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S.E.C Registration Number

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(Company's full Name)

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

**Atty. Evelyn S. Enriquez**  
Corporate Secretary

Contact Person

**724-44-41 to 51**

Company Telephone Number

1	2		3	1
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Month                  Day  
Fiscal Year

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FORM TYPE

0	7		<b>3<sup>rd</sup> Thursday</b>
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Month                  Day  
Annual Meeting

**SEC Form – ACGR**

**Consolidated Changes to ACGR**

**for 2014**

Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC personnel concerned

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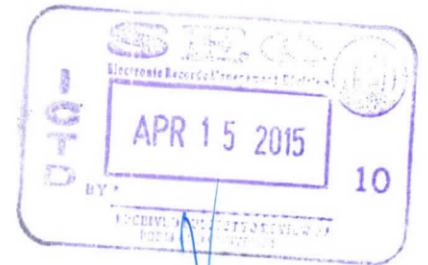
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM – ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter *PHILIPPINE SEVEN CORPORATION*
3. *7<sup>th</sup> Floor, The Columbia Tower,  
Ortigas Ave., Mandaluyong City* 1550  
Address of Principal Office Postal Code
4. SEC Identification Number 108476
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 000-390-189-000
7. (632) 724-4441 to 51  
Issuer's Telephone number, including area code
8. Not Applicable  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

A. BOARD MATTERS	4
1) BOARD OF DIRECTORS	
(a) Composition of the Board	4
(b) Corporate Governance Policy/ies	4
(c) Review and Approval of Vision and Mission	5
(d) Directorship in Other Companies	5
(e) Shareholding in the Company	6
2) CHAIRMAN AND CEO	6
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS	7
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	7
5) CHANGES IN THE BOARD OF DIRECTORS	8
6) ORIENTATION AND EDUCATION PROGRAM	12
B. CODE OF BUSINESS CONDUCT & ETHICS	13
1) POLICIES	13
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	17
C. BOARD MEETINGS & ATTENDANCE	17
1) SCHEDULE OF MEETINGS	17
2) DETAILS OF ATTENDANCE OF DIRECTORS	17
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS	17
4) QUORUM REQUIREMENT	17
5) ACCESS TO INFORMATION	17
6) EXTERNAL ADVICE	18
7) CHANGES IN EXISTING POLICIES	18
D. REMUNERATION MATTERS	19
1) REMUNERATION PROCESS	19
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS	19
3) AGGREGATE REMUNERATION	19
4) STOCK RIGHTS, OPTIONS AND WARRANTS	20
5) REMUNERATION OF MANAGEMENT	20
E. BOARD COMMITTEES	21
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES	21
2) COMMITTEE MEMBERS	24
3) CHANGES IN COMMITTEE MEMBERS	26
4) WORK DONE AND ISSUES ADDRESSED	26
5) COMMITTEE PROGRAM	28
F. RISK MANAGEMENT SYSTEM	28
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM	28
2) RISK POLICY	29
3) CONTROL SYSTEM	30
G. INTERNAL AUDIT AND CONTROL	30

1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM -----	31
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function -----	31
(b) Appointment/Removal of Internal Auditor -----	31
(c) Reporting Relationship with the Audit Committee -----	31
(d) Resignation, Re-assignment and Reasons -----	31
(e) Progress against Plans, Issues, Findings and Examination Trends -----	32
(f) Audit Control Policies and Procedures-----	32
(g) Mechanisms and Safeguards -----	32
(h) -----	32
H. ROLE OF STAKEHOLDERS -----	33
I. DISCLOSURE AND TRANSPARENCY-----	35
J. RIGHTS OF STOCKHOLDERS -----	36
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS-----	36
2) TREATMENT OF MINORITY STOCKHOLDERS -----	41
K. INVESTORS RELATIONS PROGRAM-----	41
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES -----	42
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL -----	42
N. INTERNAL BREACHES AND SANCTIONS -----	43
DIRECTOR'S CERTIFICATE -----	44

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation <sup>1</sup>	11
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Actual number of Directors for the year	11
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>2</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
1. Vicente T. Paterno †	NED		Asian Holdings Corporation	November 23, 1982	July 22, 2014	Annual Meeting	32 yrs
2. Jose Victor P. Paterno	ED		President Chain Store (Labuan) Holdings, Ltd.	May 14, 1997	July 22, 2014	Annual Meeting	17 yrs.
3. Jorge L. Araneta	NED		Asian Holdings Corporation	1988	July 22, 2014	Annual Meeting	26 yrs.
4. Diana Pardo-Aguilar	NED		Asian Holdings Corporation	June 08, 1999	July 22, 2014	Annual Meeting	16 yrs. 1 mo.
5. Nan-Bey Lai	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	July 29, 2010	July 22, 2014	Annual Meeting	4 yrs.
6. Jui-Tang Chen	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	November 13, 2012	July 22, 2014	Annual Meeting	1 yr. and 4 mos.
7. Mao-Chia Chung	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	November 13, 2012	July 22, 2014	Annual Meeting	1 yr. and 4 mos.
8. Lien-Tang Hsieh	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	November 13, 2012	July 22, 2014	Annual Meeting	1 yr. and 4 mos.
9. Wen-Chi Wu	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	July 17, 2008	July 22, 2014	Annual Meeting	5 yrs. and 6 mos.
10. Antonio Jose U. Periquet, Jr.	ID		Paz Pilar P. Benares (No Relationship)	July 29, 2010	July 22, 2014 (4 yrs.)	Annual Meeting	4 yrs.
11. Michael B. Zalamea	ID		Renato B. Valdecantos (No Relationship)	June 21, 2005	July 22, 2014 (9 yrs. & 1 mo.)	Annual Meeting	9 yrs. & 1 mo.

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

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

The Company's corporate governance policies and practices are based on its Manual of Corporate Governance<sup>3</sup>, adopted on August 2002, amended on July 29, 2010 (the "CG Manual") and further amended last July 22, 2014 clearly stating the importance of the Role of Stakeholders. The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will undertake every effort necessary to create awareness in the organization. The Board of Directors is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of corporate objectives, it shall provide an independent check on the Management of the Corporation. The Board is responsible in formulating the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. The Board reviews annually the Company's mission, vision, core competencies, together with Management, to set and map the strategic objectives for the year and for the next 3 years. The Board, in complying with the principles of corporate governance, shall be assisted by the 3 Board Committees, apart from the Executive Committee. Each of the Audit Committee, Compensation Committee and Nomination & Governance Committee, has their specific functions as provided in the CG Manual. Details of said policies and principles are provided in the CG Manual under Article 3- Board Governance which covers: a) composition of the Board, b) Multiple board seats, c) Roles of the Chair and CEO, d) qualifications and disqualifications of directors, e) responsibilities, duties, functions of the Board, f) specific duties and

<sup>1</sup> A copy of the Company's Articles of Incorporation as amended (the "Articles of Incorporation") is posted at: <http://www.7-eleven.com.ph/files/Amended%20Articles%20of%20Incorporation%20Oct.%201,%202014.pdf>

<sup>3</sup> A copy of the Company's CG Manual is posted at: <http://www.7-eleven.com.ph/files/Revised%20CG%20Manual%207.30.14.pdf>

responsibilities of a director, g) internal control responsibilities of the Board, h) board meetings and quorum requirements, i) remuneration of directors and officers, j) Board Committees, k) the corporate secretary, l) compliance officer.

#### Stockholders' Rights and Protection of Minority Stockholders' Interests.

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- a. Right to vote on all matters that required their consent or approval;
- b. Pre-emptive right to all stock issuances of the Corporation
- c. Right to inspect corporate books and records;
- d. Right to information;
- e. Right to dividends; and
- f. Appraisal Right

The Board shall be transparent and fair in the conduct of annual and special stockholders' meetings of the Corporation. Subject to requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

#### Disclosure and Transparency.

It is essential that all material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information shall include, among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and remuneration of members of Board and Management.

The reports or disclosures required by the CG Manual, Securities Regulation Code (SRC) and other regulations shall be prepared and submitted to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) by the responsible Committee or officer through the Corporation's compliance officer. The structured and unstructured reports submitted to SEC and PSE are also published in the Company's website at [www.7-eleven.com.ph](http://www.7-eleven.com.ph). The Corporation was a Silver Awardee by ICD in 2012 and garnered the highest score in transparency and disclosure.

Other Policies adopted by the Corporation are also enumerated under B1 of this ACGR.

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

The Management reviews yearly the Company's vision and mission annually during its annual and 3-year planning session and submits the same to the Board and/or the Executive Committee for review and confirmation. Furthermore, the Board reviews and approves the same every year to set the strategic map and objectives for the year and the next 3 years.

#### (d) Directorship in Other Companies

##### (i) Directorship in the Company's Group<sup>4</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.
1. Vicente T. Paterno †	Store Sites Holding, Inc. (SSH), PhilSeven Foundation, Inc. (PFI)	Executive Director, Chairman & President Trustee & Chairman
2. Jose Victor P. Paterno	Convenience Distribution Inc. (CDI), PhilSeven Foundation, Inc. (PFI)	Executive Director, Chairman & President Trustee & Vice-Chairman

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

##### (ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
1. Diana Pardo-Aguilar	Security Bank	Non-Executive Director
2. Jui-Tang Chen	President Chain Store Corp.	Executive Director
3. Nan-Bey Lai	President Chain Store Corp.	Executive Director
4. Antonio Jose U. Periquet, Jr.	Ayala Corp DMCI Holdings, Inc.	Independent Director Independent Director

<sup>4</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company. (ACGR Form Footnote)

	Bank of the Philippine Islands ABS-CBN Holdings Corp. Max's Group, Inc.	Independent Director Independent Director Independent Director
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(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
1. Vicente T. Paterno †	Jose Victor Paterno	Chairman is the father of the CEO
2. Jose Victor P. Paterno	Vicente T. Paterno †	CEO is son of the Chairman
3. Diana Pardo-Aguilar	Asian Holdings Corporation	Director is niece of the Chairman and cousin of CEO

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

(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:

None of the current directors in PSC holds more than 5 board seats in other PLCs, although they also hold seats in ordinary companies. PSC recognizes and considers the affiliation of directors to ensure that they are able to render quality participation in PSC's Board. The Company does not expressly impose and observe the limit of 5 board seats in other PLCs. The guideline that PSC follows is that the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised and should be able to comply with its duties and function as set in the CG Manual of PSC.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	N/A
Non-Executive Director	N/A	N/A
CEO	N/A	N/A

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
1. Vicente T. Paterno †	1,237		0.00%
2. Jose Victor P. Paterno	11,983,375	25,636,860 *	2.61%
3. Jorge L. Araneta	1		0.00%
4. Diana Pardo-Aguilar	1		0.00%
5. Jui-Tang Chen	1		0.00%
6. Mao-Chia Chung	1		0.00%
7. Lien-Tang Hsieh	1		0.00%
8. Nan-Bey Lai	1		0.00%
9. Wen-Chi Wu	1		0.00%
10. Antonio Jose U. Periquet, Jr.	927,007		0.20%
11. Michael B. Zalamea	1		0.00%
<b>TOTAL</b>	<b>12,911,627</b>	<b>25,636,860 *</b>	<b>2.81%</b>

\* Indirect Shares held are from other Paterno Children by virtue of a Special Power of Attorney to vote said shares. Details of above are also indicated in par. I (1) (a) of this ACGR.

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

<b>Chairman of the Board</b>	Mr. Vicente T. Paterno †
<b>CEO/President</b>	Mr. Jose Victor P. Paterno

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

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

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

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<b>Role</b>	The Chairman of the Board shall preside at all meetings of the stockholders, the Board and the Executive Committee, whenever present. He shall likewise perform all such other duties as are properly required of him by the Board. (Section 12, PSC Amended By-Laws <sup>5</sup> )	The President shall have active executive management of the operations of the Corporation, subject, however, to the control of the Board of Directors. He shall in general, perform all duties incident to the office of the chief executive and such other duties as, from time to time, maybe assigned to him by the Board of Directors. (Section 26, PSC Amended By-laws)
<b>Accountabilities</b>	Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chair may deem necessary; Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and Maintain qualitative and timely lines of communication and information between the Board and Management (Art 3, C, PSC CG Manual)	CEO is ultimately accountable for the Corporation's organizational and operational controls. ( Art 3, H (i) (a) , PSC CG Manual)
<b>Deliverables</b>	Policy directions aligned to company goals, annual plan and 3-year plan targets	Ensure the accomplishment of the vision and mission of the Corporation in partnership with the Board  Lead the development and implementation of overall organizational strategy as set in the Annual Plan and 3-year Plan targets

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

PSC has started in 2012 a Leadership Academy & Mentor's Leadership Training Program which has the objective to train and develop Management and Officers in line with the Company's succession planning program. The CG training for directors and corporate officers are also provided to the management team and the senior officers annually. Leadership and business management trainings are provided each year to build competency of management team and officers in strategic decisions, business modeling, and effective execution.

**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.**

PSC embraces board diversity in terms of age, gender, culture and religion. As a matter of practice, there are 2 female directors and the directors of PSC have diversified business experiences in retail, finance, investment, banking, property, IT & Communications.

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

Yes. Majority of the non-executive directors have vast experiences in the retail industry that the company belongs and also to various retail formats.

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	A director's office is one of trust and confidence. A director shall act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress. (Art 3. G, PSC CG Manual)	Same	Same  To chair or be a member of the Board Committees as prescribed in the CG Manual
<b>Accountabilities</b>	A director should observe the following norms of conduct.  1. Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.  2. Devote the time and attention necessary to properly and	Same	Same  As Audit Committee Chair refer to responsibilities provided under E,1 of this ACGR  As member in other Board

<sup>5</sup> A copy of the Company's Amended By-laws is posted at <http://www.7-eleven.com.ph/files/PSC%20-%20AMENDED%20BY-LAWS%20AUG-22-2007.pdf>



	effectively perform his duties and responsibilities.  3. Act judiciously.  4. Exercise independent judgment.  5. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.  6. Observe confidentiality (Art 3. G, (i-vi), PSC CG Manual)		Committees refer to responsibilities provided under E,1 of this ACGR
<b>Deliverables</b>	Foster long-term success of the Corporation, sustain its competitiveness and profitability in the manner consistent with corporate objectives and the best interests of its stockholders and other stakeholders ( Art 3, F,1, PSC CG Manual)	Same	Same

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

The Company adopts the definition of "independence" as provided in Rule 38 of SRC and its IRR, which is also reiterated in Sec. 10-A of PSC's By-Laws

"Independence" as it relates to an independent director shall mean a person who, apart from his fees and shareholdings, is independent of Management and free from business and other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of any covered company. It also includes, among others a person who:

- (1) Is not a director or officer of the Corporation or its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- (2) Does not own more than two percent (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders;
- (3) Is not related to any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholder. For this purpose relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- (4) Is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- (5) Has not been employed in any executive capacity by the Corporation, any of its related companies and/or by any of its substantial shareholders within the last five(5) years;
- (6) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last five(5) years; or
- (7) Has not engaged and does not engaged in any transaction with the Corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and /or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

When used in relation to a Company subject to the requirements of this Rule and Section 38 of the SRC: "Related company" means another company which is: (a) its holding company; (b) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

**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.**

No separate policy. However, the Company is compliant with SEC Memorandum Circular no. 9 Series of 2011, which provides the Term Limits for Independent Directors (ID). It requires that effective January 02, 2012, an ID shall serve for 5 years to be counted from January 2012 and shall have a cooling period of 2 years to be elected for another 5 years.

*As of December 31, 2014, the 2 independent directors of PSC each has a tenure of 3 years from Jan. 02, 2012.*

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

**(a) Resignation/Death/Removal**

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

Name	Position	Date of Cessation	Reason
Vicente T. Paterno	Chairman of the Board	November 21, 2014	Death

**(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>		
<b>(i) Executive Directors</b>	<p>The election of directors shall be held at each annual meeting of stockholders and shall be conducted in the manner provided by the Philippine Corporation Code, and with such formalities and in such manner as the officer presiding at the meeting shall then and there determine. Each director shall hold office until the annual meeting held next after his election and until his successor shall have been duly chosen and qualified, or until he shall have resigned. (Section 10, PSC's Amended By-Laws)</p> <p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in a business which directly competes with or antagonistic to that of the Corporation x x x ( Section 10, PSC Amended By-Laws)</p> <p>PSC's nomination procedure provides:</p> <ol style="list-style-type: none"> <li>1. A stockholder may recommend the nomination of a director to the Nomination Committee;</li> <li>2. The nominating stockholder shall submit his proposed nomination in writing to the Nomination &amp; Governance Committee, together with the acceptance and conformity of the would-be nominee.</li> <li>3. The Nomination &amp; Governance Committee shall screen the nominations of directors prior to the stockholders' meeting and come up with the Final List of Candidates.</li> <li>4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director.</li> </ol>	<p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:</p> <ol style="list-style-type: none"> <li>(i) College education or equivalent academic degree;</li> <li>(ii) Practical understanding of the business of the corporation;</li> <li>(iii) Membership in good standing in relevant industry, business or professional organizations; and</li> <li>(iv) Previous business experience. (Art. 3 (D) PSC CG Manual)</li> </ol> <p>The membership of the Board shall be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.</p>
<b>(ii) Non-Executive Directors</b>	Same as above	<p>Same as above (Art. 3 (D) PSC CG Manual)</p> <p>The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the board.</p>
<b>(iii) Independent Directors</b>	<p>As long as the corporation remains a public company as defined under existing laws, rules and regulations, or otherwise mandated thereat, there shall be nominated or elected at least two (2) independent directors or at least 20% of the number of board of directors, whichever is lesser...Except as those required under the Securities Regulation Code, its implementing rules and regulations and subject to pertinent existing laws, rules and regulations, the conduct of the election of independent directors shall be made in accordance with the standard election procedures as provided for under these by-laws. (Section 10-A PSC Amended By-Laws)</p>	Same as above
<b>b. Re-appointment</b>		
<b>(i) Executive Directors</b>	<p>Any vacancy occurring in the board of directors or trustees other than by removal by the stockholders or members or by expiration of term, may be filled by the vote of at least a majority of the remaining directors or trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose. A director or trustee so elected to fill a vacancy shall be elected only or the unexpired term of his predecessor in office.</p> <p>A directorship or trusteeship to be filled by reason of an increase in the number of directors or trustees shall be filled only by an election at a regular or at a special meeting of stockholders or members duly called for the purpose, or in the same meeting authorizing the increase of directors or trustees if so stated in the notice of the meeting. (Sec. 29, Corporation Code)</p>	Same as above
<b>(ii) Non-Executive Directors</b>	Same as above	Same as above

<b>(iii) Independent Directors</b>	<p>A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two (2) year "cooling off period".</p> <p>Persons appointed as Chairman Emeritus "Ex-officio", Directors/Officers/members of advisory board or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year "cooling off period" prior to his qualification as an Independent Director. (SEC Memorandum Circular No. 9-2009)</p>	Same as above
<b>c. Permanent Disqualification</b>		
<b>(i) Executive Directors</b>	<p><u>1. Permanent Disqualification</u></p> <p>The following shall be grounds for the permanent disqualification of a director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p>	Same

	(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment. Art. 3. E. 1. (i)-(viii) PSC CG Manual	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors	Same	
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p><u>2. Temporary Disqualification</u> The Board may provide for the temporary disqualification of a director for any of the following reasons:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. (Art. 3. E. 2. (i)-(v) PSC CG Manual)</p>	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors	Same	
<b>e. Removal</b>		
(i) Executive Directors	Any officer may be removed, either with or without cause, at any time, by the vote of the majority of the actual number of directors elected and qualified, at a special meeting called for that purpose (Sec. 31 PSC Amended By-laws)	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors	same	
<b>f. Re-instatement</b>		
(i) Executive Directors	Same process adopted as stated in selection/appointment of director	same
(ii) Non-Executive Directors	Same process adopted as stated in selection/appointment of director	same
(iii) Independent Directors	Same process adopted as stated in selection/appointment of director	same
<b>g. Suspension</b>		
(i) Executive Directors	Same process is adopted as stated in removal of directors	Same

<b>(ii) Non-Executive Directors</b>	Same process is adopted as stated in removal of directors	Same
<b>(iii) Independent Directors</b>	Same process is adopted as stated in removal of directors	same

#### Voting Result of the last Annual General Meeting of July 22, 2014

Name of Director	Votes Received
1. Vicente T. Paterno †	395,316,442 or 86.23%
2. Jose Victor P. Paterno	401,485,418 or 87.58%
3. Jorge L. Araneta	398,447,846 or 86.91%
4. Diana Pardo-Aguilar	397,741,762 or 86.76%
5. Jui-Tang Chen	398,447,846 or 86.91%
6. Mao-Chia Chung	398,447,846 or 86.91%
7. Lien-Tang Hsieh	398,447,846 or 86.91%
8. Nan-Bey Lai	401,076,964 or 87.49%
9. Wen-Chi Wu	398,447,846 or 86.91%
10. Antonio Jose U. Periquet, Jr.	401,820,620 or 87.65%
11. Michael B. Zalamea	401,820,620 or 87.65%

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

#### 6) Orientation and Education Program

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

PSC provides new directors with copies of PSC CG Manual, corporate documents and information, and policies. It conducts a business overview and provides exposure tour of 7-11 stores and other retail business formats. This is in addition to the CG training required each year by the SEC.

Orientation Program for New Directors <sup>6</sup>
I. Business Overview
II. Update & Retail Exposure/Tour of 711 Philippines C-store operation
III. Corporate Governance
1. PSC's Corporate Governance Manual
a. Board Structure, Duties & Responsibilities
b. Board Committee Charters
i. Audit Committee
ii. Nomination & Governance Committee
iii. Compensation Committee
2. PSC's Code of Conduct & Business Ethics
3. Other Corporate Documents and Information
4. Corporate Policies

##### (b) State any in-house training and external courses attended by Directors and Senior Management<sup>7</sup> for the past three (3) years:

Senior Management has attended the Integrity Summit seminars, ICD Investor Forum, Trainings and Round Table, Enterprise Risk Management Training

##### (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
Vicente T. Paterno †	September 11, 2013	3 <sup>rd</sup> Integrity Summit: Building a Nation with Integrity	Makati Business Club and European Chamber of Commerce of the Phils.
	September 3, 2013	5 <sup>th</sup> Ricardo J. Romulo Lecture Series on Business & Society	
	November 21, 2003	Corp. Governance for Board of Directors, Senior Management and Internal Auditors	SGV & Company
Jose Victor P. Paterno	July 21, 2014	Creating Advantage Through Governance	SGV & Company
	September 18, 2012	2 <sup>nd</sup> Integrity Summit (Driving Culture Change)	Makati Business Club and European Chamber of Commerce of the Phils.
	October 24-25, 2012	1st dbAccess Conference (meeting with local and foreign institutional investors)	
Jorge L. Araneta	Submitted an Undertaking to SEC last		

<sup>6</sup> See also <http://www.7-eleven.com.ph/files/PSC%20Orientation%20Program%20for%20New%20Directors.pdf>

<sup>7</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company. (ACGR Form Footnote)

	December 15, 2014 to comply with the CG Training Requirement before the end of January 2015. Attended the CG Training for 2014 last January 14, 2015  November 21, 2003	Creating Advantage Through Governance  Corp. Governance for Board of Directors, Senior Management and Internal Auditors	SGV & Company  SGV & Company
Diana Pardo-Aguilar	April 29, 2014  August 15 and 22, 2013  June. 5, 2012  June 2, 2008	Corporate Governance  Seminar on Enhancing Audit Committee Effectiveness  Seminar on Best Practices in Investment Performance Measurement  Orientation Course on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.  Institute of Corporate Directors  Chartered Financial Analyst Society (CFA Society Phils) at the Tower Club, Makati City  Institute of Corporate Directors
Jui-Tang Chen	July 21, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Mao-Chia Chung	November 27, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Lien-Tang Hsieh	July 21, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Nan-Bey Lai	July 21, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Wen-Chi Wu	July 21, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Antonio Jose U. Periquet, Jr.	July 21, 2014  July 23-25, 2012	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation	SGV & Company  PSC's Corporate Planning Group
Michael B. Zalamea	July 21, 2014  July 23-25, 2012  June 2, 2008	Creating Advantage Through Governance  Business Overview /Update & Retail Exposure/Tour of 711 Philippines C-store operation  Orientation Course on Corporate Governance	SGV & Company  PSC's Corporate Planning Group  Institute of Corporate Directors

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

## B. CODE OF BUSINESS CONDUCT & ETHICS<sup>8</sup>

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

<b>(a) Conflict of Interest</b>	<p>Covered under PSC's Policy on Conflict of Interest ( Aug.01 , 2011) and PSC's Code of Conduct and Business Ethics ( Aug. 24, 2009) The Code of Conduct is applied regardless of rank and seniority. It revolves around the following facets:</p> <p>A. Confidentiality of Information: Discusses the protection of information pertinent to business transactions, trade secrets and other records to outside party.</p> <p>B. Compliance: Involves observing Philippine laws and other regulations especially insider trading and any covert and overt acts of bribing government officials and regulators.</p> <p>C. Decorum of Employees: How to manage relationships within the company and the measure of professionalism.</p>
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<sup>8</sup> A copy of the Company's Code of Conduct & Business Ethics is posted at <http://www.7-eleven.com.ph/files/Code%20of%20Conduct%20and%20Business%20Ethics.pdf>

	<p>D. Attitudes with Superior: Identifying the rules of subordinates towards their superiors.</p> <p>E. Management of Subordinates: Defines the attitudes of the superior towards the subordinates.</p> <p>F. Managing Decisions: Systematic arrival of business solutions towards achieving a goal or decision.</p> <p>G. Proper Use of Property: Identifies the rules on becoming a good steward of company property.</p> <p>H. Fair Dealings: Provides information on how to duly exercise position and underlines undue wielding of power on business transactions and relationships.</p> <p>I. Conflict of Interest and Corporate Opportunities: Provides examples defining Conflict of Interest</p> <p>J. Disclosure: Solicits full transparency of relationships and personal businesses</p> <p>K. Relations with Shareholders and Investors: Conduct of Company's affairs for the best interest of the Company and enhance shareholders value</p> <p>L. Implementation and Monitoring of the Code</p>
<b>(b) Conduct of Business and Fair Dealings</b>	Conduct of Business and Fair Dealings is integrated in PSC's Code of Conduct & Business Ethics on items: (1) B. Compliance; (2) H. Fair Dealings; and (3) Conflict of Interest and Corporate Opportunities. The three provides information on how to deal properly with government institutions; Compliance with government-mandated process and legal statutes as well as the proper use of position in dealing with business partners.
<b>(c) Receipt of gifts from third parties</b>	Provided in Policy on Conflict of Interest. Employees are informed to avoid solicitation and acceptance of gifts of high value (usually Php 2000 up) from business partners and/or suppliers
<b>(d) Compliance with Laws &amp; Regulations</b>	Included in PSC's Code of Conduct & Business Ethics. Specifically informs the employee to commit to follow the rules and regulations both from the government and from the company and to steer clear from any covert or overt acts of bribery.
<b>(e) Respect for Trade Secrets/Use of Non-public Information</b>	Provided in PSC's Code of Conduct in the Confidentiality of Information which underlines restriction of company information and ensure that the documents are not altered, destroyed or falsified.
<b>(f) Use of Company Funds, Assets and Information</b>	Provided in PSC's Code of Conduct which includes the Proper Use of Property and the restrictions of incidental use of corporate assets for personal use and consumption
<b>(g) Employment &amp; Labor Laws &amp; Policies</b>	Adheres to the Labor Code. A separate policy on how to compute for wage is indicated (PO-HRD-PAS-031/ Payroll Administration, PO-HRD-PAS-044/ Retirement, PO-HRD-PAS-011/Government Mandated Leaves, PO-HRD-CAB-035/Legislated Wage Increase, and PO-HRD-PAS-041/SSS Claims and Reimbursement). Terminating employees also have a separate policy (PO-HRD-PAS-11). Compliance with other laws such as AIDS prevention (PO-HRAD-PAS-45), PTB subsidy (PO-HRD-CB-26), Corporate Drug Testing (PO-HRD-PAS-008), and Sexual Harassment in the Office (PO-HRD-PAS-034)
<b>(h) Disciplinary action</b>	Violation of the Policy on Conflict of Interest and PSC's Code of Conduct provides for penalty of Written Warning to Termination depending on the seriousness of the violation. PSC Employees Code of Discipline provides for the procedure for disciplinary actions and penalty.
<b>(i) Whistle Blower<sup>9</sup></b>	PSC's policy on Whistle Blowing was adopted last Oct 1, 2013. The policy applies to all employees of PSC and its subsidiaries, service providers and suppliers, their agents and employees and encourages them to use PSC's internal mechanisms for reporting whistle-blowing matters in a responsible and effective manner. Whistle-blowing matters include but is not limited to the following: 1. Malpractice, impropriety or fraud relating to internal controls, accounting, 2. auditing and financial matters 3. Violation of the rules and regulations of the Corporation or the Code of Business Conduct and Ethics; 4. Improper conduct or unethical behavior likely to prejudice the standing of the Corporation; 5. Breach of legal or regulatory requirements; 6. Criminal offences, breach of civil law and miscarriage of justice; 7. Endangerment of the health and safety of an individual; 8. Damage caused to the environment; 9. Deliberate concealment of any of the above. It provides channels for reporting of violations of the Code of Conduct and Business Ethics and the mechanism for its investigation and appropriate action. For such purpose, an independent committee known as the Committee on Conduct is tasked to handle reports of such violations. All reports are treated with utmost confidentiality. Finally, it gives protection to employee/person who reveals illegal/unethical behavior from retaliation or other adverse employment consequences.
<b>(j) Conflict Resolution</b>	All conflicts under the Code of Conduct shall be handled by the Employee Welfare and Industrial Relations Specialist. Violation of Employees Code of Discipline shall be handled by the Disciplinary Action Committee.

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 policies require employees to execute Confidentiality and Non-compete Undertaking, and submission of disclosure on businesses and other related endeavors. The code has a provision which states that all policies shall be aligned with the Code. Internal Audit also conducts check using the Code of Conduct of the company. All contracts also include provisions to comply with the Code of Ethics of PSC.

<sup>9</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies)

#### 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.

The Company Policy on Related Party Transactions (RPTs)<sup>10</sup> ensures that all company dealings are done at arms' length basis, that is, these transactions are priced in such a manner similar to what independent parties would normally agree. All transactions involving related parties require disclosure in the audited financial statement. On the other hand, all related suppliers are mandated to undergo accreditation and approval by the Purchasing Committee. The Audit Committee, chaired by an Independent Director, assists the Board in reviewing RPTs to make sure that they are consummated with only the best interest of the Company in mind.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Guidance Checklist for Selected Provisions of IAS 24 for Related Part Transactions
(2) Joint Ventures	n/a
(3) Subsidiaries	PO-OTP-SPG-8 (Policy & Procedure Related Party Transactions )
(4) Entities Under Common Control	Guidance Checklist for Selected Provisions of IAS 24 for Related Party Transactions
(5) Substantial Stockholders	Guidance Checklist for Selected Provisions of IAS 24 for Related Party Transactions
(6) Officers including spouse/children/siblings/parents	Guidance Checklist for Selected Provisions of IAS 24 for Related Party Transactions
(7) Directors including spouse/children/siblings/parents	Guidance Checklist for Selected Provisions of IAS 24 for Related Party Transactions
(8) Interlocking director relationship of Board of Directors	Corp. Governance Manual

##### (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.

Name of Directors/Officers and 5% or more Shareholders	Details of Conflict of Interest (Actual or Probable)
Jose Victor P. Paterno –President & Director	The Company has warehousing and distribution management contract with Convenience Distribution Inc. (CDI), its wholly-owned subsidiary. The Chairman of the Board and President of CDI, Mr. Jose Victor Paterno, is the son of Mr. Vicente Paterno, the Chairman of the Board of PSC.
Diana Pardo-Aguilar- Director	The Company have lease and/or sublease agreements with Wenphil Corporation for commercial spaces in excess of the requirements of the Company for its 7-Eleven stores, and supply arrangement for certain products/services carried by the stores with Gate Distribution Enterprises Inc. (GATE) and Electronic Commerce Payments Network Inc. (ECPAY). Ms. Diana Pardo-Aguilar, director of the company, is a Director of Wenphil Corporation (owner of Wendy's Philippine franchise) and GATE, Director and CFO of ECPAY. She is also the wife of Mr. Raymund Aguilar, a Director of GATE and President of ECPAY which is the supplier of physical and electronic phone cards (e-pins) of the company and the system provider for e-pins and bills payment.
Jorge L. Araneta- Director	The Company have lease and/or sublease agreements with Progressive Development Corporation for commercial spaces in excess of the requirements of the Company for its 7-Eleven stores. Mr. Jorge L. Araneta, also a director of the Company, is the Chairman and President of Progressive Development Corporation (owner of Pizza Hut Philippine franchise).
President Chain Store (Labuan) Holding Ltd.	The Company, from time to time, makes purchases of equipment from President Chain Store Corporation (and its subsidiaries/affiliates), which is the parent company of President Chain Store (Labuan) Holding Ltd., holding 51.56% of PSC's outstanding shares. Certain products are also purchased from Uni- President Corporation, which is the parent company of President Chain Store Corporation.

###### (ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Employees are asked to submit a disclosure document indicating:

<sup>10</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies)



	1. Any family members who are working for a company with business transactions with PSC; 2. Owning stocks/bonds from company doing business with PSC; and 3. Holding any positions (i.e. board of directors) from any company.
Group	same

## 5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>11</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Mr. Jose Victor P. Paterno Mr. Vicente T. Paterno †	1 <sup>st</sup> Degree by Consanguinity	Mr. Jose Victor P. Paterno, President of PSC and concurrent Chairman and President of Convenience Distribution Inc. (CDI), a wholly owned subsidiary of PSC, is the son of PSC Chairman of the Board, Mr. Vicente T. Paterno †
Ms. Diana Pardo- Aguilar	3 <sup>rd</sup> Degree by Affinity with the Chairman	Ms. Diana Pardo-Aguilar, director of PSC, is related to PSC Chairman, Mr. Paterno †, by affinity within the 3 <sup>rd</sup> degree.
Ms. Diana Pardo- Aguilar	1 <sup>st</sup> degree by Affinity ( Spouses)	Mr. Raymund Aguilar, Director of Gate Distribution Enterprises, Inc. and President of EC Payment Network Inc., a supplier/service provider of the Company, is the spouse of Ms. Diana Pardo-Aguilar
Jorge L. Araneta Diana Pardo-Aguilar	Lessor/Lessee Supplier	The Company have lease and/or sublease agreements with Wenphil Corporation and Progressive Development Corporation for commercial spaces in excess of the requirements of the Company for its 7-Eleven stores.  Mr. Jorge L. Araneta, also a director of the Company, is the Chairman and President of Progressive Development Corporation (owner of Pizza Hut Philippine franchise).  Ms. Diana Pardo-Aguilar, a director of the Company, is also a director in Wenphil Coporation.

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Seven Eleven, Inc. (SEI)	Holds 0.39% of PSC's outstanding shares	The Company (or "PSC") executed a licensing agreement with Seven Eleven, Inc. (SEI), of Texas, USA granting the exclusive right to use the 7-Eleven System in the Philippines and the Company pays, among others, royalty fee to SEI. SEI is also a stockholder in PSC and holds 0.39% of PSC's outstanding stocks.
President Chain Store (Labuan) Holding Ltd.	Holds 51.56% of PSC's outstanding shares	The Company, from time to time, makes purchases of equipment from President Chain Store Corporation (and its subsidiaries/affiliates), which is the parent company of President Chain Store (Labuan) Holding Ltd., holding 51.56% of PSC's outstanding shares. Certain products are also purchased from Uni- President Corporation, which is the parent company of President Chain Store Corporation.
Convenience Distribution, Inc.	A wholly owned subsidiary of PSC	PSC has a distribution and warehouse agreement with CDI. Distribution fees are calculated at various rates based on the type of goods delivered. CDI also renders price tagging and backhauling services for PSC.
PhilSeven Foundation, Inc. (PFI)	Foundation with common key management of the Company	PSC has transactions with PhilSeven Foundation, Inc. (PFI), a foundation with common key management of the Company. PSC has a MOU with PFI whereby the latter supports the CSR program of PSC in the communities where its 7-Eleven stores are located. The MOU also provides the pledge of PSC to donate ½ of 1% of its net income before tax to support PFI's programs.
Store Sites Holding, Inc. (SSHI)	PSC holds 40% SSHI shares	Store Sites Holdings, Inc. is a landholding company affiliated with PSC and it leases on long term basis certain parcels of land to PSC for its operation of 7-Eleven Stores.

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
President Chain Store (Labuan) Holdings, Ltd	45.00%	Shareholder's Agreement- where PCSLH shall maintain at any time 45% ownership in PSC to comply with the requirement of Master Franchise Agreement to guarantee the
Progressive Development Corporation	1.15%	
Asian Holdings Corporation	1.12%	

<sup>11</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity. (ACGR Form Footnote)

<b>Agus Development Corporation</b>	1.39%	performance by PSC of the obligations under the Master Franchise. The group shall maintain 50.58% of PSC at any time.
<b>Vicente T. Paterno †</b>	0.00%	
<b>Jose Victor P. Paterno</b>	1.91%	

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

## 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. No conflicts or differences arose in the past 3 years that required ADR.

	Alternative Dispute Resolution System
Corporation & Stockholders	N/A
Corporation & Third Parties	N/A
Corporation & Regulatory Authorities	N/A

## C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? Yes.

### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Vicente T. Paterno †	July 22, 2014	3	3	100%
Member	Jose Victor P. Paterno	July 22, 2014	3	3	100%
Member	Jorge L. Araneta	July 22, 2014	3	2	67%
Member	Diana Pardo-Aguilar	July 22, 2014	3	3	100%
Member	Nan-Bey Lai	July 22, 2014	3	3	100%
Member	Jui-Tang Chen	July 22, 2014	3	3	100%
Member	Mao-Chia Chung	July 22, 2014	3	2	67%
Member	Lien-Tang Hsieh	July 22, 2014	3	3	100%
Member	Wen-Chi Wu	July 22, 2014	3	3	100%
Independent Director	Antonio Jose U. Periquet, Jr.	July 22, 2014	3	3	100%
Independent Director	Michael B. Zalamea	July 22, 2014	3	3	100%

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None

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

The By-laws of the Corporation requires that a quorum at any meeting of the Board of Directors shall consist of a majority of the directors as fixed in the Articles of Incorporation and every decision of such quorum duly assembled as a Board shall be valid as a corporate act. In certain actions qualified majority is required which is the approval of at least two-thirds (2/3) votes of the number of directors as fixed in the Articles of Incorporation of the Corporation. Qualified majority is required in actions pertaining to: 1. Revision and amendment and/or repeal of any of the provisions of the Area Service and License Agreement ("ASLA") between the Corporation and Seven Eleven International; 2. Shortening of the term, cancellation or termination of the ASLA, or the assignment, transfer or conveyance thereof; 3. Engaging in business other than the Corporation's basic business of convenience stores operation which would generate more than thirty percent (30%) of the Corporation's revenue and income.

### 5) Access to Information

a) How many days in advance are board papers<sup>12</sup> for board of directors meetings provided to the board?

Generally provided 2-3 days prior to meeting

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

Yes

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

<sup>12</sup>Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents. (ACGR Form Footnote)

Yes. As per Art. 3 (L) of the PSC CG Manual. The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should:

- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- (ii) Be loyal to the mission, vision and objectives of the corporation;
- (iii) Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the corporation;
- (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual and the Code.

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

Yes

e) **Committee Procedures**

**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	By email, request directly to Senior Management
Audit	By email, request directly to Senior Management
Nomination	By email, request directly to Senior Management
Remuneration	By email, request directly to Senior Management
Others (specify)	N/A

6) **External Advice**

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

Procedures	Details
1. Any director may propose or request to secure research or advice from consultants they shall identify.	1. For legal advice/opinion- refer to the Corporate Secretary or Legal Counsel/s for advice and guidance on possible legality or implications.
2. The Board or ExeCom shall confirm the request and direct Management to assist the Board or director to secure such services.	2. For Independent Opinion on Financial Matters and related regulatory concerns- Refer to external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements. Refer also to tax consultants or request for tax review services.
	3. Guidance or clarifications on other matters- Refer to consultants and experts on the matter

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
N/A	N/A	N/A

#### 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	Policy on Job Level and Pay Structure	Same
(2) Variable remuneration	HR policies on compensation and benefits	Same
(3) Per diem allowance	PSC By-laws and HR policies	HR policies on compensation and benefits
(4) Bonus	Annual Performance Bonus Policy	Same
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	None	None

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The company maintains a uniform pay plan according to job classification and pay structure	The pay structure is being reviewed every two years to be externally competitive and internally equitable. Pay increases are provided every year to retain talents and reward employees through performance	Compensation is computed based on gross monthly income of employees less government mandated deductions like SSS, Pag-ibig, Philhealth and withholding taxes. The factor 313 days in a year is used in determining the equivalent annual salary of the monthly-paid employees
Non-Executive Directors	Per Diem as per PSC By-Laws; Policy on Director's Fee for independent Directors	Fixed Per Diem per actual meeting attended Fixed annual fee for ID as Chairman or Member of a Committee	Per Meeting Per Quarter

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

Remuneration Scheme	Date of Stockholders' Approval
No remuneration for non-executive directors except current Per Diem of P7,500.00 per meeting	Amount does not exceed to require SH approval as per PSC By-laws
No remuneration for ID except for Annual Directors Fee of P100T if a Chairman of a Board Committee and P50,000.00 for each membership in a Committee	

##### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	√	None	√
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	√	√	√
(d) Bonuses	√	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)			
<b>Total</b>	<b>18,377,091.25</b>	<b>172,385.75</b>	<b>414,375.00</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	X	X	X
(d) Pension Plans, Obligations incurred	X	X	X
(e) Life Insurance Premium	√	X	X
(f) Hospitalization Plan	√	X	X
(g) Car Plan	√	X	X
(h) Others (Specify)		N/A	N/A
<b>Total</b>	<b>2,257,352</b>	<b>N/A</b>	<b>N/A</b>

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

N/A (None)

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

##### (b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

#### 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
General Merchandise Division Head	29,263,438.83
Business Development Division Head	
Operations Division Head	
Management Information Division Head	
Finance & Accounting Services Division Head	

#### 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	1	2	1	As per By-Laws	Exercise during intervals between Board meetings, all the powers and functions vested in the Board, as well	Same	All matters passed and acted upon by the Executive

					as act on specific matters as may be delegated to it by the Board, except with respect to: (1) approval of any action for which shareholders' approval is also required, (2) filing of vacancies in the Board, (3) amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable ( Section 20, PSC By-laws)		Committee in the exercise of its powers and functions shall have the same force and effect for all intents and purposes, as if passed by the Board itself ( Sec. 20, PSC By-laws)
Audit	1	1	1	√	<p>1. Assist the Board in the performance of its oversight responsibility</p> <p>2. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities</p> <p>3. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions</p> <p>4. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security</p> <p>5. Monitor the internal audit function to assure compliance with the requirements of the Internal Audit Charter. The Audit Committee shall approve changes to and periodic assessments of the Charter submitted by Internal Auditor</p> <p>On a semestral basis, or at the request of the Audit Committee, meet with the Internal Auditor to discuss current audits, the status of management's resolution of audit findings, and other significant issues concerning internal audit</p> <p>6. Review the performance of the External Auditor and recommend to the Board the appointment or discharge of the auditors</p> <p>7. Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-</p>	<p>a. Financial Reporting and Disclosures</p> <p>Review the quarterly, half-year and annual financial statements before their submission to the Board</p> <p>b. Risk Management and Financial Controls</p> <p>c. Management and Internal Control</p> <p>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it</p> <p>d. Internal Audit</p> <p>Review the reports submitted by internal auditors</p> <p>The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties</p> <p>e. External Audit</p> <p>Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit. (IV A-E Audit Committee Charter)</p>	<p>Approve the financial statements to recommend their approval by the Board or Executive Committee.</p> <p>Internal Auditor directly reports to the Audit Committee</p> <p>Recommends the appointment of external auditor</p> <p>Approves non-audit work of External Auditor</p>

					audit work that will conflict with the duties of the External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report (IV A-E Audit Committee Charter) <sup>13</sup>		
Nomination /Governance	1	1	1	√	<p>The Committee shall have the purpose, functions and powers as set in the CG Manual and such other duties and powers as may be delegated to the Committee by the Board, subject to such limitations as the Board may determine and notify to the Committee.</p> <p><b>A. Nomination Functions</b></p> <ol style="list-style-type: none"> <li>1. To review and monitor the structure and composition of the Board and recommend to the Board on the required number of Independent Directors with qualifications and none of the disqualifications provided in the applicable laws, regulations and Company policies.</li> <li>2. To screen and shortlist qualified candidates nominated for the election as Director of the Board and other appointments that require board approval in order to ascertain that all nominations are in accordance with applicable laws, regulations and Company policies.</li> <li>3. To ascertain that the Board shall have at least two (2) Independent Directors or such number which constitute at least twenty percent (20%) of the members of the Board, whichever is less.</li> <li>4. To follow the nomination procedures for directors as provided by regulatory agencies which shall at least be in accordance with the following: <ol style="list-style-type: none"> <li>a) A stockholder may recommend the nomination of a director to the Nomination &amp; Governance Committee;</li> <li>b) The nominating stockholder shall submit his proposed nomination in writing to the Nomination &amp; Governance Committee, together with the acceptance and conformity of the would-be nominee;</li> <li>c) The Nomination &amp; Governance Committee shall screen the nominations of directors in accordance with existing laws and regulations and Company policies prior to the stockholders' meeting and come up with the Final</li> </ol> </li> </ol>	same	Same  Recommends the final list of candidates for election of directors and independent directors  Recommends to the Board on corporate governance issues or violation of the CG Manual, subject to further review and approval by the Board

<sup>13</sup> A copy of the Audit Committee Charter is posted at <http://www.7-eleven.com.ph/files/PSC%20-%20AUDIT%20COM%20CHARTER%202014.pdf>

					<p>List of Candidates.</p> <p>d) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as Independent Director.</p> <p>5. To identify and make recommendations on the qualified candidates for the nomination and elections on the additional Directors or vacancies.</p> <p>6. To make recommendations on the Committee assignments (Chairmanship and members), upon receiving advice from the Chairman of the Board, CEO and the directors.</p> <p><b>B. Governance Functions</b></p> <p>1. To identify the improvement on the Company's Corporate Governance.</p> <p>2. To oversee and assist in the development of structures, policies and programs under PSC's CG Manual. Recommend to the Board development of corporate governance principles and programs for adoption of the Company, and assist the Board in the implementation thereof.</p> <p>3. To oversee and assist in the development of programs for the continuing education of new directors and/or existing directors, and key officers of PSC.</p> <p>4. To review and endorse, to the Board, the recommendation and suggestion of the Compliance Officer with respect to the mandate provided in the applicable laws, regulations, and Company policies, as well as the regulatory agencies.</p> <p>5. To review and recommend improvements on the existing charters and policies of all Board Committees. The Committee's recommendation on any changes in any of the charters shall be submitted for approval of the Board.</p> <p>6. To review with the Board the results of self-assessment or performance mechanism of the Board Committees for purposes of complying with CG Manual</p> <p>7. Consider, resolve and/or submit its recommendation to the Board on corporate governance issues or violation of the CG Manual, subject to further review and approval by the</p>		
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					Board 8. Review the appointment and replacement of the Compliance Officer.  (IV A-B Nomination & Governance Committee Charter) <sup>14</sup>		
Remuneration	1	1	1	As per CG Manual	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 (Art 3. K, (ii)(b), PSC CG Manual)	same	Same
Others (specify)							

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Vicente T. Paterno †	July 22, 2014* May 14, 1997**	3	3	100%	16 years & 4 mos.
Member (ED)	Jose Victor P. Paterno	July 22, 2014* June 21, 2005**	3	3	100%	9 yrs & 5 mos
Member (NED)	Diana Pardo-Aguilar	July 22, 2014* June 08, 1999**	3	3	100%	15 yrs & 5 mos
Member (ID)	Antonio Jose U. Periquet, Jr.	July 22, 2014* July 29, 2010**	3	3	100%	4 yrs. & 5 mos.
Member	Ying-Jung Lee	July 22, 2014* July 21, 2011**	3	3	100%	3 yrs. & 5 mos
Member	Ping-Hung Chen	July 22, 2014* July 24, 2012**	3	3	100%	2 yrs. & 5 mos

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Antonio Jose U. Periquet, Jr.	July 22, 2014* July 29, 2010**	2	2	100%	4 yrs. & 5 mos.
Member (ED)	Jose Victor P. Paterno	July 22, 2014* June 21, 2005**	2	2	100%	9 yrs & 5 mos
Member (NED)	Diana Pardo-Aguilar	July 22, 2014* July 26, 2002**	2	2	100%	12 yrs. & 5 mos

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

#### 1. ANTONIO JOSE U. PERIQUET, JR.

<b>Personal Information</b>	Age: <u>53</u> ; Nationality: <u>Filipino</u> ; Gender: <u>Male</u> ; Current Position in PSC: <u>Independent Director</u> ; No. of Years in PSC: <u>4 yrs. &amp; 5 mos.</u> ; First Election to the Position: <u>July 29, 2010</u> ; Last Election: <u>July 22, 2014</u>
<b>Affiliations in PLCs</b>	<ul style="list-style-type: none"> <li>Independent Director- Ayala Corporation, DMCI Holdings, Inc., Bank of the Philippine Islands, ABS-CBN Holdings Corp., Max's Group, Inc.</li> </ul>
<b>Affiliations in Non-PLCs</b>	<ul style="list-style-type: none"> <li>Chairman- Pacific Main Holdings, Inc; Campden Hill Group, Inc.; Campden Hill Advisors, Inc.</li> <li>Director- The Straits Wine Company, Inc.</li> <li>Independent Director- BPI Capital, BPI Family Bank</li> <li>Trustee- Lyceum University of the Philippines</li> <li>Member- Deans Global Advisory Council, Darden School of Business, University of Virginia</li> </ul>
<b>Educational Background &amp; Achievements/Awards</b>	<ul style="list-style-type: none"> <li>AB Economics, Ateneo de Manila University</li> <li>MSc Economics, Oxford University</li> <li>MBA, University of Virginia</li> </ul>

<sup>14</sup> A copy of the Nomination & Governance Committee Charter is posted at <http://www.7-eleven.com.ph/files/PSC%20-%20nomination%20&%20gov%20charter.pdf>

### 2. JOSE VICTOR P. PATERNO

<b>Personal Information</b>	<b>Age: 46; Nationality: Filipino; Gender: Male;</b> <b>Current Position in PSC: President/CEO and Director; No. of Years in PSC: 9 yrs. &amp; 5 mos.;</b> <b>First Election to the Position: June 21, 2005; Last Election: July 22, 2014</b>
<b>Affiliations in PLCs</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Affiliations in Non-PLCs</b>	<ul style="list-style-type: none"> <li>• Chairman &amp; President – Convenience Distribution, Inc</li> <li>• Chairman – Supply Chain Networks, Inc.</li> <li>• President – First MFI Network, Inc.</li> <li>• Vice-Chairman- PhilSeven Foundation, Inc.</li> <li>• Director – Electronic Commerce Payment Network, Inc. (EC-Pay); The Straits Wine Company, Inc.</li> <li>• Board Co-Chair (Retailer), ECR Philippines</li> <li>• VP-National Chapter Development, Philippine Franchise Association</li> <li>• Member- Management Association of the Philippines; Makati Business Club; Young Presidents Organization; Coca-Cola Retailing Research Council</li> </ul>
<b>Educational Background &amp; Achievements/Awards</b>	<ul style="list-style-type: none"> <li>• BS Mechanical Engineering (magna cum laude), Lehigh University, Bethlehem Pennsylvania, USA</li> <li>• Awards- CEO Excel Award, International Association of Business Communicators (IABC), 2013 CEO Excel Awards; Master Entrepreneur Award, 2012 Ernst &amp; Young Entrepreneur of the Year Awards</li> </ul>

### 3. DIANA PARDO-AGUILAR

<b>Personal Information</b>	<b>Age: 51; Nationality: Filipino; Gender: Female;</b> <b>Current Position in PSC: Director; No. of Years in PSC: 12 yrs. &amp; 5 mos.</b> <b>First Election to the Position: July 26, 2002; Last Election: July 22, 2014</b>
<b>Affiliations in PLCs</b>	<ul style="list-style-type: none"> <li>• Director- Security Bank Corporation</li> </ul>
<b>Affiliations in Non-PLCs</b>	<ul style="list-style-type: none"> <li>• Commissioner- Social Security Commission; Social Security System</li> <li>• Director- Asian Holdings Corporation; WenPhil Corporation; Electronic Commerce Payments Network Inc.; DAJ Property Holdings Corp.; Gate Distribution Enterprises, Inc.</li> <li>• Treasurer &amp; Member- Executive Finance Committee, De La Salle Santiago Zobel School</li> <li>• Director &amp; Treasurer -Modesto Holdings Philippines, Inc.</li> </ul>
<b>Educational Background &amp; Achievements/Awards</b>	<ul style="list-style-type: none"> <li>• Masters Degree in Business Administration, Major in International Finance, Pepperdine University, California, U.S.A.</li> <li>• Bachelor of Science in Computer Science (Dean's List) De La Salle University</li> </ul>

Describe the Audit Committee's responsibility relative to the external auditor. Refer to Board Committees functions under E. (1) of this ACGR.

#### (c) Nomination and Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Vicente T. Paterno †	July 22, 2014* July 26, 2002**	1	1	100%	12 yrs. & 4 mos.
Member (NED)	Diana Pardo-Aguilar	July 22, 2014* June 20, 2006**	1	1	100%	12 yrs & 5 mos.
Member (ID)	Michael B. Zalamea	July 22, 2014* July 29, 2010**	1	1	100%	4 yrs. & 5 mos.
Non-Voting Member	Evelyn S. Enriquez	July 22, 2014* June 21, 2005**	1	1	100%	9 yrs & 5 mos.

† Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

#### (d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Nan-Bey Lai	July 22, 2014* November 13, 2012**	0	N/A	N/A	2 yrs. & 1 mo.
Member (ED)	Jose Victor P. Paterno	July 22, 2014* June 21, 2005**	0	N/A	N/A	9 yrs. & 5 mos.
Member (ID)	Michael B. Zalamea	July 22, 2014* June 21, 2005**	0	N/A	N/A	9 yrs. & 5 mos.
Non-Voting Member	Ying-Jung Lee	July 22, 2014* July 21, 2011**	0	N/A	N/A	3 yrs. & 5 mos.
Non-Voting Member	Ping-Hung Chen	July 22, 2014* July 18, 2013**	0	N/A	N/A	1 yr. & 5 mos.

\*Date Last Appointed  
\*\*Date First Appointed

(e) Others (Specify) None

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A	N/A	N/A	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (ID)	N/A	N/A	N/A	N/A	N/A	N/A
Member	N/A	N/A	N/A	N/A	N/A	N/A

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	None	None
Audit	None	None
Nomination	None	None
Remuneration	None	None
Others (specify)	None	None

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<p><b>February 20, 2014 Meeting</b></p> <ul style="list-style-type: none"><li>• Approved the presentation of the Update on Operations and Interim Financial Statements for the period ending December 31, 2013</li><li>• Approved the audited financial statements of the Corporation and its subsidiaries for the year ending December 31, 2013.</li><li>• Noted the deferment of the discussion to re-appoint SGV and Company as external auditor for year 2014 after submission by SGV of the book form of the audited financial statements as presented.</li><li>• Noted the discussion on SEC Memorandum Circular No. 20 S. 2013 requiring all key officers and members of the board of PLCs to attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by SEC.</li></ul> <p><b>April 3, 2014 Meeting</b></p> <ul style="list-style-type: none"><li>• Approved the presentation of the Update on Operations and Interim Financial Statements for the period ending February 28, 2014.</li><li>• Approved the endorsement of the Nomination and Governance Committee of the final list of candidates for election as PSC directors and independent directors in the annual stockholders meeting in July.</li><li>• Approved the Nomination and Governance Committee Charter as presented</li><li>• Approved the Corporate Governance (CG) Program as presented</li><li>• Noted the presentation of the 2013 ASEAN Corporate Governance Scorecard (ACGS) Results</li><li>• Noted and confirmed the presentation of the PSE CG Disclosure Survey</li><li>• Noted the presentation of the results of the CG Self Assessments for the Board and the Directors</li><li>• Noted the presentation of the PSE Electronic Disclosure Generation Technology (EDGE)</li></ul> <p><b>October 16, 2014 Meeting</b></p> <ul style="list-style-type: none"><li>• Approved the interim financial statements for the period ended September 30, 2014.</li></ul>	<p>Approval of 2013 Audited Financial Statements of PSC &amp; Consolidated AFS</p>

	<ul style="list-style-type: none"> <li>Approved the presentation by the external auditor, SGV and Company of the 2014 audit scope and plan.</li> <li>Noted the requirement under SEC Memorandum No. 18, Series of 2014 on penalty for non-compliance with website content by PLCs.</li> </ul>	
Audit	<p><b>February 20, 2014 Meeting</b></p> <ul style="list-style-type: none"> <li>Presentation and approval of the audited financial statements of the Corporation and its subsidiaries for the year ending December 31, 2013. It shall then be endorsed by Audit Committee to the Executive Committee for approval.</li> <li>Approved the recommendation for the re-appointment of SGV as the Corporation's external auditor for 2014, with Ms. Belinda T. Beng-Hui as the designated engagement partner to PSC, subject to approval of the Executive Committee and/or the Board and the ratification by the stockholders.</li> <li>Approved the presentation of the Internal Audit Update Report for 2013.</li> <li>Noted and confirmed the Self-Assessment Rating of the Audit Committee for 2013 and shall forward the same to the Nomination &amp; Governance Committee and the Chairman of the Board.</li> <li>Approved the amendment of the Audit Committee Charter based on items identified in the self-assessment rating.</li> <li>Noted the discussion on SEC Memorandum Circular No. 20 S. 2013 requiring all key officers and members of the board of PLCs to attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by SEC.</li> </ul> <p><b>October 16, 2014 Meeting</b></p> <ul style="list-style-type: none"> <li>Approved the presentation by the external auditor, SGV and Company of the 2014 audit scope and plan.</li> <li>Approved the interim financial statements for the period ending September 30, 2014.</li> <li>Approved the internal audit update report as of September 30, 2014.</li> </ul>	Approval of 2013 Audited Financial Statements of PSC & Consolidated AFS
Nomination & Governance	<p><b>April 18, 2014 Meeting</b></p> <ul style="list-style-type: none"> <li>Noted and reviewed the documents to ascertain the qualifications of the nominees and recommended the Final List of Candidates for election as directors and independent directors in the Corporation for the annual meeting in July 2014 and for endorsement to the Executive Committee</li> <li>Approved the Nomination and Governance Committee Charter as presented</li> <li>Approved the Corporate Governance (CG) Program as presented</li> <li>Noted the presentation of the 2013 ASEAN Corporate Governance Scorecard (ACGS) Results</li> <li>Noted and confirmed the presentation of the PSE CG Disclosure Survey</li> <li>Noted the presentation of the results of the CG Self Assessments for the Board and the Directors</li> <li>Noted the presentation of the PSE Electronic Disclosure Generation Technology (EDGE)</li> </ul>	Nominees and Final List of Candidates for election as directors and independent directors
Remuneration	None	None
Others (specify)	None	None

## 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Identify and develop programs and policies to support the ACGR guidelines	Development and review of policies
Audit	Same	Same
Nomination	Same	Same
Remuneration	Same	Same
Others (specify)	None	None

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

PSC recognizes that risk management is an integral part of sound management practice and good corporate governance as it improves decision making and enhances outcomes and accountability.

PSC recognizes that it has a responsibility to manage risks and supports a structured, systematic and focused approach to managing them by approval of the risk management strategy.

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

The top risks in retail industry to which PSC belongs include economic slowdown, increase in competition and brand reputation. Meanwhile, the main risks arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk. The Audit Committee ensures the integrity of internal control activities, develops, oversees, checks and preapproves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks and crisis management. The Internal Audit Division and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

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

Calendar Year 2014

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

The PSC Board of Directors or Executive Committee, via the Audit Committee, oversees the establishment and implementation of the risk management system and annually reviews the effectiveness of the system. In particular the Audit Committee considers on a regular basis whether:

- PSC's ongoing risk management program identifies all material and critical areas of risk;
- Adequate risk mitigation strategies have been designed and implemented by PSC to manage all material and critical identified risks;
- PSC undertakes a regular program of audits (Internal Audit, Compliance Audit and External Audit) to test the effectiveness of internal controls and compliance with PSC's prescribed policies; and
- Timely remedial action is undertaken to redress areas of weakness.

The Audit Committee also reviews and approves PSC's risk management policy.

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

N/A

### 2) Risk Policy

**(a) Company**

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

Risk Exposure	Risk Management Policy	Objective
Critical – 1 <sup>st</sup> Priority	Related issue requires urgent decision and corrective action by the audited unit	Resolution would help avoid a potentially crucial negative impact involving <ul style="list-style-type: none"> <li>• Loss of material assets and reputation of the organization or</li> <li>• Vital financial information that will turn around a decision or</li> <li>• The ability to comply with a contract or an important law that might place the company and its officers under litigation</li> </ul>
Significant – 2nd Priority	Requires reasonably prompt attention and corrective action by the audited unit.	<ul style="list-style-type: none"> <li>• Resolution would help avoid a sizeable negative impact on the unit's assets, financial information or ability to comply with important laws, policies or procedures, and approved Board resolutions.</li> <li>• Resolution will provide transaction traceability and support when questioned by both internal and/or external parties. Thus, avoiding a more serious/critical risk exposure.</li> </ul>
Useful	Resolution of "Useful" findings shall be followed up on the next audit, six (6) months at the earliest.	<ul style="list-style-type: none"> <li>• Resolution would help improve controls and avoid problems in the unit's operations.</li> <li>• Improvements will enhance the existing control and operational framework and will represent best practice</li> </ul>

**(b) Group**

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

Risk Exposure	Risk Management Policy	Objective
Competitive Environment of the C-Store Industry	Continue to pursue market dominance with effective strategies.	To meet organizational targets and strategic goals and commitment to stakeholders
Credit risk	<ul style="list-style-type: none"> <li>- Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.</li> <li>- The receivable balances are monitored on an ongoing basis</li> <li>- The Company deals only with counterparty duly approved by the BOD.</li> </ul>	The Company’s exposure to impairment arising from credit risk should be managed to a not significant level.
Liquidity risk	<ul style="list-style-type: none"> <li>- Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.</li> <li>- The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts.</li> <li>- The Company regularly evaluates projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund raising initiatives.</li> </ul>	The Company’s exposure to impairment arising from liquidity risk should be managed to a not significant level.
Interest rate risk	<ul style="list-style-type: none"> <li>- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</li> <li>- The Company is expecting to substantially reduce the level of bank loans over time. Internally generated funds coming from its cash generating units and from its franchising business will be used to pay off outstanding debts and consequently reduce the interest rate exposure.</li> </ul>	The Company’s exposure to impairment arising from interest rate risk should be managed to a not significant level.

**(c) Minority Shareholders**

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

Risk to Minority Shareholders
Controlling shareholders voting power may restrict or allow preferences in their favor, however, the Board in its commitment to practice good governance shall always respect the rights of the shareholders as provided for in the Corporation Code.

**3) Control System Set Up**

**(a) Company**

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Critical – 1 <sup>st</sup> Priority	Related issue requires urgent decision and corrective action by the audited unit	Resolution would help avoid a potentially crucial negative impact involving <ul style="list-style-type: none"> <li>• Loss of material assets and reputation of the organization or</li> <li>• Vital financial information that will turn around a decision or</li> <li>• The ability to comply with a contract or an important law that might place the company and its officers under litigation</li> </ul>
Significant – 2nd Priority	Requires reasonably prompt attention and corrective action by the audited unit.	<ul style="list-style-type: none"> <li>• Resolution would help avoid a sizeable negative impact on the unit’s assets, financial information or ability to comply with important laws, policies or procedures, and approved Board resolutions.</li> <li>• Resolution will provide transaction traceability and support when questioned by both internal and/or external parties. Thus, avoiding a more serious/critical risk exposure.</li> </ul>
Useful	Resolution of “Useful” findings shall be followed up on the next audit, six (6) months at the earliest.	<ul style="list-style-type: none"> <li>• Resolution would help improve controls and avoid problems in the unit’s operations.</li> <li>• Improvements will enhance the existing control and operational framework and will represent best practice</li> </ul>

(b) **Group** - Same as above

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above	Same as above	Same as above

(c) **Committee**

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Oversees the establishment and implementation of the risk management system and annually reviews the effectiveness of the system.	<ul style="list-style-type: none"> <li>• PSC's ongoing risk management program identifies all material and critical areas of risk;</li> <li>• Adequate risk mitigation strategies have been designed and implemented by PSC to manage all material and critical identified risks;</li> <li>• PSC undertakes a regular program of audits (Internal Audit, Compliance</li> <li>• Audit and External Audit) to test the effectiveness of internal controls and compliance with PSC's prescribed policies; and</li> <li>• Timely remedial action is undertaken to redress areas of weakness.</li> </ul>
Business / Functional / Support Units / Division	Risks Owners	<ul style="list-style-type: none"> <li>• Identifying, communicating, measuring, prioritizing and managing risks in their area of operations; and</li> <li>• Preparing risk analysis on risks concerning their area of operations</li> <li>• Mitigate and Manage material risks.</li> <li>• Manage legal risks</li> <li>• Foster an ethical environment</li> </ul>
Internal Audit	Provides assurance over the effective operation of risk management processes, methodologies and Internal controls.	<ul style="list-style-type: none"> <li>• Provide assurance</li> <li>• Conduct risks based audits</li> </ul>

## 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;**

- Data and information published either internally or externally is accurate, reliable, and timely.
- The actions of directors, officers, and employees are in compliance with the organization's policies, standards, plans and procedures, and all relevant laws and regulations.
- The organization's resources (including its people, systems, data/information bases, and customer goodwill) are adequately protected.
- Resources are acquired economically and employed profitably; quality business processes and continuous improvement are emphasized.
- The organization's plans, programs, goals, and objectives are achieved.

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

Audit committee has evaluated the duties and responsibilities of management, the internal audit activity, and the external auditors as those duties and responsibilities relate to the organization's processes for controlling its operations. The audit committee has also determined that all major issues reported by the internal auditing department, the external auditor, and other outside advisors have been satisfactorily resolved. Finally, the audit committee reported to the full board all-important matters' pertaining to the organization's controlling processes.

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

Calendar Year 2014

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

Yearly

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>The internal auditing function is charged with ascertaining that the ongoing processes for controlling operations throughout the organization are adequately designed and are functioning in an effective manner.</p> <p>Internal auditing is also responsible for reporting to management and the audit committee on the adequacy and effectiveness of the organization's systems of internal control, together with ideas, counsel, and recommendations to improve the systems.</p>	<p>The scope of internal auditing encompasses, but is not limited to, the Examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.</p>	In-House Internal Audit Function	Celina de Guzman – Manager, Internal Audit Division	<p>The Internal Audit Manager will report twice (2x) a year to the Audit Committee and day to day operations to the President and CEO.</p> <p>The Audit Committee approves the internal audit charter and the risk based internal audit plan.</p>

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

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

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
N/A	N/A

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

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

Progress Against Plans	2014 Audits as Planned were completed
Issues <sup>15</sup>	None
Findings <sup>16</sup>	98% findings has remained for in progress and for resolution
Examination Trends	<ul style="list-style-type: none"> <li>The need for continuous creation of policies, procedures, etc. for existing practices.</li> <li>The need for continuous update of outdated policies, procedures, etc. to align to changing needs and practices.</li> </ul>

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;

<sup>15</sup> "Issues" are compliance matters that arise from adopting different interpretations. (ACGR Form Footnote)

<sup>16</sup> "Findings" are those with concrete basis under the company's policies and rules. (ACGR Form Footnote)



- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.

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

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

Internal Audit group is governed by its internal audit charter which is in line with the functions and responsibilities as stated in the CG Manual and the Audit Committee Charter. Internal Audit reports functionally to the Audit Committee and administratively to the President. Based on the Internal Audit plans and scope for 2014, the following are the audit activities conducted and their results.

Policies & Procedures	Implementation
Audit of Construction	1/34 Resolved
Audit of Fixed Assets – New Stores	0/13 Resolved
Audit of Bills Payment	0/11 Resolved
Audit of Non Trade Suppliers Account Management	0/5 Resolved
Audit of Display Allowance	0/7 Resolved
Internal Control Assessments – Different Divisions	0/19 Resolved
Audit of Construction	1/34 Resolved

**(g) Mechanisms and Safeguards**

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.	No analysts nor investment banks cover SEVN.		
Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor’s judgment.			
External audit remains to be an integral part of corporate governance that makes management accountable to shareholders for its stewardship of the Company. It is for this reason that the board established an independent audit committee that oversees the performance of its appointed external auditors. The audit committee implements the rule of rotation of engagement partners every five years to maintain and preserve the latter's independence from the Company. The audit committee also approves non-audit engagements that will be undertaken by the same firm in order to prevent any conflicts that will affect the commercial interest of the external auditing firm.			

**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

For 2012, we issued our annual certification on compliance with SEC’s Code of Corporate Governance in accordance with SEC Memo Circular 6 of 2009 and the same was signed by Compliance Officer and attested by the President /CEO. For 2013, the disclosure of survey on Corporate Governance submitted to PSE was signed by the Independent Director and the President & CEO, after it was presented to the Executive Committee for confirmation. The ACGR filed in July 1, 2013 was signed by the Chairman of the Board, CEO, 2 Independent Directors and Compliance Officer. The consolidated changes to ACGR 2013 as required by SEC is accompanied by a Secretary’s Certificate with excerpts of Board Resolutions regarding said updates & changes in the ACGR. [For the consolidated changes to ACGR 2014, this report is accompanied with the Director’s Certificate approving the said changes and updates in compliance with SEC requirement.](#)

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare <sup>17</sup>	<ul style="list-style-type: none"> <li>• PSC Code of Conduct &amp; Business Ethics</li> <li>• Rendering Customer Service</li> <li>• Food Suppliers Processing Plant Evaluation and Accreditation</li> <li>• Food Processing Plant Audit for 7-Eleven Inspectors</li> <li>• <a href="#">Transit Testing of Fresh Food Products</a></li> </ul>	<p>Commitment to provide Excellent Customer Service</p> <ul style="list-style-type: none"> <li>• Customer Care Hotline and dedicated email <a href="mailto:customercare@7-eleven.com.ph">customercare@7-eleven.com.ph</a></li> <li>• Guest Experience Monitoring (GEM) of SEI Mystery Shopper. For 2014, PSC received a 92.34 overall rating.</li> <li>• 83 PSC Stores in the National Capital Region (NCR) became the recipient of the Department of Trade &amp; Industry's (DTI) Golden Seal "Bagwis" Awards. DTI Bagwis is a "Certified Establishment Program (Bagwis Awards)" that aims to promote and foster the highest level of business ethics and uphold a fair and honest marketplace through voluntary self-regulation and service excellence.</li> <li>• Increase and improve assortment and quality of products, For 2014, PSC introduced Chef Creations Meal by Chef Claude Tayag, Japanese Rice Snacks and Soft Bites among others.</li> <li>• Enhance Rewards Cards experience for customers through, introduction of 7-Eleven Everyday Rewards Smartphone Apps for android and IOS.</li> </ul>
Supplier/contractor selection practice <sup>18</sup>	<ul style="list-style-type: none"> <li>• Accrediting Suppliers of Non-Trade Goods and Services</li> </ul>	Third-party procurement validator ( Transprocure)
Environmentally friendly value-chain <sup>19</sup>	PSC complies with environmental related regulations such as: a) the use of paper bags, biodegradable plastic and non-use of plastic material in accordance with ordinances of different LGUs; b) comply with standards of HACCP (Hazard Analysis and Critical Control Point) for accreditation for food suppliers.	Utilize available environmental friendly, cost & work efficient equipment for the stores (i.e. LED Lights, Inverter ACs) for the stores, Using eco-friendly bags and other supplies.
Community interaction <sup>20</sup>	CSR within communities where 7-Eleven stores are situated	Disaster Relief Assistance, Supplemental Feeding Program, Balik-Eskwela Assistance, Adopt-a-Day Care Program, Medical Missions, Mobile Day Care assistance, Christmas Caravan, Grant support
Anti-corruption programmes and procedures? <sup>21</sup>	<ul style="list-style-type: none"> <li>• Code of Conduct and Business Ethics</li> <li>• Limitations on Participation in Company Sales Promotion</li> <li>• Conflict of Interest</li> <li>• Employment, Placement and Transfer of Relatives</li> </ul>	Signatory to Integrity Pact, Participation in Integrity Summit Fora
Safeguarding creditors' rights <sup>22</sup>	<ul style="list-style-type: none"> <li>• Disclosure and Reportorial Requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Certification of PSC's compliance with its Manual of Corporate Governance;</li> <li>• Annual Corporate Governance Disclosure Survey;</li> <li>• Certification &amp; Submission of regular periodic reports involving FS &amp; material info &amp; events;</li> <li>• Disclosure requirements on changes in beneficial ownership, reporting of trading transactions;</li> <li>• Clarifications on news articles; and</li> <li>• Compliance with the Minimum Public Float</li> </ul>

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

Yes

### 3) Performance-enhancing mechanisms for employee participation.<sup>23</sup>

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

<sup>17</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies) and [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Our%20Stakeholders](http://www.7-eleven.com.ph/corporate_governance.php?title=Our%20Stakeholders)

<sup>18</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Our%20Stakeholders](http://www.7-eleven.com.ph/corporate_governance.php?title=Our%20Stakeholders)

<sup>19</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Our%20Stakeholders](http://www.7-eleven.com.ph/corporate_governance.php?title=Our%20Stakeholders)

<sup>20</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Corporate%20Social%20Responsibility](http://www.7-eleven.com.ph/corporate_governance.php?title=Corporate%20Social%20Responsibility)

<sup>21</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies)

<sup>22</sup> See also [http://www.7-eleven.com.ph/company\\_disclosures.php?title=Company%20Disclosures](http://www.7-eleven.com.ph/company_disclosures.php?title=Company%20Disclosures)

<sup>23</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies) and [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Our%20Stakeholders](http://www.7-eleven.com.ph/corporate_governance.php?title=Our%20Stakeholders)

The company provides all regular employees with Health Insurance where they are eligible for in-patient care, out-patient care, emergency care, dental care, surgical procedures and other sophisticated procedures and maternity benefits.

Employees are also covered with Group Life and Accident Insurance Plan which serves as protection in case of death, whether natural cause or accident, and dismemberment.

Wellness program are also provided to the employees to further improve health and fitness among them thereby increasing productivity in the workplace.

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

Actual health insurance utilization for last year contract covering October 1, 2013 to August 15, 2014 is at 63%.

Wellness participation rate is at 32% while employee participation rate for corporate events is average of 90%.

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

Recognizing the need of employees for growth, training and development programs are regularly provided by PSC across all levels. For Senior Management and Officers, the company conducts a Leadership Academy & Mentor's Leadership Training Program with the objective to them in line with the Company's succession planning program.

In-house trainings are also provided by the Company to employees with specialist and rank & file level. These trainings are designed to augment and develop the employee skills and competencies. Below is the list, schedule and the number of participants of 2014 trainings.

TRAININGS CONDUCTED	SCHEDULE	# OF PARTICIPANTS
<b>A. Rank &amp; File</b>		
1. Skills Training for Operations Management Program	Every 2 months	433
2. Product Training	As requested	257
<b>B. Specialist Level</b>		
1. Area Manager Training Program	Quarterly	31
2. Project Management	2x a year	40
3. Basic Negotiation Skills	Quarterly	27
4. Product Training	Quarterly	257
5. Training the Trainers	Every 2 months	106
6. Basic Communication	Quarterly	16

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

Target Incentive and Annual Performance Bonus were granted to management, the officers and support personnel based on achievement of the target rate for pre-tax income for the year as set in the Annual Plan and Budget. These are provided to regular employees and executive officers of the Corporation.

**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.**

Employees Code of Discipline governs the job conduct of employees and protect their individual rights and interest as well as those of the Company. The codified Rules and Regulations are intended as a preventive as well as corrective measure to forestall the violation of rules. Any violation shall be dealt accordingly. Any offenses that is subject for termination are investigated by the Disciplinary Action Committee. During the administrative investigation, the DAC shall evaluate the statements and evidences presented where they will deliberate on the case to determine and recommend the appropriate penalty. After the resolution has been drafted, members of DAC must sign and forward to the Legal Division for review.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure**

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

Shareholder	Number of Shares	Percent	Beneficial Owner
President Chain Store (Labuan) Holding, Ltd.	236,376,070	51.56%	Same
Arisaig Asia Consumer Fund Limited	48,020,358	10.47%	Same
Jose Victor P. Paterno and siblings	11,983,375 (R) 25,636,860 (B) 37,620,235	2.61% 5.59% 8.21%	Ma. Cristina Paterno – 8,000,045; Paz Pilar P. Benares - 5,665,971; Ma. Elena P. Locsin - 6,962,534; Ma. Theresa P. Dickinson – 5,008,310
Asian Holdings Corporation	30,671,003	6.69%	Same

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jose Victor P. Paterno	11,983,375	<a href="#">25,636,860</a>	2.61%
TOTAL	11,983,375	<a href="#">25,636,860</a>	2.61%

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.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV AND CO.	<a href="#">P2.744 M</a>	<a href="#">P2.146 M</a>

4) Medium of Communication

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

1. Company website
2. Distribution of Information Statement and Annual Report
3. Disclosures, announcement and reports filed with SEC, PSE and other regulating agencies
4. Newspaper of General Circulation
5. Intranet

5) Date of release of audited financial report: As per due date of April 15 each year unless earlier submitted

6) Company Website

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

Business operations	Yes <sup>24</sup>
Financial statements/reports (current and prior years)	Yes <sup>25</sup>
Materials provided in briefings to analysts and media	Yes <sup>26</sup>
Shareholding structure	Yes <sup>27</sup>

<sup>24</sup> See <http://www.7-eleven.com.ph/about711.php?title=Corporate%20History>

<sup>25</sup> See [http://www.7-eleven.com.ph/company\\_disclosures.php?title=Annual%20Reports](http://www.7-eleven.com.ph/company_disclosures.php?title=Annual%20Reports) , <https://docs.google.com/a/7-eleven.com.ph/file/d/0B-YYvzhTTZbFeUU4bmZVOXNhdE/edit> , <https://drive.google.com/file/d/0B-YYvzhTTZbFVzFuWGpnT00yRmc/edit> , <http://www.7-eleven.com.ph/files/2011%20Audited%20Financial%20Statements.pdf>

<sup>26</sup> See [http://www.7-eleven.com.ph/investors\\_relation.php?title=Investor%20Relations%20Materials](http://www.7-eleven.com.ph/investors_relation.php?title=Investor%20Relations%20Materials) and [http://www.7-eleven.com.ph/news\\_room.php](http://www.7-eleven.com.ph/news_room.php)

<sup>27</sup> See <http://www.7-eleven.com.ph/about711.php?title=Shareholding%20structure>

Group corporate structure	Yes <sup>28</sup>
Downloadable annual report	Yes <sup>29</sup>
Notice of AGM and/or EGM	Yes <sup>30</sup>
Company's constitution (company's by-laws, memorandum and articles of association)	Yes <sup>31</sup>

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

## 7) Disclosure of RPT

RPT	Relationship	Nature	Balance as at December 31, 2014
Receivables:			
Convenience Distribution, Inc.	Wholly owned Subsidiary	Noninterest bearing advances and warehouse rental	<b>₱6,929,578</b>
Store Sites Holdings, Inc.	Wholly owned Subsidiary	Lease of office space	513,363
Philseven Foundation, Inc.	Company under common control	Noninterest bearing advances	3,525,452
Liabilities:			
Convenience Distribution, Inc.	Wholly owned Subsidiary	Distribution, Warehousing Charges, Price tagging, and Backhauling Charges	109,902,050
Store Sites Holdings, Inc.	PSC holds 40% SSHI shares	Lease of parcels of land	398,732
Philseven Foundation, Inc.	Company under common control	Pledge donation of PSC	2,894,337

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?

Please refer to:

- Guidance Checklist for Selected Provisions of IAS 24 for Related Party Transactions
- PO-OTP-SPG-8 (Policy & Procedure Related Party Transactions)<sup>32</sup>

## J. RIGHTS OF STOCKHOLDERS

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

The stockholders of the Company may exercise their right of appraisal against any proposed corporate action which qualifies as an instance under Section 81 of the Corporation Code which gives rise to the exercise of such appraisal right pursuant to and in the manner provided in Section 82 of the Corporation Code.

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
2. In case of sale, lease, of exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this code; and
3. In case of a merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code.

<sup>28</sup> See <http://www.7-eleven.com.ph/about711.php?title=Conglomerate%20Map>

<sup>29</sup> See [http://www.7-eleven.com.ph/company\\_disclosures.php?title=Annual%20Reports](http://www.7-eleven.com.ph/company_disclosures.php?title=Annual%20Reports), <http://www.7-eleven.com.ph/files/PSC%202013%20Annual%20Report%2017-A%20PSE%20for%20website.pdf> and <https://drive.google.com/file/d/0B-YYvzhTTZbFcGtzNiN0YVBzcDg/edit>

<sup>30</sup> See [http://www.7-eleven.com.ph/company\\_disclosures.php?title=Information%20Statements](http://www.7-eleven.com.ph/company_disclosures.php?title=Information%20Statements) and <http://www.7-eleven.com.ph/files/Notice,%20Agenda%20and%20Proxy%20for%20PSC%202014%20ASM.pdf>

<sup>31</sup> See <http://www.7-eleven.com.ph/about711.php?title=Article%20of%20Incorporation%20and%20By-Laws>

<sup>32</sup> See also [http://www.7-eleven.com.ph/corporate\\_governance.php?title=Company%92s%20Policies](http://www.7-eleven.com.ph/corporate_governance.php?title=Company%92s%20Policies)

**(a) Quorum**

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

<b>Quorum Required</b>	Majority of the outstanding capital stock entitled to vote, whether represented in person or by proxy, shall constitute a quorum, unless otherwise provided by the Corporation Code.
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	Section 48, PSC Amended By laws. Required Number of Votes on Certain Corporate Acts
<b>Description</b>	The approval of the Board of Directors by at least 2/3 vote of the number of directors as fixed in the Articles of Incorporation (AOI) and the approval of the stockholders of the Corporation representing 2/3 of the issued and outstanding capital stock of the Corporation shall be required on certain corporate acts.

**(c) Stockholders' Rights**

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
<p>Sec. 24. Election of directors or trustees. - ...In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.</p>	<p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such annual meetings. If they cannot attend, they should be <u>apprised ahead of time of their right to appoint a proxy</u>. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p> <p>It is the duty of the Board to promote the rights of the stockholders, <u>remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights</u>.</p> <p>The Board should take the appropriate steps to <u>remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy</u>. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. (Article 6B, PSC Revised Manual on Corporate Governance)</p>

**Dividends**

PSC considers the benefit of its shareholders as one of its priority management policies. It aims to sustain revenue stream and progressive growth to further enhance shareholder value. PSC shall continue to return capital to shareholders through a sustainable dividend policy. Effective 2015, the Company intends to pay at least 20% of annual net profits by way of cash dividends. This considers future capital requirements and potential growth opportunities. The Board regularly reviews the dividend policy, including the frequency of distribution, taking into account all of the above.

A cash dividend of thirty centavos (Php 0.30) per share was declared and approved during the board of directors meeting last April 24, 2014. Stockholders of record as of May 23, 2014 were entitled to said cash dividend and the corresponding cash payments were paid to stockholders on payment date last June 18, 2014. Total outstanding capital stock of the Corporation after the payment date of the cash dividend is still 458,435,323. Likewise, there was no sale of any unregistered securities. There is no restriction that limits the ability of the Company to pay dividends on common equity. Below is the summary of cash and stock dividend declaration of the Corporation.

Dividend	Declaration Date	Record Date	Payment Date
Cash	April 24, 2014	May 23, 2014	June 18, 2014
Cash	July 18, 2013	August 15, 2013	September 9, 2013

Stock	July 18, 2013	August 15, 2013	September 9, 2013
Cash	Jul. 24, 2012	Aug. 22, 2012	Sep. 14, 2012
Stock	Jul. 24, 2012	Nov. 15, 2012	Dec. 03, 2012
Cash & Stock	Jul. 21, 2011	Aug. 19, 2011	Sep. 13, 2011
Cash & Stock	Jul. 29, 2010	Aug. 27, 2010	Sep. 23, 2010
Stock	Jun. 25, 2009	Aug. 14, 2009	Sep. 09, 2009
Stock	Jun. 18, 2008	Aug. 15, 2008	Sep. 10, 2008

**(d) Stockholders' Participation**

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

Measures Adopted	Communication Procedure
1. Questions are entertained during the annual meeting <sup>33</sup>	1. Chairman, during the annual meeting, asks if there are any questions from the stockholders.

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

- Amendments to the company's constitution- Section 46, "PSC Amended By laws. By laws may be altered, amended or repealed or new by laws adopted, by the affirmative vote of at least a majority of the outstanding capital stock of the Corporation at any regular meeting or any special meeting duly called for the purpose. The Board of Directors may also amend or repeal these By-laws or adopt new By-laws when such power is delegated to it by the owners of two thirds 2/3 of the outstanding capital stock, provided however, that such delegation of power shall be considered as revoked whenever stockholders owning majority of the outstanding capital stock shall so vote at a regular or special meeting. The Board of Directors may adopt additional regulations in harmony with the foregoing By-laws and their amendments."
- Authorization of additional shares
- Transfer of all or substantially all assets, which in effect results in the sale of the company

- 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

- Date of sending out notices: **June 20, 2014**
- Date of the Annual/Special Stockholders' Meeting: **July 22, 2014**

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

- A stockholder asked for the reason for the increase in Other Income from P120 M to P240 M and what is the nature of the Other Income. The Chairman requested the Finance Division Head, Mr. Lawrence De Leon to respond and it was explained that such income are from suppliers in the form of penalties in case of delays.
- A stockholder asked that in the financial statement there was a negative working capital of P500 M and if there was an annual budget and planning to prevent this? The Finance Division Head answered this in the affirmative.
- A stockholder commented that he noticed that there was no presentation of stock prices last week and the share price went down to P85 and asked for the possible reason. The President replied that we could not ascertain the reason of the traders who buy and sell the stock. A possible reason could be the entry of the 4 biggest retailers in the market and the stockholders traded their shares. A follow up question from the stockholder was if PSC provides guidelines on stock price and why it is not part of the annual report. The President responded that it was part of the Annual Report but the report came out many months after the end of the fiscal year. Another stockholder made a comment that any one may check the stock price at PSE Website and further commented that in his 15 years of trading PSC shares, this is the highest so far.
- A stockholder asked for a copy of the a Memo from the Human Resource Manager, authorizing a certain employee, other than the stock transfer agent, BDO-TIG, to process the credentials of a stockholder. The Chairman asked the Corporate Secretary to reply. The Corporate Secretary replied that the stock transfer agent representatives seated at the registration table in front of the entrance of the room handles the verification. If he has further concerns it shall be discussed with the STA after the meeting. The stockholder further requested for a certain employee be called for a debate on the floor. Another stockholder made a comment that the request of the earlier stockholder is out of order

<sup>33</sup> See <http://www.7-eleven.com.ph/files/PSC%20ASM%20Mins-%20July%202014%20for%20website%20upload.pdf>

since this is a stockholders' meeting and not the proper place for debate. The Chairman noted the same and ruled that the matter is not in the agenda and the stockholders' meeting is not the proper forum to act on such matter.

#### 5. Result of Annual/Special Stockholders' Meeting's Resolutions<sup>34</sup>

Resolution	Approving	Dissenting	Abstaining
• Approval of Minutes of Previous Annual Stockholders' Meeting held on July 18, 2013	401,820,620 shares or 87.65%	None	None
• Approval of 2013 Audited Financial Statements	401,820,620 shares or 87.65%	None	None
• Ratification of Actions taken by the Board of Directors, Executive Committee, Board Committees and Management since the last annual stockholders' meeting	401,820,620 shares or 87.65%	None	None
• Amendment of the Third Article of the Amended Articles of Incorporation to state the specific principal office address of the Corporation in compliance with SEC Memorandum Circular No. 6 Series of 2014	401,820,620 shares or 87.65%	None	None
• Appointment of External Auditors	401,820,620 shares or 87.65%	None	None

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

Disclose to PSE 10 Minutes after the ASM or on July 22, 2014; Submit Current Report SEC Form 17-C to SEC the following day or on July 23, 2014.

#### (e) Modifications

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

Modifications	Reason for Modification
None	N/A

#### (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	1. Vicente T. Paterno T- Chairman of the Board 2. Jose Victor P. Paterno-President & Director 3. Jorge L. Araneta-Director 4. Diana Pardo-Aguilar-Director 5. Antonio Jose U. Periquet, Jr.- Independent Director 6. Michael B. Zalamea-Independent Director 7. Atty. Evelyn S. Enriquez-Corporate Secretary	July 22, 2014	Viva Voce Voting	3.34%	84.31%	87.65%
Special	N/A	N/A	N/A	N/A	N/A	N/A

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

Yes, The Stock Transfer Agent, BDO-Unibank, Inc. Trust and Investments Group counts, tabulate and validates the votes cast based on the number of shares entitled to vote and owned by the stockholders present or represented by proxies during the Annual Stockholders' Meeting.

##### (iii) Do the company's common shares carry one vote for one share?

Yes, as stated in the By-laws 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.

#### (g) Proxy Voting Policies

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

<sup>34</sup> See <http://www.7-eleven.com.ph/files/PSC%20ASM%20Mins-%20July%2022%202014%20for%20website%20upload.pdf>



	Company's Policies
Execution and acceptance of proxies	As per PSC Amended By-Laws, A stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy executed in writing by the stockholder or a duly authorized attorney-in-fact.
Notary	Required if executed by an attorney-in-fact
Submission of Proxy	As per PSC Amended By-Laws, must be presented to the Secretary for inspection and recording at least seven (7) business days before the opening of the meeting
Several Proxies	None
Validity of Proxy	As per PSC Amended By-Laws, valid only for one specific meeting for which it is intended
Proxies executed abroad	None
Invalidated Proxy	None. The Corporation pursues the policy stated in Manual that subject to the requirements of the Corporation's Bu-Laws, the exercise of the stockholder's right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.
Validation of Proxy	Validation of Proxy is done by the Stock Transfer Agent
Violation of Proxy	As per By-Laws provision on Proxy

**(h) Sending of Notices**

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

Policies	Procedure
In accordance with SRC Rule 20	The information statement <i>(including proxy form<sup>35</sup> and other solicitation materials, in case of proxy solicitations)</i> shall be sent or given to security holders at least fifteen (15) business days prior to the meeting date.

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

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	648 Stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 20, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 20, 2014
State whether CD format or hard copies were distributed	CD format
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies were provided to stockholders upon request

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

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

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

**2) Treatment of Minority Stockholders**

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

PSC CG Manual Article 6: Stockholders' Rights and Protection of Minority Stockholders' Interests

A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

<sup>35</sup> See [http://www.7-eleven.com.ph/company\\_disclosures.php?title=Information%20Statements](http://www.7-eleven.com.ph/company_disclosures.php?title=Information%20Statements) and <http://www.7-eleven.com.ph/files/Notice,%20Agenda%20and%20Proxy%20for%20PSC%202014%20ASM.pdf>

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the corporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right.

B) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such annual meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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

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

Policies	Implementation
Art. 6 PSC CG Manual. Stockholders' Rights and Protection of Minority Stockholders' Interests	The Board respects the rights of the stockholders as provided for in the Corporation Code, namely: (i) Right to vote on all matters that require their consent or approval; (ii) Pre-emptive right to all stock issuances of the corporation; (iii) Right to inspect corporate books and records; (iv) Right to information; (v) Right to dividends; and (vi) Appraisal right

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

Yes. PSC's nomination procedure provides:

1. A stockholder may recommend the nomination of a director to the Nomination Committee;
2. The nominating stockholder shall submit his proposed nomination in writing to the Nomination & Governance Committee, together with the acceptance and conformity of the would-be nominee.
3. The Nomination & Governance Committee shall screen the nominations of directors prior to the stockholders' meeting and come up with the Final List of Candidates.
4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director.

**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 executive committee provides guidance in the development and approval of the company's external and internal communication policies. The management is tasked to implement the said policies through its corporate communications and investor relations group. An external public relations firm is tapped from time to time to communicate other aspects of the business. These policies are reviewed regularly or when the need for such arises.

**2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	To provide linkage between the company and market participants and to ensure clear communication of developments in all aspects of the business with the objective of assuring fair valuation in the marketplace.
(2) Principles	The program should fulfill the role of serving as the key corporate resource in the areas of disseminating information to shareholders, finance professionals and potential investors.
(3) Modes of Communications	Email and/or Conference calls
(4) Investors Relations Officer	Lawrence M. De Leon Email: <a href="mailto:investor-relations@7-eleven.com.ph">investor-relations@7-eleven.com.ph</a> Tel #: 705-52-42

**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 is complying with the rules and regulations promulgated by the Securities and Exchange Commission in the areas of reporting and disclosing material events and transactions that will significantly affect the business. These developments will be promptly reported and disclosed to the regulators within the timelines required.

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

In the event that there will be a need to evaluate and assess the fairness and compliance of all aspects of material transactions, the company shall tap the expertise of a reputable third party professional firm.

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

In the event that there will be a need to evaluate and assess the fairness and compliance of all aspects of material transactions, the company shall tap the expertise of a reputable third party professional firm.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
Advocacy on Health and Nutrition	
1. Supplementary Feeding Program	Undernourished children ages 3-7yrs. old
2. Medical Mission	Indigent communities
Advocacy on Education	
1. “Balik-Eskwelang Handog ng 7-Eleven” <i>(A school supply distribution/Improvement through renovation and/or construction of a school facility)</i>	Indigent Day Care and/or Grade 1 students/school
2. Mobile Day Care Project	Children ages 2-5 yrs. old living in communities in the City of Manila without access to a day care facility
Disaster/Relief Operation <i>(A stand-by program)</i>	Families and communities
Waste segregation project	PFI Income-generating project to fund CSR programs/activities

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

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

	Process	Criteria
Board of Directors	Self Assessment for annual performance of the Board (started in 2011) To assess the effectiveness of their performance as a collegial body and as individual members, PSC’s Board conducts and accomplishes self-rating surveys yearly. Audit Committee also appraise their performance by accomplishing a self-assessment worksheet. The Board assesses their performance yearly as a whole and as a collegial body through completion of a self-rating form. They evaluate themselves based on 13 questions covering topics from knowledge of the company’s beliefs, values, philosophy, mission, strategic plan and business plan to the performance of their duties, responsibilities and functions. Rating shall be from 1- Not Performing to 5- Outstanding Performance.  The results of assessment/survey are compiled by the Compliance Officer and are reported during the Nomination & Governance Committee Meeting immediately following the completion of the assessment/survey.	
Board Committees	Assessment Worksheet of Audit Committee’s Performance ( SEC Memo No. 04, Series of 2012- Guidelines for Assessment of Audit Committees of PLCs) The Audit Committee Members also evaluate their yearly performance through accomplishing a self-assessment worksheet in accordance with the Audit Committee Charter. They evaluate themselves based on questions which fall under their responsibilities under the Charter such as Setting of Committee Structure and Operation, Oversight on Financial Reporting and Disclosures, Oversight on Risk Management and Internal Controls, and Oversight on External Audit. Rating is either YES or NO. Once a YES rating is given, the reference document shall be cited and in case of a NO rating, the action needed shall be indicated. Reporting of results follows a similar process as mentioned above.	
Individual Directors	Self Assessment for annual performance of Directors ( started in 2011) The Board answers a separate self-rating form with 31 questions covering specific duties and responsibilities including participation in board meetings. Rating is either SA, A, N, D, SD: SA Strongly Agree A Agree N Neither Agree Nor Disagree	

	D Disagree SD Strongly Disagree Reporting of results follows a similar process as mentioned above.
CEO/President	CEO's performance is evaluated based on the achievement of company goals and targets which is evaluated twice a year, first semester covers evaluation from January to June while performance from July to December are evaluated in the second semester

**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
Violations are sanctioned under the Code of Discipline schedule of penalties	Written Warning to Termination

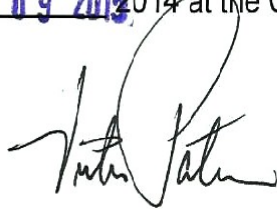
## DIRECTORS' CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

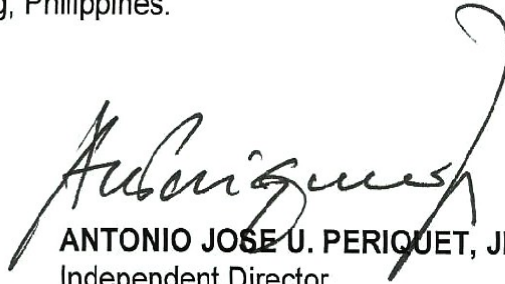
We, the undersigned majority of the directors and the Corporate Secretary of PHILIPPINE SEVEN CORPORATION (the "Corporation"), do hereby certify and approve the Consolidated Changes in the Annual Corporate Governance Report of the Corporation for the year 2014 under the following resolution:

"RESOLVED, that the Board of Directors of Philippine Seven Corporation (the "Corporation") hereby approve the consolidated changes in the Annual Corporate Governance Report of the Corporation for Y2014."

IN WITNESS WHEREOF, we have hereunto set our hands this      day of ~~JAN 09 2013~~ 2014 at the City of Mandaluyong, Philippines.



**JOSE VICTOR P. PATERNO**  
President and Director  
TIN: 132-688-472



**ANTONIO JOSE U. PERIQUET, JR.**  
Independent Director  
TIN: 203-006-677



**DIANA PARDO-AGUILAR**  
Director  
TIN: 101-902-566



**MICHAEL B. ZALAMEA**  
Independent Director  
TIN: 203-012-683



**JORGE L. ARANETA**  
Director  
TIN: 102-752-519

*Nan Bey Lai*

**NAN-BEY LAI**  
Vice Chairman  
TIN: 438-912-004

**JUI-TANG CHEN**  
Director  
TIN: 253-580-336

**MAO-CHIA CHUNG**  
Director  
TIN: 438-912-414

**LIEN-TANG HSIEH**  
Director  
TIN: 438-912-239

**WEN-CHI WU**  
Director  
TIN: 438-913-909

CERTIFIED AND ATTESTED BY:

**ATTY. EVELYN S. ENRIQUEZ**  
Corporate Secretary  
TIN: 103-122-973

**NAN-BEY LAI**  
Vice Chairman  
TIN: 438-912-004

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CERTIFIED AND ATTESTED BY:

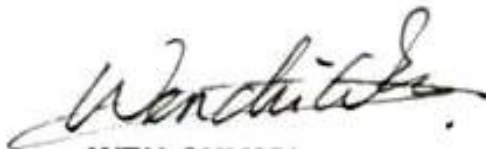
**ATTY. EVELYN S. ENRIQUEZ**  
Corporate Secretary  
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Vice Chairman  
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**WEN-CHI WU**  
Director  
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Vice Chairman  
TIN: 438-912-004

*Jui-tang Chen*  
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Director  
TIN: 438-913-909

CERTIFIED AND ATTESTED BY:


  
**ATTY. EVELYN S. ENRIQUEZ**  
Corporate Secretary  
TIN: 103-122-973

SUBSCRIBED AND SWORN to before me, this JAN 09 2015,  
2014 in PASIG CITY, affiant, exhibiting to me his/their valid identification  
documents, as follows:

<u>Name</u>	<u>Tax Identification Number</u>
1. Nan-Bey Lai	438-912-004
2. Jui-Tang Chen	253-580-336
3. Mao-Chia Chung	438-912-414
4. Lien-Tang Hsieh	438-912-239
5. Wen-Chi Wu	438-913-909
6. Jose Victor P. Paterno	132-688-472
7. Diana Pardo-Aguilar	101-902-566
8. Jorge L. Araneta	102-752-519
9. Antonio Jose U. Periquet, Jr.	203-006-677
10. Michael B. Zalamea	203-012-683
11. Evelyn S. Enriquez	103-122-973

Doc. No.: 271  
Page No.: 55  
Book No.: 1  
Series of 2014

NOTARY PUBLIC

  
**ATTY. RAMON L. CARPIO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 0350443116/15 AT PASIG CITY  
IBPR 297872212/12/14 AT PASIG CITY  
TIN IGC-318-827  
MCLE IV COMPLIANCE # 000030/G/19/13  
ROLL # 22/172