

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

**Atty. Riva Khristine V. Maala**

(Contact Person)

**(+632) 403-6910**

(Company Telephone  
Number)

1	2	3	1
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Month Day  
(Fiscal Year)

A	C	G	R	
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(Form Type)  
Amended as  
of 31 March  
2017

0	6	Last	Fri
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*Month*      *Day*  
(Annual Meeting)

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles	Number/Section
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1,996

Total No. of  
Stockholders

### Total Amount of Borrowings

Domestic

## Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier


## STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**  
**(As amended as of 31 March 2016)**

1. Report is Filed for the Year **2016 (Amended as of 31 March 2017)**
2. Exact Name of Registrant as Specified in its Charter **ARTHALAND CORPORATION (ALCO)**
3. **8/F Picadilly Star Building, 4th Avenue corner 27th Street**  
**Bonifacio Global City, Taguig City**  
Address of Principal Office **1634**  
Postal Code
4. SEC Identification Number **ASO-94-007160**
5. (SEC Use Only)  
Industry Classification Code 
6. BIR Tax Identification Number **116-004-450-721**
7. **(+632) 403-6910**  
Issuer's Telephone number, including area code
8. **Not Applicable**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	8 <sup>1</sup>
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date First Elected	No. of years served as director
Ernest K. Cuyegkeng	ED	NA	Jaime C. Gonzalez and Christopher Paulus Nicolas T. Po	21 May 2007	Nine
Jaime C. Gonzalez	ED	NA		21 May 2007	Nine
Jaime Enrique Y. Gonzalez	NED	NA		24 June 2011	Five
Christopher Paulus Nicolas T. Po	NED	NA		24 June 2011	Five
Leonardo Arthur T. Po	ED	NA		01 August 2016	N.A.
Ricardo Gabriel T. Po	ED	NA		28 March 2012	Five
Emmanuel A. Rapadas	ID	NA	Christopher Paulus Nicolas T. Po	24 June 2016	N.A.
Andres B. Sta. Maria	ID	NA	Jaime C. Gonzalez	24 June 2016	N.A.

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

The directors and officers of ALCO believe that good corporate governance is a necessary component of a sound and strategic business management and therefore, undertake every effort necessary to create awareness of this policy and of ALCO's Corporate Governance Manual adopted on 23 July 2014 (hereinafter, the "Manual") within the entire organization. ALCO believes that compliance with the principles of good corporate governance starts with its Board of Directors but to ensure adherence to corporate principles and best practices as

<sup>1</sup> ALCO had nine Directors in 2016. However, Ms. Angela de Villa Lacson ceased to be ALCO's President and CEO as of 28 February 2017. Incumbent Vice Chairman Jaime C. Gonzalez assumed the Presidency on 01 March 2017 and is now ALCO's Vice Chairman and President.

stated in the Manual and pertinent laws and regulations of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange, Inc. (PSE), the Board of Directors designated a Compliance Officer<sup>2</sup> tasked to monitor compliance and who reports directly to the Board.

ALCO recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. At the minimum, ALCO provides its shareholders, minority or otherwise, all rights granted to them under the law, particularly the Corporation Code of the Philippines (the "Corporation Code"), with the exception of pre-emptive rights<sup>3</sup>.

The reports or disclosures required under the Manual and by the SEC and the PSE, including any and all material information that could potentially affect share price, are prepared and submitted through relevant corporate officers of ALCO.

In a Certification dated 08 February 2017, the Compliance Officer declared that ALCO substantially implemented all the provisions of the Manual for the period ended as of 31 December 2016.

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

The Company's vision and mission as approved by the Board is indirectly subjected to review on an annual basis when the annual plans and budget are presented for Board approval.

**(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.**

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Jaime C. Gonzalez	<ul style="list-style-type: none"> <li>• Cazneau Inc.</li> <li>• Manchesterland Properties, Inc.</li> <li>• Urban Property Holdings, Inc., and</li> <li>• Zileya Land Development, Inc.</li> </ul>	Executive/Chairman and President

<sup>2</sup>Ms. Chonabeth I. Nazario was appointed as ALCO's Compliance Officer during the Organizational Board meeting on 24 June 2016 but she resigned from office on 28 February 2017. Incumbent Corporate Secretary and General Counsel Riva Kristine V. Maala currently performs the responsibilities of ALCO's Compliance Officer.

<sup>3</sup> The shares of stock of the corporation are not subject to pre-emptive rights of stockholders, and may be issued for the unissued portion of the authorized capital stock in such quantities, at such times, and under such terms as the Board of Directors shall determine (*Seventh, Articles of Incorporation*).

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

	<ul style="list-style-type: none"> <li>• Cebu Lavana Land Corporation</li> <li>• Emera Property Management, Inc.</li> </ul>	Executive/Chairman of the Board
Leonardo Arthur T. Po	<ul style="list-style-type: none"> <li>• Savya Land Development Corporation</li> </ul>	Executive/ Chairman and President
	<ul style="list-style-type: none"> <li>• Cebu Lavana Land Corporation</li> </ul>	Executive/ President and General Manager
	<ul style="list-style-type: none"> <li>• Cazneau Inc.</li> <li>• Emera Property Management, Inc.</li> <li>• Manchesterland Properties, Inc.</li> <li>• Urban Property Holdings, Inc., and</li> <li>• Zileya Land Development, Inc.</li> </ul>	Treasurer

**(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.**

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Ernest K. Cuyegkeng	A. Soriano Corporation	Executive
Jaime C. Gonzalez	IP E-games, Inc.	Executive/Chairman
Jaime Enrique Y. Gonzalez		Executive
Christopher Paulus Nicolas T. Po	Century Pacific Food, Inc., and	Executive/Chairman
Leonardo Arthur T. Po	Shakey's Pizza Asia	Executive
Ricardo Gabriel T. Po	Ventures, Inc.	Executive

**(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.**

<b>Director's Name</b>	<b>Name of the Significant</b>	<b>Description of the relationship</b>
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	Shareholder	
Jaime C. Gonzalez	AO Capital Holdings 1, Inc.	Chairman of the Board
Jaime Enrique Y. Gonzalez		Stockholder
Christopher Paulus Nicolas T. Po	CPG Holdings, Inc.	President
Leonardo Arthur T. Po		Treasurer/Director
Ricardo Gabriel T. Po		Vice Chairman

(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.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	
Non-Executive Director		
CEO		

(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
Ernest K. Cuyegkeng	1	0	0.0%
Jaime C. Gonzalez	1	0	0.0%
Jaime Enrique Y. Gonzalez	1	0	0.0%
Christopher Paulus Nicolas T. Po	1	0	0.0%
Leonardo Arthur T. Po	1	0	0.0%
Ricardo Gabriel T. Po	1	0	0.0%
Emmanuel A. Rapadas	1	0	0.0%
Andres B. Sta. Maria	1	0	0.0%
<b>Total</b>	<b>8</b>	<b>0</b>	<b>0.0%</b>

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:



Chairman of the Board	Ernest K. Cuycgkeng
CEO/President	Jaime C. Gonzalez

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

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

Article IV, Section 5 of ALCO's By-laws provides that the Chairman of the Board shall preside at all meetings of the Board of Directors and of the stockholders, if present, and shall, in general, be vested with all the powers and shall perform all such other duties and functions as from time to time may be assigned to him by the Board of Directors, while the President shall have active supervision of the operations of ALCO and shall perform in general all duties and functions incident to the office of the President and such other duties and functions as from time to time may be assigned by the Board of Directors or the Chairman.

**3) Explain how the Board of Directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

ALCO's amended By-laws state that any vacancy in an office shall be filled by the Board of Directors for the unexpired portion of the term in the same manner prescribed for the qualification and election to such office.

Succession plans for top key management position are monitored and addressed by the Nomination Committee.

The Nomination Committee adheres to the "Fit and Proper Rule" standards to ensure that an individual is fit and proper to become a Board member which include but not limited to standards of integrity, education, training and competence.

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

Yes. Prior to every annual meeting and election of directors, the Nomination Committee adopts screening parameters to enable it to effectively review the qualifications and competencies of persons submitted for their evaluation to join ALCO (Section 13 [b], Article III, By-Laws).

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

One of the Independent Directors, Mr. Emmanuel A. Rapadas, is in substantially the same sector as ALCO, being the Chief Financial Officer of Torre Lorenzo Development Corporation.

The above notwithstanding, ALCO's By-laws categorically provides that no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that ALCO (Section 2, Article III, By-laws).

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

## **Executive and Independent Directors.**

In general, the Board of Directors exercises all corporate powers and conducts the business of ALCO, subject to the restrictions imposed by law or by the Articles of Incorporation and the By-Laws (Section 1, Article III, By-laws). The powers and duties of the executive directors are outlined in Article IV, Section 5 of ALCO's By-laws insofar as the Chairman, the President and the Treasurer.

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

Section 2, Article III of ALCO's By-laws defines an independent director as a director who, apart from his fees and shareholdings, is independent of management and free from any business or 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. Under Section 14 of the same Article III, the nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. This Committee pre-screens the qualifications, prepares the final list of all candidates and puts in place screening parameters to enable it to effectively review the qualifications of the nominees for independent directors.

### **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.**

ALCO does not have a term limit for independent directors but abides by regulations imposed by the SEC, specifically SEC Memorandum Circular No. 9, Series of 2011, and the PSE.

During the Annual Stockholders' Meeting on 24 June 2016, the stockholders elected two new independent directors, namely Messrs. Emmanuel A. Rapadas and Andres B. Sta. Maria, to replace Messrs. Ernest K. Cuyegkeng and Fernan Victor P. Lukban, who have served five years as ALCO's independent directors. Mr. Cuyegkeng, however, was still re-elected to the Board but as a regular director.

## **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:**

During the Annual Stockholders' Meeting on 24 June 2016, the stockholders elected two new independent directors, namely Messrs. Emmanuel A. Rapadas and Andres B. Sta. Maria, to replace Messrs. Ernest K. Cuyegkeng and Fernan Victor P. Lukban, who have served five years as ALCO's independent directors. Mr. Cuyegkeng, however, was still re-elected to the Board but as a regular director.

Mr. Leonardo T. Po was elected to the Board on 01 August 2016 and took the seat vacated by Mr. Ricardo S. Po, Sr. for the remainder of the latter's term of office. Mr. Po, Sr. was elected to the Board during the Annual Stockholders Meeting on 24 June 2016. Mr.

Leonardo T. Po is also concurrently Executive Vice President<sup>5</sup> and Treasurer of ALCO.

Mr. Jaime C. Gonzalez is presently ALCO's Vice Chairman<sup>6</sup> and President. He assumed the presidency on 01 March 2017.

**(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:**

Section 9, Article III of ALCO's By-laws provides that any vacancy in the Board of Directors, except by removal or expiration of the term, may be filled by the majority vote of all remaining members, if still constituting a quorum. If the vote of the remaining members shall result in a tie, the vote of the Chairman of the Board shall carry to break the tie. A director elected to fill such vacancy shall be elected for the unexpired term of his predecessor in office. Any vacancy in the Board of Directors by reason of removal or increase in the number of directors constituting the Board of Directors shall be filled by election at a regular or special meeting of the stockholders called for that purpose.

Section 14 of said Article III states that the nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. It further states, as follows:

"xxx The (Nomination) Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

"After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, which list shall be made available to all stockholders through the filing and distribution of the Information Statement in accordance with the Securities Regulation Code or in such other reports the Corporation is required to submit to the Securities and Exchange Commission. The name of the person or group of persons recommending the nomination of the independent director shall be identified in such report including any relationship with the nominee.

"Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.

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<sup>5</sup> The appointment of Mr. Leonardo T. Po as Executive Vice President was made 28 February 2017. He was appointed as Treasurer during the organizational meeting of the Board on 24 June 2016.

<sup>6</sup> Mr. Jaime C. Gonzalez was appointed as Vice Chairman of the Board on 01 August 2016.

“The Chairman of the stockholders’ meeting shall be responsible for informing all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders’ meeting. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.”

Section 2, Article III of the By-laws specifies the qualifications of directors, be they executive, non-executive or independent, as follows:

“The Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders’ meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders’ meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.

“To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in the By-laws and the Rules of the Corporation’s Nomination Committee, and must abide by the nomination process as stated therein.

“An independent director is a director who, apart from his fees and shareholdings, is independent of management and free from any business or 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, and includes, among other persons, one who:

- a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);
- b. is not a director or officer of the related companies of the Corporation’s majority stockholder (other than as an independent director thereof);
- c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;
- d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority shareholder of the Corporation or any of its related companies;
- e. is not acting as nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
- f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, or has not engaged and does not

engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment;

- g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,
- h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

"When used in relation to the Corporation, "related company" means another company which is (i) its holding company; (ii) its subsidiary; or (iii) 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.

"No person shall qualify or be eligible for nomination or election to the Board of Directors (i) if he is engaged in any business that competes with or is antagonistic to that of the Corporation or its subsidiaries, taking into consideration such factors as business and family relationships; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had instituted any action or has a pending suit against any of the Corporation's directors or any stockholder who owns at least 10% of the total outstanding shares of the Corporation. Further, no person shall qualify or be eligible for election to the Board of Directors if his nomination is disapproved by at least fifty-one percent (51%) vote of the Board of Directors.

"In addition, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is suffering from any of the following grounds for disqualification:

- (i) Conviction by final judgment or order of a competent judicial or administrative body of any crime involving moral turpitude or similar fraudulent acts or transgressions;
- (ii) Convicted or adjudged by final judgment or order by a court or competent administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or 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 Securities and Exchange Commission or BangkoSentral ng Pilipinas, committed within five (5) years prior to the date of election as director;

(iii) Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;

(iv) Judicial declaration of bankruptcy or insolvency; and,

(v) Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above.

“For the proper implementation of the provisions of this Section, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee through the Secretary at the Corporation’s principal place of business at least sixty (60) business days before the date of the stockholders’ meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix.

“The decision of the Nomination Committee is final for purposes of the election.”

### **Voting Result of the last Annual General Meeting**

During the Annual Stockholders’ Meeting held on 24 June 2016, where stockholders owning 3,646,943,487 out of 5,318,095,199 Common shares, or 68.5761% of the total outstanding Common shares of the Corporation, were present either in person or by proxy, there were only nine (9) nominees for the nine (9) seats in the Board. Upon the suggestion of the stockholders present themselves, strict formalities and procedure of going through a long and formal balloting and elections were dispensed with and all votes were cast in favor of the nine (9) qualified nominees.

The following were elected as the members of its Board of Directors for the term 2016-2017 to hold office as such and until their respective successors are duly nominated, elected and qualified:

1. Mr. Ernest K. Cuyegkeng
2. Ms. Angela de Villa-Lacson
3. Mr. Jaime C. Gonzalez
4. Mr. Jaime Enrique Y. Gonzalez
5. Mr. Christopher Paulus Nicolas T. Po
6. Mr. Ricardo Gabriel T. Po, Jr.
7. Mr. Ricardo S. Po, Sr.
8. Mr. Emmanuel A. Rapadas (Independent), and
9. Mr. Andres B. Sta. Maria (Independent).

Note, however, that Mr. Ricardo S. Po, Sr. resigned from the Board on 01 August 2016 and incumbent Treasurer Leonardo Arthur T. Po took the seat he vacated. Ms. Angela de Villa Lacson, on the other hand, retired from office on 28 February 2017 and incumbent Vice Chairman Jaime C. Gonzalez assumed the presidency on 01 March 2017.

## **6) Orientation and Education Program**

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

Upon election, the new director/s is provided with all relevant written information about ALCO, including its Articles of Incorporation, By-laws, the Manual and such policies and procedures which will be relevant to his duties and responsibilities as a member of the Board and its various committees. Said director/s is then free to sit down with any officer of ALCO at his convenience to enlighten him further on ALCO's operations.

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

In addition to Corporate Governance seminars on the duties and responsibilities of directors, Directors and Senior Management have attended various economic, financial and industry briefings in the last three years.

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

ALCO's annual budget provides for training and seminar expenses and the Board members and Senior Management determine the appropriate seminars and programs needed by them to keep abreast of latest developments affecting the company's business. There were no such programs or seminars attended for 2016 as everyone was focused on the first public offering of the shares of the company since its reorganization in 2007. Continuing education programs for the directors are being arranged within the third quarter of 2017.

**B. CODE OF BUSINESS CONDUCT & ETHICS**

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

ALCO's Code of Conduct (which deals with conflict of interest, business and fair dealing, receipt of gifts from third parties, compliance with laws and regulations, trade secrets, non-public information, company assets, and employment/labor policies, among others) is part of the orientation of newly hired employees regardless of rank. Each new employee is given a copy of this Code and a letter-agreement he or she must sign to signify his or her undertaking to comply with its provisions. Any violation of any provision of this Code is essentially determined through periodic activities carried out by ALCO's Human Resources Department, reports submitted by the employees themselves, and performance meetings with managers. Disciplinary measures taken are commensurate with the seriousness of the offense and comply with the Labor Code of the Philippines.

Insofar as the directors, the Manual is clear that a director's office is one of trust and confidence. Having vetted his/her qualifications, the Nomination Committee ensures that ALCO directors shall act in a manner characterized by transparency, accountability and fairness at all times.

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

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<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.

Yes.

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

Please refer to 1) above.

**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.**

In the normal course of business, the Group engages in various transactions with its related parties, principally consisting of advances for operational expenses of a subsidiary or affiliate and its officers and employees in such amounts as may be necessary to carry out their functions in the Group, subject to liquidation.

Except for the above and as otherwise disclosed in this Report [Please see B, 5), (b)], there are no other transactions (or series of similar transactions) with or involving any of ALCO's subsidiaries in which a director or an executive officer or a stockholder who owns five percent (5%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest. ALCO adheres strictly to arms-length transactions with its shareholders and directors and their family members up to the fourth civil degree of consanguinity or affinity. Moreover, it is standard within the organization to hold bidding procedures and mandatory for participants to make full disclosure of their relationships to ALCO directors and officers.

**(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.**

There is none.

**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.**

Please see (a) above on Policies and Procedures.



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

- (a) Indicate, if applicable, any relation of a family,<sup>8</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:**

The significant shareholders of ALCO are CPG Holdings, Inc. and AO Capital Holdings 1, Inc. Other than the relationship stated in other parts of this Report [Please see A, 1), (d), (iii)], there is no other information made available to ALCO on this subject. However, it should be noted that Directors Christopher Paulus Nicolas T. Po, Leonardo T. Po and Ricardo Gabriel T. Po are brothers, and Director Jaime Enrique Y. Gonzalez is the son of Director Jaime C. Gonzalez.

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

The Board of Directors approved, confirmed and ratified the non-interest bearing loan ALCO obtained from Centrobless Corporation (“Centrobless”) in the amount of ₱1,650,643,779.00 with a maturity date on 31 December 2018. This loan is a related party transaction as Century Pacific Group, Inc. is the majority shareholder of both Centrobless and CPG Holdings, Inc. (CPG), with CPG being a majority shareholder of ALCO to date. Further, ALCO’s Directors Christopher T. Po and Leonardo T. Po are also directors and officers (the Chairman and President and the Treasurer, respectively) of Centrobless.

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

There is no such agreement.

## **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.**

In the last three (3) years, there has been no conflict between ALCO and its stockholders or regulatory authorities or third party/ies. Had there been any, it is standard procedure in ALCO to sit down with the party and endeavor as much as possible to come to a mutually satisfying arrangement and avoid elevating the matter to the courts which will be costly to all parties concerned.

## **C. BOARD MEETINGS & ATTENDANCE**

- 1) Are Board of Directors’ meetings scheduled before or at the beginning of the year?**

Yes, the schedule of meetings of the Stockholders, the Board of Directors and the various committees of ALCO for the ensuing year is determined at the beginning of such year and confirmed by the Board during its first meeting for the said year.

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<sup>8</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

## 2) Attendance of Directors

<u>Board</u>	<u>Name</u>	<u>Date of Election</u>	<u>No. of Meetings Held During the Year 2016</u>	<u>No. of Meetings Attended</u>	<u>%</u>
Chairman	Ernest K. Cuyegkeng	24 June 2016	12	12	100
Vice Chairman and President	Jaime C. Gonzalez	24 June 2016	12	12	100
Member	Jaime Enrique Y. Gonzalez	24 June 2016	12	8	67
Member	Christopher Paulus Nicolas T. Po	24 June 2016	12	8	67
Member	Leonardo Arthur T. Po	01 August 2016	6	6	100
Vice Chairman	Ricardo Gabriel T. Po	24 June 2016	12	11	92
Independent	Emmanuel A. Rapadas	24 June 2016	7	7	100
Independent	Andres B. Sta. Maria	24 June 2016	7	6	86

## 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Non-executive directors are enjoined by ALCO's Board of Directors to meet at their own convenience at least once a year without the presence of executive directors and Management as part of their program to improve effective governance of ALCO. However, Management is not made aware if such meeting/s took place in 2016.

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

Section 6, Article III of ALCO's By-laws provides that a majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, except in the election of officers which requires the vote of the majority of all the directors.

## 5) Access to Information

### (a) How many days in advance are board papers<sup>9</sup> for board of directors meetings provided to the board?

Section 5, Article III of ALCO's By-laws provides that notices of Board Meetings shall be in writing and given at least two (2) business days before the date of the meeting by delivery, fax or electronic mail to each director, or by other means of written or printed communication generally accepted and used by the business community as at present available through or as may be made available through technical advances or innovations in the future. The notice shall state the date, time and place of the meeting and, if a special meeting, the purpose for which the meeting is called. It is standard practice within the organization that the notices of meetings are accompanied by materials necessary for the meeting, *i.e.* board papers.

<sup>9</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.

**(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?**

Section 5, Article IV of ALCO's By-laws provides that the Secretary shall (1) keep or cause to be kept, the books provided for the purpose, and the minutes of the meetings of the stockholders and the Board of Directors; (2) see to it that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; (3) be the custodian of the corporate records and seal of the Corporation, and shall see to it that the seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required or is duly authorized; and (4) perform in general all duties and functions incident to the Office of the Secretary and such other duties and functions as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

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

ALCO's Corporate Secretary is a member of the Philippine Bar.

**(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 ☐

Please see 5) (a) above. The same procedure is adopted for committee meetings. Board members have independent access to the Management from whom they can get necessary information needed to prepare in advance for meetings of different committees.

**6) External Advice**

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

To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matter in the agenda. Directors are given independent access to Management and Corporate Secretary as well as to independent professional advice when the need arises.

**7) Change/s in existing policies**

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

There is none.

## **D. REMUNERATION MATTERS**

### **1) Remuneration Process**

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

ALCO's By-Laws empowers the Board of Director to fix and determine the compensation of its members including profit sharing and other incentives subject to limitation imposed by law.

Also, Section 7, Article IV of ALCO's By-laws provides that the Chairman, or such other officer/s as the Board of Directors may authorize, shall determine the compensation of all the officers and employees. A director shall not be precluded from serving ALCO in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

The amount of remuneration is determined at a level sufficient to attract directors and executives and other key senior personnel needed to run ALCO successfully.

The executive compensation is composed of salaries, bonuses and other annual compensation plus fixed per diem<sup>10</sup> for every board and committee meeting attended.

Further, in ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan for its qualified employees. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The Stock Option and Compensation Committee will administer the implementation of this Plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates<sup>11</sup>.

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The said Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase

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<sup>10</sup> Beginning June 2016, the per diem given to each director for each meeting of the Board (special or regular) attended was increased to ₱75,000.00 for independent directors and ₱10,000.00 for regular directors except for the Chairman of the Board who receives ₱100,000.00. Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member.

<sup>11</sup> ALCO must have at least 50% equity holdings therein.

such number of shares granted will be three (3) years starting with the full year vesting.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012. Whether options will be given in the succeeding year is uncertain at this time.

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<p>ALCO's By-Laws empowers the Board of Director to fix and determine the compensation of its members including profit sharing and other incentives subject to limitation imposed by law.</p> <p>Also, Section 7, Article IV of ALCO's By-laws provides that the Chairman, or such other officer/s as the Board of Directors may authorize, shall determine the compensation of all the officers and employees. A director shall not be precluded from serving ALCO in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.</p> <p>The amount of remuneration is determined at a level sufficient to attract directors and executives and other key senior personnel needed to run ALCO successfully.</p> <p>The executive compensation is composed of salaries, bonuses and other annual compensation plus fixed per diem as stated below for every board and committee meeting attended.</p>		
Non-Executive Directors	Fixed Per Diem for every Board and Committee meeting attended	<p>Board meeting</p> <p>Committee meetings</p>	<p>₱10,000.00 –</p> <p>₱100,000.00<sup>12</sup></p> <p>₱2,500.00</p>

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

Section 10, Article III of ALCO's By-laws provides that the Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law.

<sup>12</sup> See Footnote 10.

However, in ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote at the time approved the 2009 ALCO Stock Option Plan for its qualified employees, which include members of the Board.

### 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	P39.73M		
(b) Variable Remuneration	P18.854M		
(c) Per diem Allowance	P1,142,500.00	P112,500.00	P707,500.00
(d) Bonuses	P2.176M		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
<b>Total</b>	<b>P61.9025M</b>	<b>P112,500.00</b>	<b>P707,500.00</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations Incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan	P1,905,600.00		
(g) Car Plan	P5,000,000.00		
(h) Others (Specify)			
<b>Total</b>	<b>P6,905,600.00</b>		

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

There is none at present.

As stated in item 1) above, while the stockholders approved during the 16 October 2009 annual meeting the 2009 ALCO Stock Option Plan for its qualified employees, which include members of the Board, none of the qualified employees as defined in the said Plan exercised their respective rights until the period within which they can do so expired in October 2012.

Whether options will be given in the succeeding year is uncertain at this time.

#### **(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.**

There are no amendments or discontinuation of any incentive program already granted, including the ALCO Stock Option Plan. Still, whether stock options will be given in the succeeding year is uncertain at this time.

#### **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:**

<b>Name of Officer/Position</b>	<b>Total Remuneration</b>
Ninalyn S. Cordero, SVP <sup>13</sup>	P18,348,596.30
Gabriel I. Paulino, SVP <sup>14</sup>	
Ferdinand A. Constantino, Chief Finance Officer	
Sheryll P. Verano, VP <sup>15</sup>	
Riva Khristine V. Maala, Corporate Secretary and General Counsel	

#### **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:**

Sections 12 and 13, Article III of ALCO's By-laws provide that there shall be an Executive Committee, an Audit Committee, a Nomination Committee, and a Stock Option and Compensation Committee.

The Executive Committee is composed of the Chairman of the Board, the President, the Chief

<sup>13</sup> Ms. Cordero is the Head of Project and Business Development.

<sup>14</sup> Mr. Paulino is the Head of Technical Services.

<sup>15</sup> Ms. Verano was appointed as the Head of Strategic Funding and Investments on 24 June 2016 and concurrently as ALCO's Investor Relations Officer on 08 February 2017.

Finance Officer and such other officers of ALCO as may be appointed by the Board of Directors. It is to the Executive Committee that the Board of Directors may delegate some of its powers and authorities which may lawfully be delegated; hence, it adopts and observes its own internal procedures and conduct of business.

The Audit Committee is composed of at least three (3) members of the Board, at least two (2) of whom are Independent Directors, including the Chairman. The Audit Committee provides oversight over ALCO's financial reporting and control, and internal and external audit functions. It is responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Board through the Audit Committee. It monitors and evaluates the adequacy and effectiveness of the internal audit system. The Audit Committee also establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The Nomination Committee is composed of at least three (3) members of the Board, one of whom is an Independent Director. The Nomination Committee puts in place screening policies and parameters that may enable it to effectively review the qualifications and competencies of persons submitted for their evaluation to join ALCO's management.

The Stock Option and Compensation Committee is composed of at least three (3) members, one of whom is an Independent Director. It establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with ALCO's culture, strategy and control environment.

The Board of Directors may create such other committees as may be necessary or convenient for the operations and management of the Corporation, define their functions and responsibilities, and determine their composition.

## 2) Committee Members

The following are the incumbent members of ALCO's various committees:

Audit Committee	Emmanuel A. Rapadas, Chairman Andres B. Sta. Maria Ricardo Gabriel T. Po
Stock Option and Compensation Committee <sup>16</sup>	Jaime C. Gonzalez, Chairman Emmanuel A. Rapadas
Nomination Committee	Jaime C. Gonzalez, Chairman Ricardo Gabriel T. Po Andres B. Sta. Maria

<sup>16</sup> The third member was Ms. Angela de Villa Lacson who retired from office on 28 February 2017. The vacancy will be filled at the next organizational meeting of the Board.



Executive Committee <sup>17</sup>	Ernest K. Cuyegkeng, Chairman Jaime C. Gonzalez, Vice Chairman Ricardo Gabriel T. Po, Vice Chairman Ferdinand A. Constantino Jaime Enrique Y. Gonzalez Leonardo Arthur T. Po Christopher Paulus Nicolas T. Po
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**Disclose the profile or qualifications of the Audit Committee members. Describe the Audit Committee's responsibility relative to the external auditor.**

Under Section 13, Article III of ALCO's By-laws, it is preferable that the members of the Audit Committee, including its Chairman, have accounting, auditing or related financial management expertise or experience. The Audit Committee provides oversight of ALCO's financial reporting and control, and internal and external audit functions. It is responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Board through the Audit Committee. It monitors and evaluates the adequacy and effectiveness of the internal audit system.

Further, the Audit Committee Charter provides that:

"The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance background, one of whom shall be independent director and another with audit experience. The Chair of the Audit Committee shall be an independent director. At present two of the Audit Committee members are independent directors, one of whom is the Committee chair."

The Audit Chair, Mr. Emmanuel A. Rapadas, is presently the Chief Financial Officer of Torre Lorenzo Development Corporation. He graduated *cum laude* from the University of the East with a Bachelor of Science degree in Accounting and holds a Masters in Business Administration from the Ateneo de Manila University. He has had training from Singapore Institute of Management (Job of the Chief Executive), the University of Asia and the Pacific (Strategic Business Economic Program) and the Institute of Corporate Directors (Independent Directors Certification Program). Prior to joining Torre Lorenzo, Mr. Rapadas was the CFO & Treasurer of Ortigas & Company from 2001 to 2014.

Mr. Andres B. Sta. Maria, the other member of the Audit Committee who is an Independent Director of ALCO, is an attorney with his own practice, focused on commercial and corporation law. He was a Senior Partner of the law firm SyCip Salazar Hernandez & Gatmaitan and a member of its Executive Committee, and headed the firm's Special Projects Group. He studied at the University of the Philippines, Cornell University, and New York University and holds Bachelor of Science in Business Administration, Bachelor of Laws, and Master of Laws degrees.

The third member, Mr. Ricardo Gabriel T. Po, graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He completed the Executive Program (Owner-President Management Program) at Harvard

<sup>17</sup> The By-laws provides that the Executive Committee shall be composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board of Directors.

Business School in 2001. He is currently one of the Vice Chairmen and a Director of Century Pacific Food, Inc., and the Vice Chairman and Director of Shakey's Pizza Asia Ventures, Inc., both of which are listed in the Philippine Stock Exchange.

### 3) Changes in Committee Members

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

There were no changes in committee membership in the year 2016. However, there is presently a vacancy (for a third member) in the Stock Option and Compensation Committee which resulted from the retirement of former President and CEO Ms. Angela de Villa Lacson on 28 February 2017.

### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Oversee the management of ALCO which includes financial matters, construction update, sales and post sales concerns, and legal matters.	Directives on pipeline planning and guidelines on significant transactions.
Audit	<ul style="list-style-type: none"> <li>i. Reviewed quarterly and annual financial statements</li> <li>ii. Reviewed the external auditors' audit scope, and significant accounting and reporting issues, if any</li> <li>iii. Approved the results of the audit</li> <li>iv. Endorsed the financial statements to the Board of Directors for approval.</li> </ul>	None.
Nomination	Reviewed all candidates nominated to the Board in accordance with the requirements of the SEC, ALCO's By-Laws and the Manual.	Pre-screened and qualified Board nominees for the 24 June 2016 stockholders meeting.
Stock Option and Compensation	Performed oversight of policies on salaries and benefits, as well as promotions and other form of career advancement.	Reviewed and approved annual merit increases and promotions.

### 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.**

The Board of Directors and its various committees are guided by the provisions of the By-laws and the Manual. They are committed to carry-out their expected mandate and to meet as

scheduled to address governance issues, if there are any.

## **F. RISK MANAGEMENT SYSTEM**

### **1) Disclose the following:**

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

ALCO has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board level and throughout the organization towards achieving its goals and objectives. This includes, among others, the protection and preservation of its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its reputation. ALCO aligns its risk appetite with its long-term strategic objectives.

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

The Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the organization's risk management processes. It reviews and endorses to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy, as well as the adequacy and effectiveness of ALCO's enterprise risk management process. The Audit Committee reports to the Board its assessment of the effectiveness of the risk management process and reviews reports from the Internal Auditor with regard to the independent validation of compliance with the approved ERM Policy and assessment of current state of ERM framework.

#### **(c) Period covered by the review – Fiscal year 2016**

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

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

The risk management system is periodically assessed during the quarterly Audit Committee meetings. The effectiveness of existing risk management system is assessed on the basis of actual operating results against pre-determined targets taking into consideration the quantitative and qualitative aspects of said results and targets.

### **2) Risk Policy**

#### **(a) Company**

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	All customers who wish to trade on credit terms are subjected to credit verification procedures and receivable balances are monitored	Minimize loss or diminution of capital resulting from default of counter party/ies.

	on an on-going basis to ensure that exposure to bad debt is not significant.	
Liquidity Risk	Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.	Ensure that financial obligations are settled when they fall due.
Interest Rate Risk	Manage interest cost by maintaining optimum leveraging activity and maintain debt to equity ratio at manageable levels.	Minimize negative impact on capital and liquidity results from interest rate volatility.
Legal Risk	All contracts and dealings are required to be reviewed by the in-house and/or external counsels to ensure that relevant laws and regulations are complied with and ALCO's interests are protected at all times. Management should always be updated on new and upcoming regulations that will impact ALCO's business and operations.	Minimize loss arising from legal disputes and regulatory assessments, and ensure compliance with regulations and readiness to implement new requirements.

**(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:**

The Group adopts the same risk management policy as that of ALCO, to wit:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	All customers who wish to trade on credit terms are subjected to credit verification procedures and receivable balances are monitored on an on-going basis to ensure that exposure to bad debt is not significant.	Minimize loss or diminution of capital resulting from default of counter party/ies.
Liquidity Risk	Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.	Ensure that financial obligations are settled when they fall due.
Interest Rate Risk	Manage interest cost by maintaining optimum leveraging activity and maintain debt to equity ratio at manageable levels.	Minimize negative impact on capital and liquidity results from interest rate volatility.
Legal Risk	All contracts and dealings are required to be reviewed by the in-house and/or external counsels to ensure that relevant laws and	Minimize loss arising from legal disputes and regulatory assessments, and ensure compliance

	regulations are complied with and the Group's interests are protected at all times. Management should always be updated on new and upcoming regulations that will impact the Group's business and operations.	with regulations and readiness to implement new requirements.
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**(c) Minority Shareholders**

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

<b>Risk to Minority Shareholders</b>
Majority Shareholders may dominate major company decisions. However, the Manual expressly provides for the protection of its stockholders' and minority interests' rights, which include appraisal rights, among others.

**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:**

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Credit Risk	Regular monitoring of Accounts Receivable and Past Due Balances	Timely notification sent to counterparty/ies and reporting to top management of accounts which require special handling
Liquidity Risk	Weekly monitoring of short-term and long-term cash flow projections	Weekly reporting to top management for appropriate guidance and action
Interest Rate Risk	Regular monitoring of interest rate movements vis-à-vis ALCO's investments and loan balances	Weekly reporting to top management for appropriate guidance and action

**(b) Group**

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

The Group adopts the same control systems as those of ALCO, to wit:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
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Credit Risk	Regular monitoring of Accounts Receivable and Past Due Balances	Timely notification sent to counterparty/ies and reporting to top management of accounts which require special handling.
Liquidity Risk	Weekly monitoring of short-term and long-term cash flow projections	Weekly reporting to top management for appropriate guidance and action
Interest Rate Risk	Regular monitoring of interest rate movements vis-à-vis the Group's investments and loan balances	Weekly reporting to top management for appropriate guidance and action

**(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	The Committee has the authority to conduct or authorize the conduct of investigation into any matter within its scope. It has unlimited access to employees, records and reports.	The Committee is tasked to assist the Board in fulfilling its oversight responsibilities for the integrity of ALCO's financial statements and compliances with legal and regulatory requirements, to determine the independent auditor's qualification and independence, and to monitor the performance of internal audit functions.
Compliance Officer	Direct reporting line to the Chairman of the Board.	Identify, monitor and control compliance risks.

**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

**Disclose the following information pertaining to the internal control system of the company:**

**(a) Explain how the internal control system is defined for the company;**

Internal control is the process effected by the Board of Directors, Management and other relevant personnel to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. It is also defined as:

- Geared to the achievement of objectives in one or more categories – operations, reporting and compliance
- A process consisting of ongoing tasks and activities – a means to an end, not an end itself
- Effected by people – not merely about policy and procedure manuals, systems and forms

but about people and the actions they take at every level of the organization that affect internal control

- Able to provide reasonable assurance, but not absolute assurance, to the Board of Directors, Executive Committee and Senior Management
- Adaptable to the company structure – flexible in application to ALCO and/or to a particular subsidiary, group, operating unit or business process.

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

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee ALCO's corporate governance processes. This entails an understanding of the risks, control and financial reporting issues inherent to it.

**(c) Period covered by the review – Financial Year 2016**

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

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

Internal controls are reviewed by the Audit Committee at least quarterly. The Committee relies on the expertise and knowledge of Management, the Internal Auditor and the External (independent) Auditors on the state of internal controls, risk management and corporate governance processes.

## 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 Outsourced Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Provide independent and objective assurance and consulting services to add value and improve ALCO's operations,	Assist the Board of Directors through the Audit Committee on the assessment and evaluation of	In-house	Josephine M. Logroño <sup>18</sup>	<ul style="list-style-type: none"> <li>• Reports directly to the Audit Committee</li> <li>• Reports administratively to the President</li> </ul>

<sup>18</sup> Ms. Josephine M. Logroño was formally appointed as ALCO's Internal Auditor on 08 February 2017.

reporting and compliance	the adequacy and effectiveness of ALCO's governance, risk management process and system of internal controls			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

The Internal Auditor is engaged and appointed by the Board of Directors upon recommendation/endorsement of the Audit Committee Chairman.

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

The Audit Committee Charter provides for a direct reporting line of the Internal Auditor to the Audit Committee as well as full and free access to ALCO's personnel, records and documents.

- (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.**

Former Internal Auditor Lujer P. Danao resigned effective on 30 June 2016, having decided to join another firm.

- (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>	Started audit engagements based on the 2016 audit plan were completed and reported. Remaining engagements are deferred for 2017.
<b>Issues<sup>19</sup></b>	No significant issues for FY 2016 for the completed engagements.
<b>Findings<sup>20</sup></b>	No significant findings for FY 2016 for the completed audit engagements
<b>Examination Trends</b>	Audit examination is prepared annually to be based on a 3-

<sup>19</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>20</sup> "Findings" are those with concrete basis under the company's policies and rules.



	year cycle review and risk assessment of business processes.
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**[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.”**

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Audit Committee Charter	The Audit Committee implements its function and roles in accordance with the charter.  The activities and functions of the internal audit as stipulated in the Internal Audit Charter are being implemented.
Internal Audit Charter	

**(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).**

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
Rotation requirement for external auditor as required by existing regulations is strictly observed	All financial information publicly disclosed are lifted from financial reports and reviewed and approved by the Audit Committee.	All financial information publicly disclosed are lifted from financial reports and reviewed and approved by the Audit Committee. Also, investment banks are given free access to the members of the Board.	Both the internal and external auditors are appointed by the Board of Directors. They also report directly to the Board through the Audit Committee.

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

The Chairman of the Board, the President, the Independent Directors and the Compliance Officer attest in writing, through this Report, on ALCO's full compliance with SEC's Code of Corporate Governance. All directors, officers and employees of ALCO have been properly advised of their respective duties, as mandated by the Code and that internal mechanisms are in place to ensure such compliance.

## **H. ROLE OF STAKEHOLDERS**

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	ALCO is committed to deliver high quality products and services to its customers, guided by the principles on thoughtful planning and space management, quality assurance, security and safety, operating efficiency, enabling technology and total living experience.	
Supplier/contractor selection practice	Projects are awarded to qualified reputable contractors/firms subject to a bidding process and Management's evaluation of the qualifications and satisfactory working relationships of the contractors/firms.	
Environmentally friendly value-chain	ALCO goes beyond the mandatory environmental framework, being a member of the Philippine Green Building Council and U.S. Green Building Council, as well as a partner of the WorldWide Fund.	
Community interaction	Compliance with relevant laws and regulation is strictly monitored to avoid any damage to surrounding communities.	
Anti-corruption programs and procedures?	The Audit Committee monitors and evaluates the adequacy and effectiveness of the internal control system and has the authority to institute and oversee special investigations as and when needed.	
Safeguarding creditors' rights	ALCO adheres to principles of healthy and fair treatment of all business partners. It respects agreements with creditors, manages loans according to lending objectives and covenants, ensures timely repayments of loan interests and principal, and provides timely and accurate information.	

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

ALCO's corporate social responsibility activities are not reported in its Annual Report. After all, at the core of ALCO's business philosophy is sustainability. Apart from ensuring the application of the principles of green building into all its projects, it engages its employees and the community it serves to promote green living. Close to 10,000 individuals have benefited from

ALCO's corporate social responsibility (CSR) programs through the years.

Specifically, ALCO has been a strong ally of the Worldwide Fund for Nature-Philippines (WWF-Philippines) in pushing environmental education to public elementary school pupils and select villages in Taguig City and Cebu. The programs include teach-in activities, workshops, and practical applications on water conservation, garbage management, recycling, compost making, and alternative livelihood through sustainable backyard gardening.

ALCO's program *Kabataang Kaibigan ng Kalikasan* has been recognized in the region to be among the best in the Asia Responsible Entrepreneurship Awards in 2015 and 2016. ALCO itself has also been recognized by WWF-Philippines since 2010 with Environmental Leadership Awards for its significant contribution to the group's thrust of preserving the environment.

To ensure that its eco-centric philosophy is applied, ALCO also conducts regular corporate employee trainings as well as sustainability talks to the construction workers in project sites.

ALCO's sustainability performance is measured by both the United States Green Building Council LEED and the Philippine Green Building Council BERDE programs. Regular reporting for monitoring and calibration is done to make sure that ALCO adheres to the standards set by these two globally and nationally recognized green building bodies.

### **3) Performance-enhancing mechanisms for employee participation.**

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

ALCO considers its employees as its most valuable asset. As such, aside from the mandatory benefits required by law, which includes contributions to the Social Security System, Philhealth and the Home Mutual Development Fund, all employees and their qualified dependents have comprehensive medical and dental assistance to help defray the high cost of hospitalization and other medical services. Accessible venues for annual physical examinations are also arranged. ALCO avails of the services of a legitimate healthcare provider that caters to the needs of the employees from a wide choice of hospitals and clinics and wide range of medical and dental practitioners.

Further, ALCO enrolled all its employees in a group life insurance.

Moreover, ALCO has set-up within its premises a small gym equipped with several cardiovascular equipment where its employees may do daily exercises. Various programs that promote camaraderie among employees are also arranged annually.

Finally, ALCO is aware that even during normal times and notwithstanding the highly competitive salary scale, occasions do arise when employees experience the need for additional finances; hence, ALCO has set up a system of salary loans at affordable interest rates and payment terms.

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

<b><u>Programs</u></b>	<b><u>Data</u></b>
Facilities	A gym is available within the office premises which the employees use the office gym daily, before and after work.
	A shuttle service (with specific stops) was organized for commuting

	employees to assist employees getting out of BGC.
	A lactation/treatment room with sofa bed, chairs and table, first aid supplies, thermometer, blood pressure monitoring equipment and basic medicines, is available in the office premises which the employees can use accordingly.
Events and Activities	Speakers from HDMF were invited to update and apprise employees of the benefits they provide (Pagibig Loyalty Card on 05 February 2016 and Pagibig Housing Program on 29 July 2016)
	Health and Wellness Program (Having a Healthy Heart - causes, symptoms and prevention of heart attack) by Dr. Ma. Rachelle Salarda, Occupational Health Physician, on 12 February 2016
	In-House Talks - IT Awareness: You are the key to SECURE IT on 29 February 2016
	Green Talks: Back-to-Back Echo Session on 17 June 2016
	The Relevance of Green Buildings on 08 July 2016
	Fire Safety Seminar by a speaker from the Bureau and Fire Protection, including awareness on Earthquake and Fire Safety, on 04 March 2016
	Annual Physical Examination – 60% of the employees, with their qualified dependents availed of the benefit which was held on 23 April 2016 ALCO's Head Office to ensure their convenience.
	The Green Circle – An internal committee intended to ensure that ALCO can maintain its reputation as a sustainable developer not just in its individual projects, but also in the workplace itself, was launched on 27 May 2016.
	Government ID Issuance Project (Postal ID) on 29 June 2016
	As it is ALCO's goal is to create and support environmental awareness, three batches of <i>Turo</i> sessions at CP Sta. Teresa Elementary School, Taguig City, was conducted on 26 August 2016 with the theme Education is Adaptation – “Climate Change and Energy Management”. Also, an Urban Container Gardening Lecture at Bantayan Island Cebu was held on 23 November 2016.
	Bloodletting Activity at The Daughters of Charity of St. Vincent de Paul, in cooperation with the Philippine Red Cross on 01 October 2016
	Photo and Art Contest “The Green Christmas” on 07 October 2016
	Team Building on 01-02 July 2016 at Chateau Royale Sports and Country Club, Nasugbo, Batangas
	Halloween Party for the children of the employees with trick or treat activities on 28 October 2016, with all departments participating
	Christmas Party on 07 December 2016 Arya Residences, BGC Taguig City

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

All employees are eligible for trainings to update and upgrade their technical proficiency, to prepare them for a new assignment and to ensure physical, social, emotional and mental

development. All employees who participate in a training sponsored by ALCO are expected to actively participate in all sessions and are required to cascade all relevant knowledge obtained from the training to the other employees and to submit all materials given during the training to the Human Resource Department to serve as a common reference for all employees.

Aside from the various individual technical proficiency seminars attended by employees, the following seminars were also provided in 2016:

<b>Seminars</b>	<b>Date</b>	<b>No. of Attendees</b>
Pag-Ibig Orientation	05 February 2016	40
Health & Wellness Program (Having a Healthy Heart)	12 February 2016	30
IT Awareness: You are the key to SECURE IT	29 February 2016	30
Fire Safety Seminar	04 March 2016	45
Green Talks: Back-to-Back Echo Session	17 June 2016	40
The Relevance of Green Buildings	08 July 2016	45
Pag-Ibig Fund Housing Program	29 July 2016	35
CSR Orientation	23 August 2016	30

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

ALCO provides qualified employees with a Stock Option Plan based on an approved percentage of its total outstanding capital stock at any given time. Said Plan is discussed in the preceding paragraphs.

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

First line managers are responsible for managing employee concerns, problems and complaints. Managers shall ensure that employee complaints are resolved in a timely manner and the grievances resolved informally; the manager shall meet with the employee to discuss his concerns. The manager should investigate the concerns before making a final decision. Upon reaching a decision, the supervisor shall meet with the employee to discuss the results if employee is not happy with the results it can be appealed to the next level manager or to the HR department.

In cases where the manager is involved with the concern, employee can direct his complaint to the next level manager or to the HR department. All complaints will be treated with utmost confidentiality; investigation will be done within 5 working days. Results of the investigation will be shared with the employee in more than 10 days after the said complaint has been filed.

In terms of retaliation, the HR department is in charge of implementing equal employment opportunity to all employees. If an employee suspects that retaliation was done including but not limited to any negative job action, such as demotion, discipline, firing, salary reduction, or job or shift reassignment, the employee can submit an incident report to HR and investigation will be done accordingly, ensuring safety and protection of the employee.

## **I. DISCLOSURE AND TRANSPARENCY**

### **1) Ownership Structure (As of 31 December 2016)**

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

Shareholder	Number of Shares	%	Beneficial Owner
CPG Holdings, Inc.	2,142,619,910	40.289	CPG Holdings, Inc.
AO Capital Holdings I, Inc.	1,383,730,000	26.019	AO Capital Holdings I, Inc.
PCD Nominee Corporation – Filipino	862,286,340	16.214	Various
Edimax Investment Limited	296,460,000	5.5746	Edimax Investment Limited

As of the date of this Report, none of ALCO's Senior Management own shares of stock of ALCO, either directly or indirectly.

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

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	No, as there is none.
Dividend policy	Yes
Details of whistle-blowing policy	No, as the same is readily available in ALCO's website.
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 program attended by each director/commissioner	No, as the said information is available in this Report which is submitted simultaneously with the Annual Report.
Number of board of directors/commissioners meetings held during the year	No, as the said information is available in this Report which is submitted simultaneously with the Annual Report.
Attendance details of each director/commissioner in respect of meetings held	No, as the said information is available in this Report which is submitted simultaneously with the Annual Report.
Details of remuneration of the CEO and each member of the board of directors/commissioners	No, only the total amount of compensation of Directors and Executives is disclosed as required by the SEC.

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

### **3) External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	P950,000.00 (2016)	P1,500,000.00 (2016)

#### 4) Medium of Communication

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

Correspondences are disseminated by personal delivery, fax or electronic mail, or by other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future.

#### 5) Date of release of audited financial report:

ALCO's Consolidated Audited Financial Statements for the period ended as of 31 December 2015 was released on 12 April 2016 together with its Annual Report for 2015, and copies of said financial statements were provided to the stockholders by mail together with copies of the Definitive Information Statement (for the Annual Stockholders' Meeting on 24 June 2016) beginning 03 June 2016.

#### 6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

#### 7) Disclosure of RPT

RPT	Relationship	Nature	Value
Loan from Centrobless Corporation, fully availed as of 31	Centrobless Corporation is a wholly-owned subsidiary of Century Pacific Group, Inc., which is the majority shareholder of CPG	The loan is without any interest, with a maturity date on 31 December 2018, and payable	₱1,650,643,779.00

December 2016	Holdings, Inc., ALCO's largest stockholder at present. Further, ALCO's directors Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po are also directors and officers (the Chairman and President and the Treasurer, respectively) of Centrobless.	in cash or in kind at the option of Centrobless.	
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**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?**

ALCO's Board of Directors ensures that RPTs are made substantially on the same terms as with other individuals and businesses of comparable risks, and more importantly, they are fair and treated at arm's length.

Insofar as the above disclosed RPT, ALCO Directors Ricardo S. Po, Sr.<sup>21</sup>, Ricardo Gabriel T. Po and Christopher Paulus Nicolas T. Po did not participate in the Board's deliberations on the matter.

## **J. RIGHTS OF STOCKHOLDERS**

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

#### **(a) Quorum**

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

Section 3, Article II of ALCO's By-laws provides that stockholders present or represented in the meeting and owning a majority of the outstanding voting stock shall constitute a quorum for the transaction of business at the meeting. When a quorum is present at such meeting, the vote of the stockholders owning a majority of the outstanding stock present or represented at such meeting shall decide on any matter brought before such meeting, unless the affirmative vote of stockholders owning a greater capital stock is required by law.

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

**Explain the system used to approve corporate acts.**

Voting on matters submitted for stockholders' approval during the stockholders' meetings is done by *viva voce* and is supervised by the designated staff of ALCO's external auditor and stock and transfer agent.

For the purpose of electing directors, the system of cumulative voting is followed as provided under Section 4, Article II of ALCO's By-laws, to wit:

<sup>21</sup> Mr. Ricardo S. Po, Sr. was a director of ALCO at the time.



“xxx At all stockholders’ meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.

“At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit.”

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ALCO multiplied by the whole number of directors to be elected.

Voting for the election of Directors is by ballot and the tabulation of the votes shall be supervised by the designated staff of ALCO’s external auditor and stock and transfer agent; provided, that voting may be by *viva voce* upon approval by the majority of the stockholders present in the meeting.

### **(c) Stockholders’ Rights**

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

As of the date of this Report, there are no other rights granted to ALCO stockholders which differ from those provided in the Corporate Code, with the exception of pre-emptive rights<sup>22</sup>.

### **Dividends**

No cash dividends were declared in 2016 although ALCO declared cash dividends in previous years, as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
28 June 2013	26 July 2013	22 August 2013	P0.012/common share
10 March 2014	28 March 2014	22 April 2014	P0.036/common share
09 March 2015	23 March 2015	08 April 2015	P0.012/common share

On 08 February 2017, ALCO declared cash dividends to holders of Preferred shares Series B with record date of 24 February 2017 in the amount of P1.76145 per Preferred share which were paid out on 06 March 2017.

On 28 February 2017, ALCO also declared cash dividends to Common stockholders of record as of 14 March 2017 in the amount of P0.012 per Common share which will be paid out beginning 07 April 2017.

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<sup>22</sup>See Footnote 3.

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall always be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

"Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.

"Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

"Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

#### **(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.**

In every stockholders' meeting of ALCO, after the President's Report (annual) or after a proposal is put forth for approval of the stockholders (special), there is an open forum where any stockholder is given the opportunity to address Management, any director present and ALCO's external auditor, when applicable, and to ask questions about or make suggestions on operations. After said stockholders' meetings, Management, the Directors present and ALCO's external auditor mingle among the stockholders to give them the opportunity to have one on one conversation or to communicate directly.

Further, none of ALCO's stockholders is prevented from informing ALCO, its Board and Management, through the Office of the Corporate Secretary (either in writing or by calling), about his or their opinions, comments and suggestions.

- 2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
  - a. Amendments to the company's constitution**
  - b. Authorization of additional shares**
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company**

Please see reply in item J 1) (d) 1 above. Also, in instances allowed by the Corporation Code, stockholders may exercise their appraisal rights on the foregoing matters.

For the valid exercise of the appraisal right, ALCO adopts the procedure laid down in the Corporation Code, as follows:

- (i) The dissenting stockholder must have voted against the proposed corporate action during the stockholders' meeting.
- (ii) The dissenting stockholder must make a written demand within thirty (30) days from the date the vote was taken. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right.
- (iii) From the time of demand, all rights accruing to the shares, including voting and dividend rights, shall be suspended in accordance with the provisions of the Corporation Code, except the right of the stockholder to receive payment of the fair value of his/its shares. The dividend, voting and rights of the dissenting stockholder shall be restored if ALCO fails to pay the fair value within thirty (30) days after the award.
- (iv) The price of the shares will be determined based on the fair value of the shares as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.
- (v) The withdrawing stockholder must submit through the Office of the Corporate Secretary the stock certificate/s representing his/its ALCO shares for notation of being a dissenting stockholder, within ten (10) days from written demand. Failure to do so shall, at ALCO's option, terminate the stockholder's appraisal right.
- (vi) ALCO shall pay the withdrawing stockholder for his/its shares, provided that, ALCO has unrestricted retained earnings in its books to cover such payment.

The right of payment shall cease under the following instances:

- a. If the dissenting stockholder withdraws his demand for payment, subject to ALCO's consent;
- b. If ALCO abandons the proposed action;
- c. If the SEC disapproves the proposed action; and,
- d. Where the SEC determines that such stockholder is not entitled to the appraisal right.

Upon payment by ALCO, the stockholder's shares must then be transferred to ALCO.

**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?**

Section 5, Article II of ALCO's By-laws already fixed the date of the annual stockholders' meeting on the last Friday of the month of June of each year. Section 7, also of Article II provides that notices of meetings of the stockholders shall be made, as the Board of Directors may determine, either by publication in a newspaper of general

circulation at least once and at least fifteen (15) business days prior to the date of the meeting, or by written notice sent by delivery, fax or ordinary mail to each stockholder at least fifteen (15) business days prior to the date of the meeting. The notice shall state the date, time and place of the meeting and if a special meeting, the purpose for which the meeting is called.

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

During the 24 June 2016 Annual Stockholders' Meeting where the amendment of ALCO's Articles of Incorporation (with the creation of 50.0M preferred shares with par value of ₱100.00 per share) was presented, a stockholder inquired whether the subscription to the preferred shares will be open to anyone or just to a specific party or investor and the President clarified that the mechanics of the offer of the said preferred shares were yet to be discussed and approved by the Board of Directors at the time. The stockholders were nevertheless assured that Management will look into making the offer available to all, which it did eventually. Another stockholder asked if there will be dilution of the common shares as a result of the offer and the Corporate Secretary replied in the negative.

There were no questions asked during the open forum of the 07 September 2016 Special Stockholders' Meeting where the amendment anew of ALCO's Articles of Incorporation was presented with the creation of 50.0M preferred shares with par value of ₱1.00 only.

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

In ALCO's Annual Stockholders' Meeting held on 24 June 2016, the stockholders elected the following as the members of its Board of Directors for the term 2016-2017 to hold office as such and until their respective successors are duly nominated, elected and qualified:

Mr. Ernest K. Cuyegkeng  
Ms. Angela de Villa-Lacson  
Mr. Jaime C. Gonzalez  
Mr. Jaime Enrique Y. Gonzalez  
Mr. Christopher Paulus Nicolas T. Po  
Mr. Ricardo Gabriel T. Po, Jr.  
Mr. Ricardo S. Po, Sr.  
Mr. Emmanuel A. Rapadas (Independent), and  
Mr. Andres B. Sta. Maria (Independent).

In the same meeting, the stockholders ratified<sup>23</sup> the Board's appointment of Reyes Tacandong & Co. as ALCO's external auditor for 2016, with Ms. Carolina P. Angeles as Partner-in-Charge.

Further, stockholders representing at least sixty-seven percent (67%) of ALCO's outstanding common shares which are entitled and qualified to vote approved the

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<sup>23</sup>Article V of the By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

proposal to amend Article SEVENTH of the Articles of Incorporation by increasing the authorized capital stock with the creation of 50.0 Million preferred shares.

During the Special Stockholders' Meeting convened on 07 September 2016, the increase in ALCO's capital stock was clarified to be only to the extent of ₱50,000,000.00 with the creation of 50,000,000 redeemable, non-voting and non-participating Preferred shares with a par value of ₱1.00 per share.

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

ALCO submitted to the SEC and the PSE the results of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors, both held on 24 June 2016, immediately after said meetings adjourned.

In the same manner, ALCO submitted to the SEC and the PSE the results of the Special Stockholders' Meeting held on 07 September 2016 immediately after the meeting adjourned.

**(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.**

No modifications were made.

**(f) Stockholders' Attendance**

**(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held.**

During the Annual Stockholders' Meeting held on 24 June 2016, stockholders owning 3,646,943,487 out of 5,318,095,199 Common shares, or 68.5761% of the total outstanding Common shares of the Corporation, were present either in person or by proxy.

During the Special Stockholders' Meeting held on 07 September 2016, stockholders owning 3,646,567,551 out of 5,318,095,199 Common shares, or 68.5690% of the total outstanding Common shares of the Corporation, were present either in person or by proxy.

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

Yes. Voting for the election of Directors is by ballot and the tabulation of the votes is supervised by the designated staff of ALCO's external auditor and stock and transfer agent. However, voting may be by *viva voce* upon approval by the majority of the stockholders present in the meeting.

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

Yes. Section 4, Article II of ALCO's By-laws provides, as follows:

"At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.

"At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit."

In the election of directors, the total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ALCO multiplied by the whole number of directors to be elected.

**(g) Proxy Voting Policies**

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

Under Section 2, Article II of ALCO's By-laws, stockholders entitled to vote may vote in all meetings either in person or by proxy given in writing and signed by the stockholders concerned and presented to the Secretary at least five (5) business days prior to the date of the meeting for verification and record purposes. Such proxies filed with the Secretary may be revoked by the stockholders concerned either in an instrument in writing duly presented and recorded with the Secretary prior to the scheduled meeting, or by their personal presence at the meeting.

Notarization of proxies is not required, provided that the signature/s of the stockholder/s is the same as that in the records of ALCO's stock and transfer agent.

**(h) Sending of Notices**

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

Section 5, Article II of ALCO's By-laws already fixed the date of the annual stockholders' meeting on the last Friday of the month of June of each year. Section 7, also of Article II, provides that notices of meetings of the stockholders shall be made, as the Board of Directors may determine, either by publication in a newspaper of general circulation at least once and at least fifteen (15) business days prior to the date of the meeting, or by written notice sent by delivery, fax or ordinary mail to each stockholder at least fifteen (15) business days prior to the date of the meeting. The notice shall state the date, time and place of the meeting and if a special meeting, the purpose for which the meeting is called.

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

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	2,021
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	03 June 2016
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	03 June 2016
<b>State whether CD format or hard copies were distributed</b>	Hard copies
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes

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

Each resolution to be taken up deals with only one item.	Yes. These are all indicated in the Definitive Information Statement.
Profiles of directors (at least age, qualification, date of first appointment, experience and directorships in other listed companies) nominated for election/re-election.	
The auditors to be appointed or re-appointed.	
An explanation of the dividend policy, if any dividend is to be declared.	
The amount payable for final dividends.	The amount is disclosed immediately after the declaration thereof by the Board of Directors. The information is nevertheless reflected also in the Definitive Information Statement.
Documents required for proxy vote.	Yes. This is indicated in the Definitive Information Statement.

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

## **2) Treatment of Minority Stockholders**

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

The By-laws and the Manual expressly provides for the protection of its stockholders and the rights of the minority.

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

Yes. Under Section 2, Article III of ALCO's By-laws, all nominations for the election of directors by any of the stockholders must be submitted in writing to the Nomination

Committee through the Secretary at ALCO's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix. The date fixed by the Board is disclosed to the PSE.

## 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.**

ALCO abides by rules and regulations imposed by the SEC and the PSE on disclosure of material information and the Board of Directors, or at the very least, the Executive Committee, approves announcements of this nature. Disclosures of structured reports, particularly those involving ALCO's financials, are reviewed and approved by the Audit Committee with the exception of the release of the audited financial statements which is approved by the Board of Directors.

- 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	Under the Manual, it is the duty of the Board to promote shareholder rights, to remove impediments to the exercise of shareholders' rights, to allow possibilities to seek redress for violation of their rights, and to make necessary information available at all times, subject to legal and contractual constraints, to enable them to make informed decisions.
(2) Principles	
(3) Modes of Communications	The Board is committed at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders by delivery, fax or electronic mail, or by other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future.
(4) Investors Relations Officer	Ms. Sheryll P. Verano <sup>24</sup> Telephone Number (+632) 403-6910 Fax Number (+632) 403-6909 Email Address: <a href="mailto:investorrelations@arthaland.com">investorrelations@arthaland.com</a> Website: <a href="http://www.arthaland.com">www.arthaland.com</a>

- 3) **What are the company's rules and procedures governing the acquisition of corporate**

<sup>24</sup> Ms. Verano was appointed Investor Relations Officer on 08 February 2017. She nevertheless continues to be the Head of Strategic Funding and Investments.



**control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

ALCO stockholders are entitled to exercise all rights granted to them under the law without limitation, including appraisal rights, should they not agree with decisions of Management and/or the Board of Directors, including changes in corporate control, mergers and the sale of substantial portions of corporate assets. ALCO adopts the policy of democracy in the organization.

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

There is none at present but it does not preclude the Board from appointing such independent party as and when the need arises.

#### **L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

As it is ALCO's goal is to create and support environmental awareness, three batches of *Turo* sessions at CP Sta. Teresa Elementary School, Taguig City, was conducted on 26 August 2016 with the theme Education is Adaptation – "Climate Change and Energy Management". Also, an Urban Container Gardening Lecture at Bantayan Island Cebu was held on 23 November 2016. Also, on 01 October 2016, Bloodletting Activity at The Daughters of Charity of St. Vincent de Paul, in cooperation with the Philippine Red Cross.

Further, to date, ALCO's residential and office development projects continue to garner Environmental Leadership Awards from WorldWide Fund for Nature and other reputable award giving bodies for its best practices in supply management procurement strategies, and architectural design for green buildings

#### **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	The Board of Directors assesses its overall performance as well as that of the various committees and the CEO based on the achievement of targets set at the start of the year.	
Board Committees		
Individual Directors		
CEO/President		

#### **N. INTERNAL BREACHES AND SANCTIONS**

**Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.**

Violations	Sanctions
First	Reprimand
Second	Suspension from office. The duration of the suspension depends on the

	gravity of the violation.
Third	The maximum penalty of removal from office.
Others	The commission of a third violation of the Manual by any member of ALCO's Board and Management or those of its subsidiaries and affiliates shall be sufficient cause for removal as a director.

- *Nothing follows.* -

## SIGNATURE PAGE

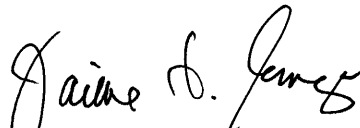
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on in **Taguig City** on this **4<sup>th</sup>** day of **April 2017**.

### ARTHALAND CORPORATION

By:



**ERNEST K. CUYEGKENG**  
*Chairman of the Board*



**JAIME C. GONZÁLEZ**  
*Vice Chairman and President*



**EMMANUEL A. RAPADAS**  
*Independent Director*



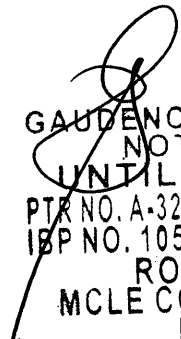
**ANDRES B. STA. MARIA**  
*Independent Director*



**RIVA KHRISTINE V. MAALA**  
*Corporate Secretary and Compliance Officer*

SUBSCRIBED AND SWORN to before me this on this **4<sup>th</sup>** day of **April 2017** at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

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Book No. **8**  
Series of 2017.



GAUDENCIO A. BARBOZA JR.  
NOTARY PUBLIC  
UNTIL DEC. 31, 2018  
PTR NO. A-3217144/1-3-17 TAGUIG CITY  
IBP NO. 1050940/NOV. 8, 2016 RSM  
ROLL NO. 41969  
MCLE COMP. V No. 0021481  
MAY 2, 2016  
APP No. 26/(2017-2018)