has a share buy-back program, to which the Company's management replied that it could study such a program.*

*Another stockholder referred to a news article claiming that the price of the power to be sold by one of the Company's subsidiaries, San Ramon Power, Inc., was more expensive than an alleged competitor and asked if this was true. The Company's management replied that price of power depended on the construction price for the plant and refuted the claims by alleged competitors without previous experience in constructing and maintaining power plants.*

*A stockholder asked whether a Japanese company he could not name was still interested in investing in the Company, to which the Chair advised the stockholders of the name of the Japanese company and its continued interest in investing in the Company.*

*Another stockholder asked whether the shares of one of the Company's subsidiaries, Alsing Power Holdings, Inc., would be listed in the Exchange. The Company's management replied that the Company's power subsidiaries were not listed.*

*A stockholder asked why the prices of the power to be sold by the Company's subsidiaries were different from each other. The Company's management replied that the Company's subsidiaries had different types of power plants consuming different types of fuel for different uses. After explaining the types of plants, fuel and uses, the Company's management advised that prices of different types of plants will necessarily be different.*

*Another stockholders referred to the Company's long-term debt and asked whether the same was still manageable, to which the Company's management replied in the affirmative.*

*A stockholder asked whether the Company had renewable energy projects, to which the Company's management replied that it was studying a hydro-power project in Mindanao.*

**5. Result of Annual/Special Stockholders' Meeting's Resolutions  
May 27, 2016 Annual Stockholders' Meeting**

Resolution	Approving	Dissenting	Abstaining
<u>Approval of the Minutes of Annual Stockholders' Meeting held on May 22, 2015.</u>	<u>Stockholders representing a total of 11,259,692,525 shares of stocks or 95.48% of the Corporation's outstanding shares entitled to vote</u>	None	None
<u>Approval of the Annual Report and Audited Financial Statements for the year ended December 31, 2015</u>		None	None
<u>Ratification of the actions &amp; proceedings of the Board of Directors, different Committees and Management during the year 2015.</u>		None	None
<u>Election of Directors (including Independent Directors)</u>		None	None
<u>Appointment of the External Auditors – Sycip Gorres Velayo &amp; Co.</u>		None	None

**6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:** *The results of the annual stockholders' meeting was immediately disclosed to PSE's on line reporting system (PSE Edge Submission System) within the same date of the meeting.*

**(e) Modification**

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
<i>No modification made in the Annual/Special Stockholders' Meeting regulations during the most recent year.</i>	

**(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 Stockholders' Meeting	<b>Directors:</b> 1. Tomas I. Alcantara 2. Editha I. Alcantara 3. Alejandro I. Alcantara 4. Tirso G. Santillan, Jr. 5. Ramon T. Diokno 6. Jose Ben R. Laraya 7. Carlos G. Dominguez 8. Honorio A. Poblador, III 9. Jacinto C. Gavino, Jr. 10. Conrado C. Alcantara 11. Thomas G. Aquino <b>Officers:</b> 1. Luis R. Ymson, Jr. 2. Roberto V. San Jose 3. Angel M. Esguerra, III 4. Esperidion D. Develos, Jr.	<u>27 May 2016</u>	By poll  one share one vote	<u>0.01%</u>	<u>95.47%</u>	<u>95.48%</u>
Special	<i>No Special Stockholders' Meeting held during the year.</i>					

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the AASM/SSMs? The Company asks personnel from its stock & transfer agent to act as inspectors to count and/or validate the proxies before the stockholders meeting, and the votes taken, if any, at such meetings.**

*Yes. Sycip Gorres Velayo & Co. was the appointed Board canvasser, an independent party to count and validate the votes during the Annual Stockholders' Meeting held on May 27, 2016.*

- (iii) Do the company's common shares carry on 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's common shares entitles the holder to one vote that may be exercised in person or by proxy at shareholders' meeting, including the Annual Stockholders' Meeting.*

**(g) Proxy Voting Policies**

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

	Company's Policies
Execution and acceptance of proxies	<i>Pursuant to the Company's By-Laws, Article III, section 7, every stockholder entitled to vote at any meeting of the stockholders may, so vote by proxy, provided that the proxy shall have been appointed in</i>

	writing by the stockholder himself, or by his duly authorized attorney in favor of a registered stockholder. No proxy in favor of a third person who is not a bona fide registered stockholder of the Company and no proxy bearing a signature which is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the Meeting. The instrument authorizing a proxy to act shall be lodged with the Secretary at least five (5) days before the date of the meeting. No proxy shall be recognized for shares in the names of stockbrokers who are members of the stock exchanges, unless accompanied by the written consent or authorization of their clients authorizing the grant of such proxy or by a certification by the stockbroker that the shares are beneficially owned by him.
Notary	If the signature on the proxy is known and recognized by the Secretary, the legal acknowledgment of such a signature is not necessary.
Submission of Proxy	The instrument authorizing a proxy to act shall be lodged with the Secretary at least five (5) days before the date of the meeting.
Several Proxies	Pursuant to the Commission's Memorandum Circular N° 5, series of 1996, section B.10, "Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all former proxies."
Validity of Proxy	Pursuant to the Commission's Memorandum Circular N° 5, series of 1996, the Company's By-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance of proxies, or the validity of the proxy, provided that the Company will comply with the minimum required formalities prescribed under Section 58 of the Corporation Code and the applicable provisions of the SRC and its implementing rules and regulations.
Proxies executed abroad	Pursuant to the Commission's Memorandum Circular N° 5, series of 1996, section B.16, "Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office."
Invalidated Proxy	An invalidated proxy shall not be used for the purposes for which it was issued.
Validation of Proxy	Pursuant to the Commission's Memorandum Circular N° 5, series of 1996, the Company's By-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance, and validation, of proxies, provided that the Company will comply with the minimum required formalities prescribed under Section 58 of the Corporation Code and the applicable provisions of the SRC and its implementing rules and regulations.
Violation of Proxy	The Company will comply with the Commission's Memorandum Circular N° 5, series of 1996, the Company's By-laws, Section 58 of the Corporation Code and the applicable provisions of the SRC and its implementing rules and regulations shall be controlling in determining the proper procedure to be followed in the execution and acceptance, and validation, of proxies, provided that the Company will comply with the minimum required formalities prescribed under Section 58 of the Corporation Code and the applicable provisions of the SRC and its implementing rules and regulations.

#### (h) Sending of Notices

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

Policies	Procedure
At the first Board meeting in the calendar year, management recommends to the Board the schedule of activities leading up to, and including, the annual stockholders meeting,	Notices of the time and place of holding any annual meeting, or any special meeting, of the stockholders, shall be given either by posting the same enclosed in a postage prepaid envelope,



<p>which, under the By-laws, Article III, section 1, is held during May of each year.</p> <p>Notices to stockholders shall comply with the by-laws of the Company, the Corporation Code and the Securities Regulation Code and its implementing rules and regulations.</p>	<p>addressed to each stockholder of record entitled to vote at the address left by such stockholder with the secretary of the Company, or at his last known post-office address, or by delivering the same to him in person or by messengerial service, at least seven (7) days before the date set for such meeting. Every stockholder shall furnish the Secretary with the address at which notices of meetings and all other corporation notices may be served upon or mailed to him, and if any stockholder shall fail to furnish such address, notices may be served upon him by mail directed to him at his last known post-office address. The notice of every special meeting shall state briefly the objects of the meeting, and no other business shall be transacted at such meeting except by consent of all the stockholders of the Company entitled to vote. No notice of any meeting need be published in any newspaper. Failure to give or any defect or irregularity in giving the notice of the annual meeting shall not affect or invalidate the actions or proceedings at such meeting. The stockholders of the Company entitled to vote, may, by unanimous consent in writing, waive notice of the time, place and purpose of any meeting of stockholders and any action taken at a meeting held pursuant to such waiver shall be valid and binding.</p>
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(i) Definitive Information statements and Management Report

<i>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and other Materials</i>	<u>481</u>
<i>Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by market participants/certain beneficial owners</i>	<u>April 25, 2016</u>
<i>Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by Stockholders</i>	<u>April 25, 2016</u>
<i>State whether CD format or hard copies were distributed</i>	Yes
<i>If yes, indicate whether requesting stockholders were provided hard copies</i>	Yes

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

<i>Each resolution to be taken up details with only one item.</i>	Yes
<i>Profiles of directors (at least age, qualification, date of first appointment, experience, and directorship in other listed companies) nominated for election/re-election.</i>	Yes
<i>The auditors to be appointed or re-appointed.</i>	Yes
<i>An explanation of the dividend policy, if any dividend is to be declared.</i>	Yes
<i>The amount payable for final dividends.</i>	<u>₱0.16 per share</u>
<i>Documents required for proxy vote</i>	Yes



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

All the foregoing information are disclosed.

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
The Board respects the rights of the stockholders as provided by the Corporation Code and Articles of Incorporation such as rights to (i) vote on all matters that require the stockholders' consent or approval; (ii) inspect corporate books and records; (iii) information; (iv) dividends; and (v) appraisal of the stockholders' shares.	The Board timely advises the stockholders of the annual stockholders meeting and provides each stockholder with adequate information meaningfully participate in the meeting. The notice and other materials for the stockholders have reminders of the rights of the stockholders.
As allowed by the Corporation Code, the pre-emptive right of the stockholders has been denied	The Board timely and duly advises the stockholders when it plans to sell shares of the Corporation to stockholders.
Transparency and fairness in the conduct of the annual stockholders meetings; encouragement of the stockholders to attend in person; timely notice of right and information on attendance by proxy; no undue restriction on voting by proxy.	The notice and other materials for the stockholders are internally drafted, revised and reviewed, and then sent to the Commission for comment before distribution to the stockholders. External counsel is consulted on the schedule and content of materials for the annual stockholders' meeting.

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

## K. INVESTORS RELATIONS PROGRAM

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

The Corporation recognizes that the essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

Thus, it is essential that all material information about the Corporation that could adversely affect its viability or the interests of the stockholders be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

- 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.

The members of the senior management all participate in managing the relationships with investors by contributing to the disclosures to the Exchange and/or the press. The Chairman of the Board of Directors, the President, the Executive Vice President, the Chief Finance Officer, and/or the Manager for Communications and Stakeholder Relations all confer with the Compliance Officers in composing, revising and finalizing the form and content of the information disclosed through the appropriate Exchange mechanisms and submissions to the Commission

### Details

<b>(1) Objectives</b>	Transparency for all internal workings of the Corporation to prevent mismanagement or misappropriation of assets.
<b>(2) Principles</b>	All material information about the Corporation that could adversely affect its viability or the interests of the stockholders are publicly and timely disclosed.
<b>(3) Modes of Communications</b>	Upon the occurrence of a material event, management prepares disclosure statements to the PSE and press
<b>(4) Investors Relations Officer</b>	The members of the senior management all participate in managing the relationships with investors by contributing to the disclosures to the PSE and press.

**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 conducts a rigorous financial, operational, accounting and legal review – with due diligence – of any company control of which it may acquire either through the capital markets or other systems. This due diligence review would begin by amassing any and all publicly available information about such company, then negotiating and executing a confidentiality or non-disclosure agreement with the owners of the company or the company itself. Under the latter, confidential, non-public and proprietary information is obtained to determine the consideration, terms and conditions for the acquisition. Thereafter, an extensive negotiation takes place on the definitive agreement(s) by which control is obtained.*

*An identical and no less rigorous exercise is conducted in a merger.*

*In a sale or disposition of substantial assets, the exercise is the same but the flow of confidential, non-public and proprietary information is reversed, with such information being provided by the Corporation to the acquiring company or companies. The Company also negotiates and then executes a confidentiality or non-disclosure agreement with the potential buyer or buyers in preparation for the negotiations over the consideration, terms and conditions for the disposition. Thereafter, an extensive negotiation takes place on the definitive agreement(s) by which the assets are sold.*

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

*In the event of an acquisition, merger and/or sale that requires an evaluation of the fairness of the transaction price, the parties usually agree on an internationally-recognized accounting firm to be the evaluator of the fairness of the transaction price, and the consideration, terms and conditions for such an engagement, as well as the sharing of the firm's consideration.*

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

<b>Initiative</b>	<b>Beneficiary</b>
<i>The Company continues to reach out to its host communities in coordination with the Conrado and Ladislawa Alcantara Foundation, Inc. (CLAFI), a non-stock, non-profit entity overseeing the Corporate Social Responsibility (CSR) functions of the Company and the Alcantara Group.</i>	<i>The communities in Sarangani Province and Zamboanga City in Mindanao where CLAFI establishes an outreach presence benefit from the CSR efforts of the Company, CLAFI, and the Group.</i>
<i>Direct support through the donation of workbooks; provision of tutoring and mentoring programs, and English review sessions; scholarships for short-term</i>	<i>Students taking up short-term technical-vocational courses; high school and college students; school districts in need, in</i>

technical-vocational courses, high school and college students; donations of study chairs, computer equipment, and entire school buildings	cooperation with their respective local government units.
Reviewing a medical-related CSR project such as an "Adopt a Barangay" program for a public health initiative	Communities in Sarangani Province and/or Zamboanga City
Realignment of environment-related CSR projects in ACR's areas of operation; water-related programs in Sarangani, including mangrove reforestation, carbon sequestration, artificial reef installation, watershed protection, and fish restocking in Sarangani Bay.	Communities along Sarangani Bay in Sarangani Province

#### 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>	<i>The Board was advised and updated on the self assessment of the annual performance of the Audit Committee as implemented under the Commission's Memorandum Circular N° 4 of 2012. A similar assessment of the Board's annual performance could therefore follow the same pattern as that of the Audit Committee, adjusted to consider the wider powers and responsibilities of the Board.</i>	<i>Any self assessment of the annual performance of the Board will likely take into account the wider powers and responsibilities of the Board, the frequency of its meetings, and reiteration or duplication of the assessments of its committees such as the Audit, Executive, Nomination and Compensation Committees.</i>
<b>Board of Committees</b>	<i>The self assessment of the annual performance of the Audit Committee as implemented under the Commission's Memorandum Circular N° 4 of 2012. A self assessment or self rating of the annual performance of the Executive, Nomination and Compensation Committees could therefore follow the same pattern as that of the Audit Committee, adjusted to consider the wider powers and responsibilities of the Board.</i>	<i>Any self assessment or self rating of the annual performance of the Executive, Nomination and Compensation Committees will likely take into account the divergent powers and responsibilities of these Committees, the frequency of meetings, and the membership of each committee, which may find it necessary to create a charter to be approved by the Board. These charters will be necessary to formulate the criteria against which the committee members can assess or rate themselves.</i>
<b>Individual Directors</b>	<i>The draft procedure and schedule for the self assessment or rating of the annual performance of each Director need to be formalized, disseminated and approved by the Board.</i>	<i>As set forth in the Company's Revised Manual of Corporate Governance, each Director would assess/rate his/her performance of the following individual duties: (i) fair business transaction with the Company; (ii) Time and attention to duties to the Company; (iii) acting judiciously; (iv) exercising independent judgement; (v) having a working knowledge of the statutory and regulatory requirements affecting the Company; and (vi) observing confidentiality.</i>
<b>CEO/ President</b>	<i>The draft procedure and schedule for the self assessment or rating of the annual performance of the CEO/President need to be formalized, disseminated and approved by the CEO/President.</i>	<i>As set forth in the Company's Revised Manual of Corporate Governance, the CEO/President would assess/rate his performance of the following individual duties, including, but not limited to, observing the proper checks and balances necessitated by the unification of the positions with a view to getting the benefits</i>

		of individual vies and perspectives, ensuring that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; supervising the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of management and the directors; and maintaining qualitative and timely lines of communication and information between the Board and Management.
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#### 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
<i>Director's breach of the corporate governance manual</i>	<i>Depending on the severity of the breach, and the materiality of the effects or consequences of the breach, the Board of Directors may call the attention of the breaching Director, ask for an explanation and impose the appropriate sanction. The most severe sanction would involve the application of the Corporation Code, section 28.</i>
<i>Officer's breach of the corporate governance manual</i>	<i>Depending on the severity of the breach, and the materiality of the effects or consequences of the breach, the Board of Directors will call the attention of the breaching Officer, ask him/her to submit an explanation for the breach, and, depending on the Officer's explanation, impose the appropriate sanction, which may include, but shall not be limited to, application of the Labor Code, section 282, its implementing rules and regulations, and relevant jurisprudence.</i>
<i>Employee's breach of the corporate governance manual</i>	<i>Depending on the severity of the breach, and the materiality of the effects or consequences of the breach, the Company will call the attention of the breaching Employee, ask him/her to submit an explanation for the breach, and, depending on the Employee's explanation, impose the appropriate sanction, which may include, but shall not be limited to, application of the Labor Code, section 282, its implementing rules and regulations, and relevant jurisprudence.</i>

This Consolidated Changes in ACGR for 2016 is hereby compiled and published in the Company website, in compliance with the Securities and Exchange Commission (SEC) Memorandum Nos. 1 and 12, Series of 2014, requiring all publicly listed companies to consolidate all the ACGR updates and changes for the year and label the consolidated changes as "Consolidated Changes in ACGR for 2016".

In lieu of the notarized signature page, the Consolidated Changes in the ACGR shall be accompanied by a Secretary's Certificate regarding said updates and changes in the ACGR.


REPUBLIC OF THE PHILIPPINES )  
CITY OF MAKATI ) S.S.

### SECRETARY'S CERTIFICATE

I, **ANGEL M. ESGUERRA, III**, of legal age, Filipino, and with office address at 3<sup>rd</sup> Floor Alsons Bldg., 2286 Chino Roces Avenue, Makati City, Philippines, after having been duly sworn to in accordance with law, hereby depose and say that:

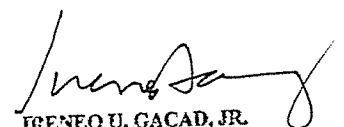
1. I am the Assistant Corporate Secretary of **ALSONS CONSOLIDATED RESOURCES, INC.** (the "Company"), a corporation duly organized and existing under Philippine laws, with office address at Alsons Bldg., 2286 Chino Roces Avenue, Makati City, Philippine;
2. As Assistant Corporate Secretary, I have control and custody of all corporate records, including minutes of stockholders and directors' meetings.
3. I certify that at the Regular Meeting of the Board of Directors' held on 29 March 2017, at which quorum was present and acting throughout, the said Committee reviewed and approved the Company's Annual Corporate Governance Report ("ACGR") with Consolidated Changes for 2016 ("ACGR for 2016"), which contains the changes and updates to the information set forth in the ACGR for 2015 filed on 08 January 2016 with the Securities and Exchange Commission (SEC). The Board of Directors' also authorized the posting of the ACGR for 2016 in the Company's website, in order to comply with the requirements of SEC Memorandum Circular No. 12, Series of 2014."
4. This Certificate is submitted in lieu of the notarized signature page of the Consolidated Changes in the ACGR for 2016 of the Corporation and pursuant to SEC Memorandum Circulars No. 1 and 12, Series of 2014.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this MAR 28 2017  
at Makati City, Philippines

  
**ANGEL M. ESGUERRA, III**  
Assistant Corporate Secretary

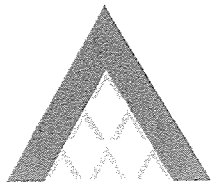
SUBSCRIBED AND SWORN to before me this MAR 28 2017 at Makati City,  
affiant exhibiting to me his Tax Identification No. 121-413-569.

Doc. No. 238;  
Page No. 49;  
Book No. IXI;  
Series of 2017.

  
**IRENEO U. GACAD, JR.**  
Commission No. M-154  
Notary Public for Makati City  
Until December 31, 2017  
Roll No. 22596  
BPN No. 1055481, 01-03-2017; Manila 1 Chapter  
PTR No. 5943494, 01-23-2017; Makati City  
Unit 104 Guadalupe Commercial Complex  
Guadalupe Nuevo, Makati city

## **Exhibit 1**

### **AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015 And Years Ended December 31, 2016, 2015 and 2014**



**Alsons Consolidated Resources, Inc.**  
(Listed in the Philippine Stock Exchange Trading Symbol "ACR")  
2nd Floor, Alsons Building  
2286 Chino Roces Ext., (formerly P. Tamo Ext.) Makati City  
1231 Metro Manila Philippines  
Tel. Nos.: (632) 982-3000 Fax Nos.: (632) 982-3077  
Website: www.acr.com.ph

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

SECURITIES AND EXCHANGE COMMISSION,  
SEC Building, EDSA, Greenhills, Mandaluyong City

The management of Alsons Consolidated Resources, Inc., is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**TOMAS I. ALCANTARA**  
Chairman and President

  
**TIRSO G. SANTILLAN, JR.**  
Executive Vice-President

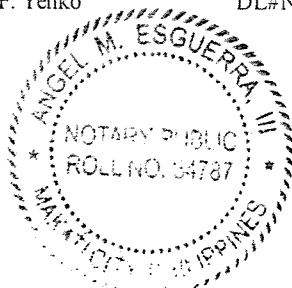
  
**ROBERT F. YENCKO**  
Chief Financial Officer

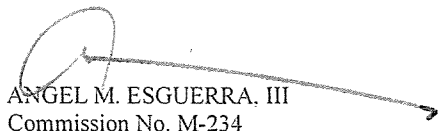
APR 07 2017

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ of \_\_\_\_\_ affiants exhibiting to me their Identifications, as follows:

<u>Name</u>	<u>Identification No.</u>	<u>Date</u>	<u>Place of Issue</u>
Tomas I. Alcantara	PP#EB8610644	07-09-13	DFA Manila
Tirso G. Santillan, Jr.	DL#N17-72-000977	02-13-15	LTO Q.C.
Robert F. Yencko	DL#N01-16-031117	10-12-16	LTO San Juan

Doc No. 257  
Page No. 52  
Book No. II  
Series of 2017



  
ANGEL M. ESGUERRA, III  
Commission No. M-234  
Notary Public for Makati City, Until December 31, 2017  
Roll No. 34787; 06/01/87  
IBP Lifetime No. 00259; 06/01/95; Pasay Chapter  
PTR OR No. 5943493; 01/23/17; Makati City  
Alsons Bldg., 2286 Chino Roces Ave., Makati City