

# COVER SHEET

0	0	0	0	1	0	8	4	7	6
---	---	---	---	---	---	---	---	---	---

S.E.C Registration Number

P	H	I	L	I	P	P	I	N	E										
---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

S	E	V	E	N															
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

C	O	R	P	O	R	A	T	I	O	N										
---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's full Name)

7	t	h	F	i	r	.	T	h	e	C	o	l	u	m	b	i	a	T	o	w	e	r										
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

O	r	t	i	g	a	s	A	v	e	M	a	n	d	a	l	u	y	o	n	g	C	i	t	y										
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

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

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

Contact Person

**724-44-41 to 53**

Company Telephone Number

1	2		3	1
---	---	--	---	---

Month                  Day  
Fiscal Year

--	--	--	--	--	--

FORM TYPE

0	7		<b>3<sup>rd</sup> Thursday</b>
---	---	--	--------------------------------

Month                  Day  
Annual Meeting

**SEC Form – ACGR**

**2016 ACGR**

Secondary License Type, if Applicable

--	--	--	--	--

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC personnel concerned

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

File Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

LCU

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Document I.D.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year **2016**
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**  
Address of Principal Office **1550**  
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 53**  
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-----	7
	3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS---	7
	4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS -----	8
	5) CHANGES IN THE BOARD OF DIRECTORS -----	9
	6) ORIENTATION AND EDUCATION PROGRAM -----	13
B.	CODE OF BUSINESS CONDUCT & ETHICS -----	15
	1) POLICIES -----	15
	2) DISSEMINATION OF CODE-----	16
	3) COMPLIANCE WITH CODE-----	16
	4) RELATED PARTY TRANSACTIONS-----	16
	(a) Policies and Procedures-----	16
	(b) Conflict of Interest-----	16
	5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS -----	17
	6) ALTERNATIVE DISPUTE RESOLUTION -----	18
C.	BOARD MEETINGS & ATTENDANCE -----	18
	1) SCHEDULE OF MEETINGS -----	18
	2) DETAILS OF ATTENDANCE OF DIRECTORS-----	19
	3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS -----	19
	4) QUORUM REQUIREMENT -----	19
	5) ACCESS TO INFORMATION -----	19
	6) EXTERNAL ADVICE -----	20
	7) CHANGES IN EXISTING POLICIES -----	20
D.	REMUNERATION MATTERS -----	21
	1) REMUNERATION PROCESS -----	21
	2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS -----	21
	3) AGGREGATE REMUNERATION -----	21
	4) STOCK RIGHTS, OPTIONS AND WARRANTS -----	22
	5) REMUNERATION OF MANAGEMENT -----	22
E.	BOARD COMMITTEES -----	23
	1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES -----	23
	2) COMMITTEE MEMBERS -----	26
	3) CHANGES IN COMMITTEE MEMBERS -----	28
	4) WORK DONE AND ISSUES ADDRESSED -----	29
	5) COMMITTEE PROGRAM -----	30

F. RISK MANAGEMENT SYSTEM -----	30
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM -----	30
2) RISK POLICY -----	31
3) CONTROL SYSTEM -----	32
G. INTERNAL AUDIT AND CONTROL -----	33
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM -----	33
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function -----	33
(b) Appointment/Removal of Internal Auditor -----	34
(c) Reporting Relationship with the Audit Committee -----	34
(d) Resignation, Re-assignment and Reasons -----	34
(e) Progress against Plans, Issues, Findings and Examination Trends -----	34
(f) Audit Control Policies and Procedures-----	34
(g) Mechanisms and Safeguards -----	35
(h) -----	35
H. ROLE OF STAKEHOLDERS -----	36
I. DISCLOSURE AND TRANSPARENCY-----	39
J. RIGHTS OF STOCKHOLDERS -----	41
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS’ MEETINGS-----	41
2) TREATMENT OF MINORITY STOCKHOLDERS -----	46
K. INVESTORS RELATIONS PROGRAM-----	46
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES -----	47
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL -----	47
N. INTERNAL BREACHES AND SANCTIONS -----	48

**A. BOARD MATTERS**

**1) Board of Directors**

Number of Directors per Articles of Incorporation <sup>1</sup>	11
Actual number of Directors for the year	11

**(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. Jose T. Pardo	ID		Jorge L. Araneta (No Relationship)	January 20, 2015	July 21, 2016 (1&11 mos.)	Annual Meeting	1 yr & 11 mos.
2. Jose Victor P. Paterno	ED		President Chain Store (Labuan) Holdings, Ltd.	May 14, 1997	July 21, 2016	Annual Meeting	19 yrs.
3. Jorge L. Araneta	NED		Asian Holdings Corporation	1988	July 21, 2016	Annual Meeting	28 yrs.
4. Maria Cristina P. Paterno	NED		Jose Victor P. Paterno	July 30, 2015	July 21, 2016	Annual Meeting	1 yr
5. Wen-Chi Wu	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	July 17, 2008	July 21, 2016	Annual Meeting	8 yrs.
6. Jui-Tang Chen	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	November 13, 2012	July 21, 2016	Annual Meeting	4 yrs.
7. Chi- Chang Lin	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	July 30, 2015	July 21, 2016	Annual Meeting	1 yr
8. Lien-Tang Hsieh	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	November 13, 2012	July 21, 2016	Annual Meeting	4 yrs.
9. Shui-Huang Ho	NED	President Chain Store (Labuan) Holdings, Ltd.	President Chain Store (Labuan) Holdings, Ltd.	July 21, 2016	July 21, 2016	Annual Meeting	5 mos.
10. Antonio Jose U. Periquet, Jr.	ID		Paz Pilar P. Benares (No Relationship)	July 29, 2010	July 21, 2016 (6 yrs.)	Annual Meeting	6 yrs.
11. Michael B. Zalamea	ID		Renato B. Valdecantos (No Relationship)	June 21, 2005	July 21, 2016 (11 yrs.)	Annual Meeting	11 yrs.

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis 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<sup>3</sup> 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 to clearly state 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

<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/wp-content/uploads/2016/08/Amended-Articles-of-Incorporation-Oct.-1-2014.pdf>

<sup>3</sup> A copy of the Company's CG Manual is posted at: <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/Revised-CG-Manual-7.30.14.pdf>

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 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. Jose Victor P. Paterno	Convenience Distribution Inc. (CDI), Store Sites Holding, Inc. (SSHI), PhilSeven Foundation, Inc. (PFI)	Executive Director, Chairman & President; Executive Director, Chairman & President; Trustee & Chairman

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

(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. Jose T. Pardo	Philippine Stock Exchange Philippine Savings Bank JG Summit Holdings, Inc.	Chairman & Independent Director Chairman & Independent Director Independent Director
2. Jui-Tang Chen	Uni-President Enterprises Corp. President Chain Store Corp.	Non-Executive Director Executive Director
3. Wen-Chi Wu	President Chain Store Corp.	Executive Director
4. Antonio Jose U. Periquet, Jr.	Ayala Corp DMCI Holdings, Inc. Bank of the Philippine Islands ABS-CBN Holdings Corp. /ABS-CBN Corp. Max's Group, Inc.	Independent Director Independent Director Independent Director Independent Director Independent Director

(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. Jose T. Pardo	Jose Victor Paterno/ Maria Cristina P. Paterno	Chairman & Independent Director Mr. Jose T. Pardo is the uncle of Director & President/CEO Mr. Jose Victor P. Paterno and Director Ms. Maria Cristina P. Paterno
2. Jose Victor P. Paterno	Jose T. Pardo/ Maria Cristina P. Paterno	Director & President/CEO is the nephew of the Chairman & Independent Director Mr. Jose T. Pardo and the brother of Director Ms. Maria Cristina P. Paterno
3. Maria Cristina P. Paterno	Jose T. Pardo/ Jose Victor P. Paterno	Director Maria Cristina P. Paterno, is the niece of Chairman & Independent Director Mr. Jose T. Pardo and sister of President/CEO Mr. Jose Victor P. Paterno

(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:

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 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. Jose T. Pardo	1		0.00%
2. Jose Victor P. Paterno	9,859,669	24,929,900 *	2.15%
3. Jorge L. Araneta	1		0.00%
4. Maria Cristina P. Paterno	8,000,045		0.00%

5. Jui-Tang Chen	1		0.00%
6. Chi-Chang Lin	1		0.00%
7. Lien-Tang Hsieh	1		0.00%
8. Shui-Huang Ho	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>18,786,729</b>	<b>24,929,900 *</b>	<b>2.35%</b>

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

## 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. Jose T. Pardo
<b>CEO/President</b>	Mr. Jose Victor P. Paterno

- (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.

<sup>5</sup> A copy of the Company's Amended By-laws is posted at <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/PSC-AMENDED-BY-LAWS-AUG-22-2007.pdf>



**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, accounting, 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 experience 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 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)	Same	Same  As Audit Committee Chair refer to responsibilities provided under E,1 of this ACGR  As member in other Board 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 Dec. 31, 2016, below are the tenure of PSC Independent Directors from Jan. 02, 2012:

1. Jose T. Pardo- 1 year & 11 months (from 1<sup>st</sup> election in January 20, 2015)
2. Antonio Jose U. Periquet, Jr. - 4 years & 11 months
3. Michael B. Zalamea- 4 years & 11 months

**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
Nan-Bey Lai	Director	July 21, 2016	End of Term

Mr. Shui-Huang Ho was elected as Director last July 21, 2016

**(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</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> </ol>

	<p>of directors prior to the stockholders' meeting and come up with the Final List of Candidates.</p> <p>4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director.</p>	<p>(iv) Previous business experience. (Art. 3 (D) PSC CG Manual)</p> <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,</p>	Same

	<p>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>(iv) 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>(v) 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>(vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vii) Any person judicially declared as insolvent;</p> <p>(viii) 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> <p>(ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p> <p>Art. 3. E. 1. (i)-(viii) PSC CG Manual</p>	
<b>(ii) Non-Executive Directors</b>	Same	
<b>(iii) Independent Directors</b>	Same	
<b>d. Temporary Disqualification</b>		
<b>(i) Executive Directors</b>	<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>	
<b>(ii) Non-Executive Directors</b>	Same	
<b>(iii) Independent Directors</b>	Same	
<b>e. Removal</b>		
<b>(i) Executive Directors</b>	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)	
<b>(ii) Non-Executive Directors</b>	Same	
<b>(iii) Independent Directors</b>	same	
<b>f. Re-instatement</b>		
<b>(i) Executive Directors</b>	Same process adopted as stated in selection/appointment of director	same
<b>(ii) Non-Executive Directors</b>	Same process adopted as stated in selection/appointment of director	same
<b>(iii) Independent Directors</b>	Same process adopted as stated in selection/appointment of director	same
<b>g. Suspension</b>		
<b>(i) Executive Directors</b>	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 21, 2016](#)

Name of Director	Votes Received
1. Jorge L. Araneta	405,267,395 or 88.40%
2. Jui-Tang Chen	405,267,395 or 88.40%
3. Shui-Huang Ho	405,267,395 or 88.40%
4. Lien-Tang Hsieh	405,267,395 or 88.40%
5. Chi-Chang Lin	405,267,395 or 88.40%
6. Jose Victor P. Paterno	406,730,477 or 88.72%
7. Maria Cristina P. Paterno	397,956,231 or 86.81%
8. Wen-Chi Wu	405,267,395 or 88.40%
9. Jose T. Pardo (Independent Director)	404,789,906 or 88.30%
10. Antonio Jose U. Periquet, Jr. (Independent Director)	403,835,192 or 88.09%
11. Michael B. Zalamea (Independent Director)	408,640,169 or 89.14%

**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 trade check of other retail business formats. It also provides recent trade analysis or industry benchmarkings together with recent industry surveys. This is in addition to the CG training required each year by the SEC.

<b>Orientation Program for New Directors<sup>6</sup></b>
I. Business Overview
II. Update & Retail Exposure/Tour of 711 Philippines C-store operation
III. Trade check and review of other retail business formats
IV. Recent Industry Review and Surveys
V. Corporate Governance
1. PSC’s Corporate Governance Manual <ul style="list-style-type: none"> <li>a. Board Structure, Duties &amp; Responsibilities</li> <li>b. Board Committee Charters               <ul style="list-style-type: none"> <li>i. Audit Committee</li> <li>ii. Nomination &amp; Governance Committee</li> <li>iii. Compensation Committee</li> </ul> </li> </ul>
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 Professional Directors Program, Investor Forum, Trainings and Round Table Discussions, Enterprise Risk Management Training, SEC-PSE Corporate Governance Forum and SEC Round Table Discussion on Corporate Governance.

**(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
Jose T. Pardo	SEC in its en banc session last December 08, 2015, grants permanent exemption from Annual Corporate Governance Training Requirement under SEC Memorandum Circular No. 20, Series of 2013.		
	June 22, 2015	Corporate Governance: Best Practices and ASEAN Scorecard	Center for Training and Development, Inc.
Jose Victor P. Paterno	July 20, 2016	Updates on Philippine Practices on Corporate Governance and Fraud Awareness	SGV & Company
	July 29, 2015	Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management	SGV & Company
	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	1 <sup>st</sup> dbAccess Conference (meeting with local and foreign institutional investors)	Makati Business Club and European Chamber of Commerce of the Phils.
Jorge L. Araneta	December 22, 2016	Updates on Philippine Practices on Corporate Governance and Fraud Awareness	SGV & Company
	January 14, 2015- CG Training for 2014	Creating Advantage Through Governance	SGV & Company
	November 21, 2003	Corp. Governance for Board of Directors, Senior Management and Internal Auditors	SGV & Company
	October 29, 2015	Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management	SGV & Company

<sup>6</sup> See also <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/PSC-Orientation-Program-for-New-Directors.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)

<p><a href="#">Maria Cristina P. Paterno</a></p>	<p>July 21, 2016</p> <p>November 03, 2015</p> <p>July 2015</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p>	<p><a href="#">SGV &amp; Company</a></p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p>
<p>Jui-Tang Chen</p>	<p>July 21, 2016</p> <p>July 29, 2015</p> <p>July 21, 2014</p> <p>July 23-25, 2012</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management</p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p>	<p><a href="#">SGV &amp; Company</a></p> <p>SGV &amp; Company</p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p>
<p>Lien-Tang Hsieh</p>	<p>July 21, 2016</p> <p>July 29, 2015</p> <p>July 21, 2014</p> <p>July 23-25, 2012</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management</p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p>	<p><a href="#">SGV &amp; Company</a></p> <p>SGV &amp; Company</p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p>
<p>Wen-Chi Wu</p>	<p>July 21, 2016</p> <p>July 29, 2015</p> <p>July 21, 2014</p> <p>July 23-25, 2012</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management</p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p>	<p><a href="#">SGV &amp; Company</a></p> <p>SGV &amp; Company</p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p>
<p><a href="#">Chi-Chang Lin</a></p>	<p>July 21, 2016</p> <p>July 2015</p> <p>November 03, 2015</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p> <p>Creating Advantage Through Governance</p>	<p><a href="#">SGV &amp; Company</a></p> <p>PSC's Corporate Planning Group</p> <p>SGV &amp; Company</p>
<p><a href="#">Shui-Huang Ho</a></p>	<p>July 22, 2016</p> <p>July 2016</p>	<p><a href="#">Corporate Governance</a></p> <p><a href="#">Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</a></p>	<p><a href="#">Risks Opportunies Assessment and Management (ROAM), Inc.</a></p> <p><a href="#">PSC's Corporate Planning Group</a></p>
<p>Antonio Jose U. Periquet, Jr.</p>	<p>April 11, 2016</p> <p>February 18, 2015</p> <p>July 21, 2014</p> <p>July 23-25, 2012</p>	<p><a href="#">Corporate Governance</a></p> <p>Orientation Course for Corporate Governance</p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p>	<p><a href="#">SGV &amp; Company</a></p> <p>The Institute of Corporate Directors</p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p>
<p>Michael B. Zalamea</p>	<p>July 21, 2016</p> <p>July 29, 2015</p> <p>July 21, 2014</p> <p>July 23-25, 2012</p> <p>June 2, 2008</p>	<p><a href="#">Updates on Philippine Practices on Corporate Governance and Fraud Awareness</a></p> <p>Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management</p> <p>Creating Advantage Through Governance</p> <p>Business Overview /Update &amp; Retail Exposure/Tour of 711 Philippines C-store operation</p> <p>Orientation Course on Corporate Governance</p>	<p><a href="#">SGV &amp; Company</a></p> <p>SGV &amp; Company</p> <p>SGV &amp; Company</p> <p>PSC's Corporate Planning Group</p> <p>The Institute of Corporate Directors</p>

## 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:

<p><b>(a) Conflict of Interest</b></p>	<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> <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>
<p><b>(b) Conduct of Business and Fair Dealings</b></p>	<p>Conduct of Business and Fair Dealings is integrated in PSC's Code of Conduct &amp; 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.</p>
<p><b>(c) Receipt of gifts from third parties</b></p>	<p>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</p>
<p><b>(d) Compliance with Laws &amp; Regulations</b></p>	<p>Included in PSC's Code of Conduct &amp; 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.</p>
<p><b>(e) Respect for Trade Secrets/Use of Non-public Information</b></p>	<p>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.</p>
<p><b>(f) Use of Company Funds, Assets and Information</b></p>	<p>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</p>
<p><b>(g) Employment &amp; Labor Laws &amp; Policies</b></p>	<p>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)</p>
<p><b>(h) Disciplinary action</b></p>	<p>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.</p>
<p><b>(i) Whistle Blower<sup>9</sup></b></p>	<p>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</p>

<sup>8</sup> A copy of the Company's Code of Conduct & Business Ethics is posted at <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/Code-of-Conduct-and-Business-Ethics.pdf>

<sup>9</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/>



	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.
(j) <b>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.

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.**

<sup>10</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/>

Name of Directors/Officers and 5% or more Shareholders	Details of Conflict of Interest (Actual or Probable)
Jose Victor P. Paterno –President & Director	<p>The Company has a contract for logistics services with Convenience Distribution Inc. (CDI), its wholly-owned subsidiary. The Chairman of the Board and President of CDI, Mr. Jose Victor Paterno, is the nephew of Mr. Jose T. Pardo, the Chairman of the Board and Independent Director of PSC. He is also the brother of PSC Director Ms. Maria Cristina P. Paterno.</p> <p>The Company has supply arrangement for certain product/services carried by the stores with Electronic Commerce Payments Network, Inc. (ECPAY), Mr. Jose Victor P. Paterno, a director and President of the Company is a director in ECPAY.</p>
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 52.22% 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	<p>Employees are asked to submit a disclosure document indicating:</p> <ol style="list-style-type: none"> <li>Any family members who are working for a company with business transactions with PSC;</li> <li>Owning stocks/bonds from company doing business with PSC; and</li> <li>Holding any positions (i.e. board of directors) from any company.</li> </ol>
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 T. Pardo Mr. Jose Victor P. Paterno Ms. Maria Cristina P. Paterno	3 <sup>rd</sup> Degree by Consanguinity with the Chairman	Mr. Jose Victor P. Paterno and PSC Director Ms. Maria Cristina P. Paterno are the nephew and niece of PSC Chairman of the Board & Independent Director, Mr. Jose T. Pardo.
Mr. Jose Victor P. Paterno Ms. Maria Cristina P. Paterno	2 <sup>nd</sup> Degree by Consanguinity	Mr. Jose Victor P. Paterno, a Director and President/CEO of PSC is the brother of Director Ms. Maria Cristina P. Paterno.
Mr. Jose Victor P. Paterno	Director	<p>The Company has a contract for logistics services with Convenience Distribution Inc. (CDI), its wholly-owned subsidiary. Mr. Jose Victor P. Paterno, a Director and President/CEO of PSC is the concurrent Chairman and President of Convenience Distribution, Inc. (CDI), a wholly owned subsidiary of PSC.</p> <p>The Company has supply arrangement for certain product/services carried by the stores with Electronic Commerce Payments Network, Inc. (ECPAY), Mr. Jose Victor P. Paterno, a director and President of the Company is a director in ECPAY.</p>
President Chain Store (Labuan) Holding Ltd.	Significant shareholder	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 52.22% of PSC’s outstanding shares. Certain products are also purchased from Uni- President Corporation, which is the parent company of President Chain Store Corporation.

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

(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 52.22% 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 52.22% 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 logistics services 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 implements 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 1/2 of 1% of its net income before tax to support PFI's programs to be released in quarterly tranches based on specific approved programs not exceeding annual limit.
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	51.56%	Shareholder's Agreement- the parties agreed to pooling of shares held to guarantee the performance of the terms of the master franchise contract as required by licensor. They also agreed to have a right of first refusal among them.
Progressive Development Corporation	2.51%	
Asian Holdings Corporation	6.69%	
Agus Development Corporation	2.83%	
Paterno Family	8.21%	

## 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. The Board of Directors is expected to attend board meetings held by the Corporation which is scheduled before the start of the financial year.

## 2) Attendance of Directors for the Year 2016\*

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman of the Board & Independent Director	Jose T. Pardo	July 21, 2016	4	4	100%
Member	Jose Victor P. Paterno	July 21, 2016	4	4	100%
Member	Jorge L. Araneta	July 21, 2016	4	3	75%
Member	Maria Cristina P. Paterno	July 21, 2016	4	4	100%
Member	Jui-Tang Chen	July 21, 2016	4	4	100%
Member	Chi-Chang Lin	July 21, 2016	4	4	100%
Member	Lien-Tang Hsieh	July 21, 2016	4	4	100%
Member	Wen-Chi Wu	July 21, 2016	4	4	100%
Member	Shui-Huang Ho	July 21, 2016 (first election)	2	2	100%
Independent Director	Antonio Jose U. Periquet, Jr.	July 21, 2016	4	4	100%
Independent Director	Michael B. Zalamea	July 21, 2016	4	4	100%

\* Below are the Actual Dates of Board of Directors Meeting for the year 2016

1. April 28, 2016
2. July 21, 2016 AM
3. July 21, 2016 PM (Org'l)
4. November 07, 2016

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 3-5 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?

*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;

<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)

- (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	Meeting materials are sent to Directors in advance. Directors can also request other necessary informations directly to senior management by email.
Audit	Meeting materials are sent to Directors in advance. Directors can also request other necessary informations directly to senior management by email.
Nomination	Meeting materials are sent to Directors in advance. Directors can also request other necessary informations directly to senior management by email.
Remuneration	Meeting materials are sent to Directors in advance. Directors can also request other necessary informations directly to senior management by email.
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. 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
2. The Board or ExeCom shall confirm the request and direct Management to assist the Board or director to secure such services.	

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 P15,000.00 per meeting	July 30, 2015
Directors Fee and Gratuity for Chairman of the Board	July 30, 2015
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	July 18, 2013

### 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)	None	None	None
<b>Total</b>	<b>16,530,450.21</b>	<b>332,078.06</b>	<b>2,054,698.67</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	√	None	None
(f) Hospitalization Plan	√	None	None
(g) Car Plan	√	None	None
(h) Others (Specify)	None	None	None
<b>Total</b>	<b>2,257,352</b>	None	None

#### 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	<b>28,128,669.63</b>
Operations Division Head	
Business Development Division Head	
Marketing Communication Division Head	
Information Technology 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	0	3	As per By-Laws Corp. Code	Exercise during intervals between Board meetings, all the powers and functions vested in the Board, as well 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)	Same	All matters passed and acted upon by the Executive 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	0	2	v Audit Com Charter CG Manual	<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</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</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>

<sup>13</sup> A copy of the Audit Committee Charter is posted at <http://www.7-eleven.com.ph/wp-content/uploads/2016/09/Audit-Committee-Charter.pdf>



					<p>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-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></p>	<p>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>	
Nomination/ Governance	1	0	2	<p>√ NomGov Charter CG Manual</p> <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>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>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>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>To follow the nomination procedures for directors as provided by regulatory agencies which shall at least be in accordance with the following:</li> </ol>	<p>same</p>	<p>Same</p> <p>Recommends the final list of candidates for election of directors and independent directors</p> <p>Recommends to the Board on corporate governance issues or violation of the CG Manual, subject to further review and approval by the Board</p>	

<sup>14</sup> A copy of the Nomination & Governance Committee Charter Committee Charter is posted at <http://www.7-eleven.com.ph/wp-content/uploads/2016/09/PSC-nomination- -gov-charter.pdf>

					<p>a) A stockholder may recommend the nomination of a director to the Nomination &amp; Governance Committee;</p> <p>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;</p> <p>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 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 Board</p> <p>8. Review the appointment and replacement of the Compliance Officer.</p> <p>(IV A-B Nomination &amp; Governance Committee Charter)<sup>14</sup></p>		
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 (ID)	Jose T. Pardo	July 21, 2016* January 20, 2015**	1	1	100%	1 yr & 11 mos.
Member (ED)	Jose Victor P. Paterno	July 21, 2016* June 21, 2005**	1	1	100%	11 yrs.
Member (ID)	Michael B. Zalamea	July 21, 2016* January 20, 2015**	1	1	100%	1 yr & 11 mos.
Member (ID)	Antonio Jose U. Periquet, Jr.	July 21, 2016* July 29, 2010**	1	1	100%	6 yrs.
Member	Ying-Jung Lee	July 21, 2016* July 21, 2011**	1	1	100%	5 yrs..
Member	Ping-Hung Chen	July 21, 2016* July 24, 2012**	1	1	100%	4 yrs.

\*Date Last Appointed

\*\*Date First Appointed

**(b) Audit Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Antonio Jose U. Periquet, Jr.	July 21, 2016* July 29, 2010**	1	1	100%	6 yrs.
Member (ED)	Jose Victor P. Paterno	July 21, 2016* June 21, 2005**	1	1	100%	11 yrs.
Member (ID)	Michael B. Zalamea	July 21, 2016* January 20, 2015**	1	1	100%	1 yr & 11 mos.

\*Date Last Appointed

\*\*Date First Appointed

Disclose the profile or qualifications of the Audit Committee members.

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

<b>Personal Information</b>	Age: <u>55</u> ; Nationality: <u>Filipino</u> ; Gender: <u>Male</u> ; Current Position in PSC: <u>Independent Director</u> ; No. of Years in PSC: <u>6 yrs. &amp; 5 mos.</u> ; First Election to the Position: <u>July 29, 2010</u> ; Last Election: <u>July 21, 2016</u>
<b>Affiliations in PLCs</b>	<ul style="list-style-type: none"> <li>Independent Director- Philippine Seven Corporation; Ayala Corporation; DMCI Holdings, Inc.; Bank of the Philippine Islands; ABS-CBN Holdings Corp./ ABS-CBN Corporation; 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>Chairman- BPI Asset Management and Trust Corporation (Feb. 01, 2017)</li> <li>Director- The Straits Wine Company, Inc., Albizia ASEAN Tenggara Fund</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>

**2. JOSE VICTOR P. PATERNO**

<b>Personal Information</b>	Age: <u>48</u> ; Nationality: <u>Filipino</u> ; Gender: <u>Male</u> ; Current Position in PSC: <u>President/CEO and Director</u> ; No. of Years in PSC: <u>11 yrs. &amp; 6 mos.</u> ; First Election to the Position: <u>June 21, 2005</u> ; Last Election: <u>July 21, 2016</u>
<b>Affiliations in PLCs</b>	<ul style="list-style-type: none"> <li>Director &amp; CEO- Philippine Seven Corporation</li> </ul>
<b>Affiliations in Non-PLCs</b>	<ul style="list-style-type: none"> <li>Chairman &amp; President – Convenience Distribution, Inc.</li> <li>Chairman &amp; President – Store Sites Holding, Inc.</li> <li>Chairman and Trustee- PhilSeven Foundation, Inc.</li> <li>Chairman – Supply Chain Networks, Inc.</li> <li>President – First MFI Network, 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. MICHAEL B. ZALAMEA**

<b>Personal Information</b>	Age: <u>52</u> ; Nationality: <u>Filipino</u> ; Gender: <u>Male</u> ; Current Position in PSC: <u>Independent Director</u> ; No. of Years in PSC: <u>11 yrs. &amp; 6 mos.</u> ; First Election to the Position: <u>June 21, 2005</u> ; Last Election: <u>July 21, 2016</u>
<b>Affiliations in PLCs)</b>	<ul style="list-style-type: none"> <li>Independent Director- Philippine Seven Corporation</li> </ul>
<b>Affiliations in Non-PLCs</b>	<ul style="list-style-type: none"> <li>Director- Campden Hill Advisors, Inc; Clark Pipeline &amp; Depot Company, Inc.; Wespak Holdings, Inc; The Straits Wine Company, Inc.</li> <li>Trustee- The Beacon Academy</li> </ul>
<b>Educational Background &amp; Achievements/Awards</b>	<ul style="list-style-type: none"> <li>BS in Finance, Fordham University USA</li> <li>MBA, University of Virginia</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 (ID)	Jose T. Pardo	July 21, 2016* January 20, 2015**	1	1	100%	1yr & 11 mos.
Member (ED)	Jose Victor P. Paterno	July 21, 2016* January 20, 2015**	1	1	100%	1 yr & 11 mos.
Member (ID)	Michael B. Zalamea	July 21, 2016* July 29, 2010**	1	1	100%	6 yrs.
Non-Voting Member	Evelyn S. Enriquez	July 21, 2016* June 21, 2005**	1	1	100%	10 yrs. & 11 mos.

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

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Wen-Chi Wu	July 21, 2016* July 21, 2016**	0	N/A	N/A	5 mos.
Member (ED)	Jose Victor P. Paterno	July 21, 2016* June 21, 2005**	0	N/A	N/A	10 yrs. & 11 mos.
Member (ID)	Michael B. Zalamea	July 21, 2016* June 21, 2005**	0	N/A	N/A	10 yrs. & 11 mos.
Non-Voting Member	Ying-Jung Lee	July 21, 2016* July 21, 2011**	0	N/A	N/A	5 yrs.
Non-Voting Member	Ping-Hung Chen	July 21, 2016* July 18, 2013**	0	N/A	N/A	5 yrs.

\*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	Appointment of Ms. Wen-Chi Wu as Chairman of the Remuneration Committee effective July 21, 2016	Replacement of Mr. Nan-Bey Lai, his term ended at July 21, 2016
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 2016

Name of Committee	Work Done	Issues Addressed
Executive	<p><b>February 18, 2016 Meeting</b></p> <ul style="list-style-type: none"> <li>• Approved the audited financial statements of the Corporation and the consolidated financial statements of the Corporation and its subsidiaries for the year ending December 31, 2015 as submitted by Management, which was endorsed/recommended by the Audit Committee.</li> <li>• Approved the recommendation for the re-appointment of SGV and Company as the Corporation’s external auditor for Y2016.</li> <li>• Noted the presentation of 7Elections Promo</li> <li>• Noted the presentation of the SEC Notice dated Nov 05, 2015 on the Effectivity of the 2015 IRR of the SRC or the “2015 SRC Rules”.</li> </ul> <p><b>October 27, 2016 Meeting</b></p> <ul style="list-style-type: none"> <li>• Approved the presentation of the update report on operations for the period ended September 30, 2016 and the interim financial statements for the same period.</li> <li>• Approved the presentation of the update report on operations for the period ended September 30, 2016.</li> <li>• Approved the presentation by the external auditor, SGV and Company, of the 2016 audit scope and plan.</li> <li>• Approved the updated resolution on authorized signatories for transactions with stock transfer agent BDO Unibank, Inc.</li> <li>• Noted the presentation of the corporate governance (CG) update on the proposed Philippine Code of Corporate Governance.</li> </ul>	Approval of 2015 Audited Financial Statements of PSC & Consolidated AFS
Audit	<p><b>February 18, 2016 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, 2015. The status report was presented by SGV and noted no significant exception. For submission and endorsement to Executive Committee for approval.</li> <li>• Approved the recommendation to re-appoint SGV and Company as external auditor for year 2016 and for ratification by the stockholders in the annual meeting in July.</li> <li>• Approved the Internal Audit Update Report as of December 31, 2015 and Audit Plans for 2016.</li> <li>• Noted and confirmed the Self-Assessment of Audit Committee Performance for 2015.</li> </ul> <p><b>October 27, 2016 Meeting</b></p> <ul style="list-style-type: none"> <li>• Approved the presentation of the update report on operations for the period ended September 30, 2016 and the interim financial statements for the same period.</li> <li>• Approved the presentation of the update report on operations for the period ended September 30, 2016.</li> <li>• Approved the presentation by the external auditor, SGV and Company, of the 2016 audit scope and plan.</li> <li>• Approved the updated resolution on authorized signatories for transactions with stock transfer agent BDO Unibank, Inc.</li> <li>• Noted the presentation of the corporate governance (CG) update on the proposed Philippine Code of Corporate Governance.</li> </ul>	Approval of 2015 Audited Financial Statements of PSC & Consolidated AFS
Nomination & Governance	<p><b>April 28, 2016 Meeting</b></p> <ul style="list-style-type: none"> <li>• Noted and reviewed the documents to ascertain the qualifications of the nominees. Recommended the final list of candidates for election as PSC directors and independent directors in the annual meeting in July for submission/endorsement to the Board.</li> <li>• Noted the presentation of the PSE CG Disclosure Survey.</li> <li>• Noted the 2015 CG Self-Assessments for PSC Board &amp; Directors.</li> <li>• Noted the presentation of the PSC 2015 Annual Corporate Governance Scorecard (ACGS) Results.</li> <li>• Noted the presentation of the SEC Advisory on Term Limits for Independent Directors.</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.**

<b>Name of Committee</b>	<b>Planned Programs</b>	<b>Issues to be Addressed</b>
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 increase in competition, brand reputation and business operations/supply chain continuity. 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 2016

**(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 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;**

Management is charged with the responsibility for establishing sets of processes with the objective of controlling the operations of PSC in a manner which provides the board of director’s reasonable assurance that:

- Data and information published either internally or externally is accurate, reliable, and timely.
- 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 actions of directors, officers, and employees are in compliance with the organization’s policies, standards, plans and procedures, and all relevant laws and regulations.
- PSC’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 2016

**(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
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.	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.	In-House Internal Audit Function	Celina de Guzman – Manager, Internal Audit Division	The Internal Audit Manager will report twice (2x) a year to the Audit Committee and day to day operations to the President and CEO.  The Audit Committee approves the internal audit charter and the risk based internal audit plan.
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.				

- (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.

<b>Progress Against Plans</b>	2016 Audits as Planned were completed
<b>Issues<sup>15</sup></b>	None
<b>Findings<sup>16</sup></b>	44% findings have remained for in progress and for resolution
<b>Examination Trends</b>	<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;
- 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 2016, the following are the audit activities conducted and their results.

Policies & Procedures	Implementation
Audit of CCTV	Audited and resolution in progress
Audit of Marketing Promotions – Luzon, Visayas, and Mindanao	Audited and resolution in progress
Audit of ESET Anti-Virus	Audited and resolution in progress
Audit of New Store Construction – Luzon, Visayas, and Mindanao	Audited and resolution in progress
Audit of Store Rent Expenses –Luzon and Visayas	Audited and resolution in progress
Audit of Store Equipment - Cebu	Audited and resolution in progress

<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)

Audit of Change Fund	Audited and resolution in progress
Audit of Returnable Bad Merchandise	Audited and resolution in progress
Audit of Store Inventory	Audited monthly and related resolutions in progress
Audit of Warehouse Inventory	Audited quarterly and related resolutions in progress
Audit of Kitchen Inventory	Audited twice a year and related resolutions in progress
Audit of Fixed Assets	Audited once a year and related resolutions in progress

**(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
<p>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.</p> <p>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.</p> <p>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.</p>	<p>No analysts nor investment banks cover SEVN.</p>		

**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such 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 2015, the disclosure of survey on Corporate Governance (Compliance Report 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 2015 as required by SEC is accompanied by a Secretary’s Certificate with excerpts of Board Resolutions regarding said updates & changes in the ACGR.

**H. ROLE OF STAKEHOLDERS**

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

	<b>Policy</b>	<b>Activities</b>										
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>• Transit Testing of Fresh Food Products</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> <li>• <a href="#">PRD Role in Bidding, Aligning, and Awarding Store Construction Projects</a></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>	PSC initiated the establishment of PhilSeven Foundation, Inc. (PFI) in October 2, 2007 to support its corporate social responsibility programs. PFI was granted a certificate of registration by DSWD on August 6, 2010, after completing the 2-year operations requirement. BIR issued a certificate of registration to PFI dated December 21, 2011 recognizing PFI as a donee institution. In May 10, 2013, BIR renewed for another 3 years PFI’s certification as donee institution in accordance with RR No. 13-98. In October 10, 2013, PFI became a member of the League of Corporate Foundations, Inc. PFI shall continue with its CSR projects mainly for the benefit of communities where the 7-Eleven stores operate.	<table border="1"> <thead> <tr> <th><b>2016 Initiatives</b></th> <th><b>Beneficiary</b></th> </tr> </thead> <tbody> <tr> <td>1. “Gulong ng Karunungan” Project, a learning school on wheels that caters to out of school children and youth</td> <td>Children ages 2 to 17 yrs. old</td> </tr> <tr> <td>2. “Everyday Play” Project , a Community Playground (Donation of outdoor play equipment for community use)</td> <td>Indigent communities preferably with large population and available government owned space</td> </tr> <tr> <td>3. Disaster/Relief Operation (A stand-by program)</td> <td>In partnership with DSWD, PFI will provide support to the National Resource Operation Center (NROC) during major disaster/typhoon</td> </tr> <tr> <td>4. Scholarship Program</td> <td>Deserving undergraduate PSC employees who are financially constraint to finish academic education</td> </tr> </tbody> </table>	<b>2016 Initiatives</b>	<b>Beneficiary</b>	1. “Gulong ng Karunungan” Project, a learning school on wheels that caters to out of school children and youth	Children ages 2 to 17 yrs. old	2. “Everyday Play” Project , a Community Playground (Donation of outdoor play equipment for community use)	Indigent communities preferably with large population and available government owned space	3. Disaster/Relief Operation (A stand-by program)	In partnership with DSWD, PFI will provide support to the National Resource Operation Center (NROC) during major disaster/typhoon	4. Scholarship Program	Deserving undergraduate PSC employees who are financially constraint to finish academic education
<b>2016 Initiatives</b>	<b>Beneficiary</b>											
1. “Gulong ng Karunungan” Project, a learning school on wheels that caters to out of school children and youth	Children ages 2 to 17 yrs. old											
2. “Everyday Play” Project , a Community Playground (Donation of outdoor play equipment for community use)	Indigent communities preferably with large population and available government owned space											
3. Disaster/Relief Operation (A stand-by program)	In partnership with DSWD, PFI will provide support to the National Resource Operation Center (NROC) during major disaster/typhoon											
4. Scholarship Program	Deserving undergraduate PSC employees who are financially constraint to finish academic education											
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> <li>• Foreign and Local Business Travel</li> <li>• Employee Promotion for Section</li> </ul>	<ul style="list-style-type: none"> <li>• Signatory to Integrity Pact, Participation in Integrity Summit Fora</li> <li>• Employee are informed and required 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.</li> <li>• Employees are informed to avoid solicitation and acceptance of gifts of high value (usually Php 2000 up) from business partners and/or suppliers</li> <li>• Establish rules and guidelines in granting travel allowance and/or reimbursement of expenses incurred for official business trips made locally</li> </ul>										

<sup>17</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/> and <http://www.7-eleven.com.ph/corporate/corporate-governance/our-stakeholders/>

<sup>18</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/our-stakeholders/>

<sup>19</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/our-stakeholders/>

<sup>20</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/corporate-social-responsibility/>

<sup>21</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/>

	<p>Managers and Above</p> <ul style="list-style-type: none"> <li>Whistle-Blowing</li> </ul>	<p>or abroad</p> <ul style="list-style-type: none"> <li>Standardization in promoting employees to Section Managers and above.</li> <li>Whistle Blowing Policy 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.</li> <li>To report an incident any person may access the PSC Website and accomplish the form in the link below <a href="http://form.iotform.me/form/51722732610447">http://form.iotform.me/form/51722732610447</a></li> </ul>
Safeguarding creditors' rights <sup>22</sup>	<ul style="list-style-type: none"> <li>In accordance with its Code of Conduct and Business Ethics, PSC safeguards the rights of its creditor through striving to comply with all agreements and covenants with them and all applicable laws and regulations</li> <li>It also maintains transparency regarding its corporate acts through timely disclosures to regulatory bodies. Through its Reportorial Compliance Policy which took effect last January 1, 2014, PSC ensures that reportorial compliance reports required by the Securities and Exchange Commission, Philippine Stock Exchange (PSE) and other regulatory agencies are submitted on time for eventual disclosure for the benefit of the investing public. It establishes among others a mechanism for close coordination between concerned departments in the preparation, publication and submission of the said reports and other disclosures of vital corporate information.</li> </ul>	<ul style="list-style-type: none"> <li>Submission of Annual Corporate Governance Report</li> <li>Completion of 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?**

The Company provides supplemental benefits or incentives to its employees such as: retirement benefit plan, health card, group life and accident insurance plan, various employee programs and recognition of top performing employees and service awards among others.

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

Actual health insurance utilization for the period [October 2015-September 2016 is at 62%](#).

Actual wellness participation rate for the year 2015 is at 61.20% while employee participation rate for corporate events is average of 90.95%.

**(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. It also conducts annual team building and management skills training.

<sup>22</sup> See also <http://www.7-eleven.com.ph/corporate/company-disclosures/sec-filings/annual-reports/>

<sup>23</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/> and <http://www.7-eleven.com.ph/corporate/corporate-governance/our-stakeholders/>

In-house trainings are also provided by the Company to employees with specialist and execution 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 2016 trainings.

TRAININGS CONDUCTED	SCHEDULE	# OF PARTICIPANTS
<b>A. Execution Level</b>		
1. Skills Training for Operations Management Trainee Program (OMTP)	Monthly	1455
2. Product Training	As requested	917 (thru e-learning platform)
<b>B. Specialist Level</b>		
1. Area Manager Training Program	Quarterly	82
2. Leadership Training	3 courses / As scheduled	267
3. Basic Negotiation Skills	Quarterly	42
4. Training the Trainers	Every 2 months	53
5. Change Management	Annual	26
6. Retailer Initiative	Quarterly	192
7. Standard Operating Procedure Refresher	As scheduled	35
8. New Employee Training Program (NETP)	As necessary	19
9. Human Relations Enrichment Program	As scheduled	30
10. Time and Stress Management Workshop	As Schedule	74
11. Discipline Management	As scheduled	202
12. Behavioral Event Interview	As Scheduled	55
13. Basic Communication Skills	As Scheduled	114
14. Trade Shows	Twice a year	96

<sup>1</sup> Total number of participants for different OMTP programs for the year

**(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. The Company also has a Whistle Blowing Policy which 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.

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.	239,376,070	52.22%	Same
Arisaig Asia Consumer Fund Limited	48,020,358	10.47%	Same
Jose Victor P. Paterno and siblings	9,983,375 (R) 24,929,900 (B) 34,913,275	2.15% 5.44% 7.59%	Ma. Cristina Paterno – 8,000,045; Paz Pilar P. Benares – 4,959,011; 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	9,983,375	24,929,900	2.15%
TOTAL	9,983,375	24,929,900	2.15%

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.	P3.082 M	P873 M



4) **Medium of Communication**

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

1. Company website
2. Social Networking Sites for Marketing Programs (Facebook, Twitter, Google +)
3. Distribution of Information Statement and Annual Report
4. Disclosures, announcement and reports filed with SEC, PSE and other regulating agencies
5. Newspaper of General Circulation
6. 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>
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, 2016
<b>Receivables:</b>			
Convenience Distribution, Inc.	Wholly owned Subsidiary	Noninterest bearing advances and warehouse rental	₱1,567,558
Store Sites Holdings, Inc.	PSC holds 40% SSHI shares	Lease of office space	514,061
Philseven Foundation, Inc.	Company under common management	Noninterest bearing advances	4,725,698
<b>Liabilities:</b>			
Convenience Distribution, Inc.	Wholly owned Subsidiary	Distribution, Warehousing Charges, Price tagging, and Backhauling Charges	₱154,561,207
Store Sites Holdings, Inc.	PSC holds 40% SSHI shares	Lease of parcels of land	1,546,632
Philseven Foundation, Inc.	Company under common management	Pledge donation of PSC	3,249,366

<sup>24</sup> See <http://www.7-eleven.com.ph/corporate/our-company/corporate-history/>

<sup>25</sup> See also <http://www.7-eleven.com.ph/corporate/company-disclosures/sec-filings/annual-reports/>; [http://www.7-eleven.com.ph/wp-content/uploads/2016/08/FA-7-Eleven\\_AFS-1.pdf](http://www.7-eleven.com.ph/wp-content/uploads/2016/08/FA-7-Eleven_AFS-1.pdf); <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/AFS-FINAL-1.pdf>; [https://drive.google.com/file/d/0B9gzAY\\_WbWCXYmszUnkscy1YWmc/view](https://drive.google.com/file/d/0B9gzAY_WbWCXYmszUnkscy1YWmc/view); <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/AFS-FINAL-1.pdf>; <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/2011-Audited-Financial-Statements.pdf>

<sup>26</sup> See <http://www.7-eleven.com.ph/corporate/investor-relations/investor-relations-materials/> and <http://www.7-eleven.com.ph/newsroom/>

<sup>27</sup> See <http://www.7-eleven.com.ph/corporate/our-company/shareholding-structure/>

<sup>28</sup> See <http://www.7-eleven.com.ph/corporate/our-company/conglomerate-map/>

<sup>29</sup> See <http://www.7-eleven.com.ph/corporate/company-disclosures/sec-filings/annual-reports/>; [https://drive.google.com/file/d/0B9gzAY\\_WbWCXWWcxV2hmUGhLakk/view?usp=sharing](https://drive.google.com/file/d/0B9gzAY_WbWCXWWcxV2hmUGhLakk/view?usp=sharing); [https://drive.google.com/file/d/0B9gzAY\\_WbWCXZFkzTkZsVnVQU1E/view](https://drive.google.com/file/d/0B9gzAY_WbWCXZFkzTkZsVnVQU1E/view);

<sup>30</sup> See <http://www.7-eleven.com.ph/corporate/company-disclosures/sec-filings/information-statements/>, <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/f-psc-definitive-is-2016-6-2-16-pse.pdf>; <http://www.7-eleven.com.ph/corporate/company-disclosures/notice-of-annual-or-special-stockholders-meetings/>

<sup>31</sup> See <http://www.7-eleven.com.ph/corporate/our-company/articles-of-incorporation-and-by-laws/>

**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.

#### **(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.
------------------------	--

#### **(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.**

<sup>32</sup> See also <http://www.7-eleven.com.ph/corporate/corporate-governance/companys-policies/>

Stockholders' Rights under The Corporation Code	Stockholders' Rights <b>not</b> 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>. 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 fifty five centavos (Php 0.55) per share was declared and approved during the board of directors meeting last April 28, 2016. Stockholders of record as of May 12, 2016 were entitled to said cash dividend and the corresponding cash payments were paid to stockholders on payment date last May 26, 2016. 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 28, 2016	May 12, 2016	May 26, 2016
Cash	April 23, 2015	May 08, 2015	May 22, 2015
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:**

- a. **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."
- b. **Authorization of additional shares-** stockholders are encouraged to participate during Annual Meetings to discuss and approve this.
- c. **Transfer of all or substantially all assets, which in effect results in the sale of the company-** stockholders are encouraged to participate during Annual Meetings to discuss and approve this.

**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

- a. Date of sending out notices: **June 03, 2016**
- b. Date of the Annual/Special Stockholders' Meeting: **July 21, 2016**

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

- a. Stockholder Ms. Esperanza Lopez asked how much did the company pay to SGV for auditing fees and other fees including VAT and out-of-pocket expenses. The Chairman referred the same to the Head of Finance & Accounting Division of the Corporation Mr. Lawrence M. De Leon. In response to the query, Mr. De Leon referred to item 8 of the Company's Information Statement that provides the total amount paid as external audit fees and services to SGV & Co. for Y 2015 amounted to Php 2.9 M.
- b. Stockholder Mr. George Caparas asked if there are plans to accept payment in 7-Eleven stores via debit or credit cards. In response, the President & CEO Mr. Jose Victor Paterno conveyed that it was piloted in some stores and issues on the minimum amount per transaction, processing time, cost for the payment facility requiring terminal per store and other related concerns have yet to be resolved. This is still for further study and under consideration by management.
- c. Stockholder Mr. Ishmael Sam Canua asked if there could be more security guards in 7-Eleven stores. In response to the query Mr. Paterno, confirmed that the stores have security guards but the number of posting depends also on locations. For example, if the store is located in the mall we align posting with availability of mall security guards; cost is also being considered but we know that customer's safety cannot be compromised.
- d. A follow up question from the same stockholder refers to any plan of the company to have additional automated teller machines (ATMs) in 7-Eleven stores similar to Japan. Mr. Paterno answered that there are 100 7-Eleven stores with ATMs. The bank leases the space in the store. In Japan, they had their own 7-Bank. We are having talks with some banks to look into this if will be feasible in the Philippines and for PSC.
- e. Stockholder Mr. Ed Lucero conveyed his commendation for the good performance of the company and congratulated 7-Eleven management for a good job in terms of expansion, and wished that the company would achieve its target number of stores. The Chairman thanked him and took the opportunity to also thank the management and staff of Philippine Seven Corporation for their good performance.

<sup>33</sup> See <http://www.7-eleven.com.ph/corporate/disclosures/minutes-of-annual-meeting-of-stockholders/>, <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/psc-asm-minutes-7-21-16.pdf>

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

Resolution	Approving	Dissenting	Abstaining
• Approval of Minutes of the Annual Stockholders Meeting held on July 30, 2015	408,640,169 shares or 89.14%	None	None
• Approval of 2015 Annual Report and 2015 Audited Financial Statements	408,640,169 shares or 89.14%	None	None
• Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management since the last Annual Stockholders Meeting	408,640,169 shares or 89.14%	None	None
• Appointment of SyCip Gorres Velayo & Company as the External Auditor	408,640,169 shares or 89.14%	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 21, 2016; Submit Current Report SEC Form 17-C to SEC the following day or on July 22, 2016.

### (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. Jose T. Pardo - Chairman of the Board & Independent Director 2. Jose Victor P. Paterno - President & Director 3. Jorge L. Araneta - Director 4. Maria Cristina P. Paterno - Director 5. Jui-Tang Chen - Director 6. Lien-Tang Hsieh - Director 7. Wen-Chi Wu - Director 8. Chi-Chang Lin - Director 9. Antonio Jose U. Periquet, Jr. - Independent Director 10. Michael B. Zalamea - Independent Director 11. Ying-Jung Lee - Vice President for Supply Chain 12. Ping-Hung Chen - Treasurer/CFO & Vice President for Finance & Administration 13. Evelyn S. Enriquez - Corporate Secretary/Compliance Officer	July 21, 2016	By Poll	2.82%	86.31%	89.14%
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.

<sup>34</sup> See <http://www.7-eleven.com.ph/corporate-disclosures/minutes-of-annual-meeting-of-stockholders/>, <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/psc-asm-minutes-7-21-16.pdf>

**(g) Proxy Voting Policies**

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

	Company's Policies
Execution and acceptance of proxies	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 its CG Manual that subject to the requirements of the Corporation's By-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	623 Stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 21, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 21, 2016
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.

<sup>35</sup> See <http://www.7-eleven.com.ph/corporate/company-disclosures/sec-filings/information-statements/>; <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/f-psc-definitive-is-2016-6-2-16-pse.pdf>, and <http://www.7-eleven.com.ph/wp-content/uploads/2016/08/notice-of-asm-proxy.pdf>

**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:
  - (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: <ul style="list-style-type: none"> <li>(i) Right to vote on all matters that require their consent or approval;</li> <li>(ii) Pre-emptive right to all stock issuances of the corporation;</li> <li>(iii) Right to inspect corporate books and records;</li> <li>(iv) Right to information;</li> <li>(v) Right to dividends; and</li> <li>(vi) Appraisal right</li> </ul>

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

Yes. PSC’s nomination procedure provides:

- 2. A stockholder may recommend the nomination of a director to the Nomination Committee;
- 3. 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.
- 4. The Nomination & Governance Committee shall screen the nominations of directors prior to the stockholders’ meeting and come up with the Final List of Candidates.
- 5. 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, Conference calls, <a href="#">Presentation to investors</a>
(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.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
1. "Gulong ng Karunungan" Project, a learning school on wheels that caters to out of school children and youth	Children ages 2 to 17 yrs. old
2. "Everyday Play" Project, a Community Playground (Donation of outdoor play equipment for community use)	Indigent communities preferably with large population and available government owned space
3. Disaster/Relief Operation (A stand-by program)	In partnership with DSWD, PFI will provide support to the National Resource Operation Center (NROC) during major disaster/typhoon
4. Scholarship Program	Deserving undergraduate PSC employees who are financially constraint to finish academic education

#### 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	<p>Self Assessment for annual performance of the Board (started in 2011)</p> <p>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.</p> <p>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.</p> <p>The results of assessment/survey are compiled by the Compliance Officer and are reported during the Nomination &amp; Governance Committee Meeting immediately following the completion of the assessment/survey.</p>	



Board Committees	<p>Assessment Worksheet of Audit Committee’s Performance ( SEC Memo No. 04, Series of 2012- Guidelines for Assessment of Audit Committees of PLCs)</p> <p>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.</p>
Individual Directors	<p>Self Assessment for annual performance of Directors ( started in 2011)</p> <p>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:</p> <p>SA Strongly Agree  A Agree  N Neither Agree Nor Disagree  D Disagree  SD Strongly Disagree</p> <p>Reporting of results follows a similar process as mentioned above.</p>
CEO/President	<p>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</p>

**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

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

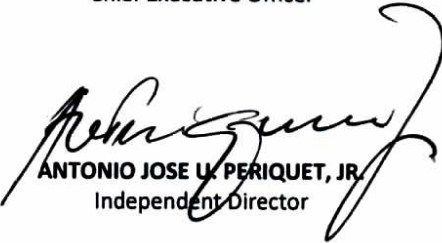
**MANDALUYONG CITY**

**SIGNATURES**

  
**JOSE T. PARDO**  
 Chairman of the Board & Independent Director

  
**JOSE VICTOR P. PATERNO**  
 Chief Executive Officer

  
**MICHAEL B. ZALAMEA**  
 Independent Director


  
**ANTONIO JOSE U. PERIQUET, JR.**  
 Independent Director

  
**ATTY. EVELYN S. ENRIQUEZ**  
 Compliance Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of MAY 16 2017, 20\_\_ affiant(s) exhibiting to me their \_\_\_\_\_ as follows:

NAME	TIN . No.
JOSE T. PARDO	116-203-611
JOSE VICTOR P. PATERNO	130-984-581
MICHAEL B. ZALAMEA	203-012-683
ANTONIO JOSE U. PERIQUET, JR.	203-006-677
ATTY. EVELYN S. ENRIQUEZ	103-122-973

**NOTARY PUBLIC**

  
**ATTY. ALMA ALVIN O. ARIAS**  
 Notary Public Appt. No. 0407 16-Mandaluyong City  
 Valid until 31 Dec 2017  
 R.P. No. 000001  
 IBP No. 1057, 1058, 1059, 1060 - Quezon City  
 PTR No. 3-100 - Mandaluyong City  
 MCLE Compliance No. C-14537/29Feb 2016  
 11/F The Columbia Tower, Ortigas Ave. Mandaluyong City

Doc No. 230  
 Page No. 48  
 Book No. 1  
 Series of 2017