

# COVER SHEET

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(Company's Full Name)

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T	E	C	H	N	O	P	A	R	K	,		B	I	N	A	N	,			L	A	G	U	N	A		

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

<b>ATTY. SHEILA MARIE U. TAN</b>
----------------------------------

Contact Person

<b>908-3468</b>
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Company Telephone Number

1	2		3	1
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Month

Day

Fiscal Year

**SEC FORM ACGR**

FORM TYPE

0	4		1	5
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Month

Day

Annual Meeting



Secondary License Type, if Applicable

C	F	D
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Dept. Requiring this Doc.



Amended Articles Number/Section

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Total No. Of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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**Integrated Micro-Electronics, Inc.**

North Science Avenue,  
Laguna Technopark  
Special Export Processing Zone  
Biñan 4024 Laguna  
Philippines

September 9, 2013

Tel (63 49) 541 1015 to 20  
Fax (63 49) 541 1028  
[www.global-imi.com](http://www.global-imi.com)

**Securities and Exchange Commission**  
SEC Building, EDSA, Mandaluyong City

Attention: Ms. Justina F. Callangan  
Director, Corporation & Finance Department

**Philippine Stock Exchange**  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

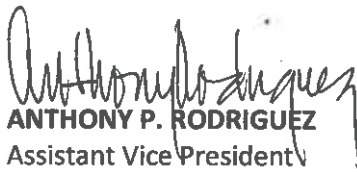
Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Gentlemen:

In relation to the Company's letter dated June 27, 2013 and compliance to SEC Memo Circular No. 5, Series of 2013, please find attached Consularized SEC Form – Annual Corporate Governance Report of Integrated Micro-Electronics, Inc.

We hope that you will find these documents in full compliance to the Commission's requirement.

Very truly yours,

  
**ANTHONY P. RODRIGUEZ**  
Assistant Vice President  
Head, Treasury and Credit



CONSULATE GENERAL OF THE PHILIPPINES  
SAN FRANCISCO, CALIFORNIA

### AUTHENTICATION

I, **REICHEL P. QUINONES**, *CONSUL* of the Republic of the Philippines for Northern California, Alaska, Colorado, Idaho, Montana, Northern Nevada, Oregon, Utah, Washington and Wyoming, duly commissioned and qualified, hereby certify that the below-mentioned official, before whom the attached document was executed, held the office below indicated at the time she signed the attached certificate.

**LIBERTY D. LIZARDO**  
**NOTARY PUBLIC, SANTA CLARA COUNTY, STATE OF CALIFORNIA**

and that full faith and credence ought to be given to his/her official act.

This Consulate General assumes no responsibility for the contents of said document.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Consulate General on AUGUST 18, 2013.

**REICHEL P. QUINONES**  
**CONSUL**

Annexed document is a/an ANNUAL CORPORATE GOVERNANCE REPORT

Fee F : \$25.00  
Service No. : MIL-8584  
R. M : 6981  
Doc. No. : C1496  
Page No. : 295  
Book No. : XXXIII  
Series : 013

*This Certificate is not valid if altered in any way.*

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is filed for the year ended: **December 31, 2012**
2. Exact Name of Registrant as Specified in its Charter: **INTEGRATED MICRO-ELECTRONICS, INC.**
3. Address of principal office: **33<sup>rd</sup> Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City**  
Postal Code: **1226**
4. SEC Identification Number: **94419**
5. Industry Classification Code:  (SEC Use Only)
6. BIR Tax Identification Number: **000-409-747-000**
7. Issuer's Telephone number, including area code: **(632) 756-6840**
8. Former name or former address, if changed from the last report: **Not Applicable**

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Jaime Augusto Zobel de Ayala	NED			January 1995	April 13 2012	AGM	17
Fernando Zobel de Ayala	NED			January 1995	April 13 2012	AGM	17
Delfin L. Lazaro	NED			May 2000	April 13 2012	AGM	12
Arthur R. Tan	ED			July 2001	April 13 2012	AGM	11
Jose Ignacio A. Carlos	NED			December 2006	April 13 2012	AGM	6
Rafael Ma. C. Romualdez	NED			May 1997	April 13 2012	AGM	15
Delfin C. Gonzalez, Jr.	NED			July 2010	April 13 2012	AGM	2
John Eric T. Francia	NED			July 2010	April 13 2012	AGM	2
Hiroshi Nishimura	ID			April 2010	2 yrs	AGM	2
Diosdado P. Banatao	ID			January 1994	18 yrs	AGM	18
Alelie T. Funcell	ID			April 2010	2 yrs	AGM	2

Ms. Nanette E. Calderon, a shareholder of the Company, formally nominated all the 11 candidates. Ms. Calderon is not related to any of the nominees including the nominees for independent directors.

#### (b) Corporate Governance Policies

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.

IMI is dedicated to transparency with regard to our priorities, goals, initiatives, and performance relating to our global business. These efforts represent a continuing investment in our future that enhances stockholder value by making our business more sustainable from an economic, environmental, and social perspective.

IMI's eleven-person Board of Directors primarily represents the shareholders to whom it is accountable for creating and delivering value. Stockholders elect the directors annually. IMI has three independent directors each of whom has no interest or relationship with the company that may hinder his or her independence from the company, which could interfere in the exercise of impartial judgment in carrying out the director's responsibilities.

Board meetings are scheduled at the beginning of the year and held at least quarterly, or as often as necessary, for the board to fulfill its role. The board has five meetings for the year 2012.

Five committees support the board in the performance of specific functions and to aid in good governance: Executive, Compensation, Audit, Finance and Nomination.

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

(c) Review and Approval of Vision and Mission

How often does the Board review and approve the vision and mission?

To ensure good governance of the Corporation, the Board formulates the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

The review of corporate vision and mission is conducted every 2 years during the conglomerate-wide management committee planning meeting.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Arthur R. Tan	PSi Technologies Inc.	Executive
	Speedy-Tech Electronics Ltd.	Executive
	IMI International (Singapore) Pte Ltd.	Executive
Rafael Ma. C. Romualdez	PSi Technologies Inc.	Executive

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime Augusto Zobel de Ayala	Ayala Corporation	Executive
	Globe Telecom, Inc.	Non-Executive
	Bank of the Philippine Islands	Non-Executive
	Manila Water Company, Inc.	Non-Executive
	Ayala Land Inc.	Non-Executive
Fernando Zobel de Ayala	Ayala Corporation	Executive
	Ayala Land Inc.	Non-Executive
	Manila Water Company, Inc.	Non-Executive
	Bank of the Philippine Islands	Non-Executive
	Globe Telecom, Inc.	Non-Executive
John Eric T. Francia	Manila Water Company, Inc.	Non-Executive
Delfin L. Lazaro	Ayala Corporation	Non-Executive

**Jaime Augusto Zobel de Ayala**, Filipino, 53, has served as Chairman of the Board of Directors of IMI since January 1995. He also holds the following positions: Chairman and Chief Executive Officer of Ayala Corporation, Chairman of Globe Telecom, Inc., and Bank of the Philippine Islands; Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of Manila Water Company, Inc.; Co-Vice Chairman of Mermac, Inc.; Vice Chairman of Ayala Land, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte Ltd. and AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board, Children's Hour Philippines, Inc.; Vice Chairman of the Asia Business Council, Makati Business Club, and Asia Society

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



Philippine Foundation, Inc.; Member of The Asia Society, Eisenhower Fellowships, Harvard University Asia Advisory Committee, Harvard Business School Social Enterprises Initiative Advisory Board, Harvard Global Advisory Council, Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum, Asia Pacific Basin Economic Council, Philippine Economic Society, World Wildlife Fund Philippine Advisory Council, Pacific Basin Economic Council and Toshiba International Advisory Group; and Philippine Representative for APEC Business Advisory Council.

**Fernando Zobel de Ayala**, Filipino, 52, has served as a director of IMI since January 1995. He is the Vice Chairman, President, and Chief Operating Officer of Ayala Corporation. He is also the Chairman of Ayala Land, Inc., Manila Water Company, Inc., AC International Finance Ltd., Ayala International Pte Ltd., Ayala DBS Holdings, Inc., Alabang Commercial Corporation, AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Livelt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., Vesta Property Holdings Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corporation, and Manila Peninsula; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council, and World Presidents' Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; Vice Chairman of Habitat for Humanity International; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board and National Museum.

**Jose Ignacio A. Carlos**, Filipino, 43, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc.

**John Eric T. Francia**, Filipino, 41, is a Director of IMI since July 2010. He is also holds the following positions: Chairman and President of PhilNewEnergy, Inc., President of AC Energy Holdings, Inc and AC Infrastructure Holdings Corp.; Director of Manila Water Company, Livelt Investments Ltd., and Integreon Managed Solutions (Philippines), Inc.

**Delfin C. Gonzalez, Jr.**, Filipino, 63, joined the IMI board in July 2010 and became a member of the IMI's Finance Committee. He also holds the following positions in various companies of the Ayala Group: Chairman and President of Water Capital Works, Inc., and Azalea Technology Investments, Inc.; Chairman of Darong Agricultural Development Corporation and AYC Finance Ltd.; and Director of A.C.S.T Business Holdings, Inc., AC International Finance, Ltd., Asiacom Philippines, Inc., Ayala Aviation Corporation, AYC Holdings Ltd., Michigan Holdings, Inc., AC Energy Holdings, Inc., MPM Noodles Corporation, Livelt Investments, Ltd., Azalea International Venture Partners Ltd., and various Ayala international companies.

**Delfin L. Lazaro**, Filipino, 66, has been a director of IMI since May 2000. He also holds the following positions: Director of Ayala Corporation since 2007; Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals, Inc. and AYC Holdings, Inc.; Chairman and President of Purefoods International Ltd., and A.C.S.T. Business Holdings Inc.; Director of Ayala Land, Inc., Globe Telecom, Inc., Manila Water Company, Inc., Ayala DBS Holdings, Inc., AC Energy Holdings, Inc., Ayala International Holdings, Ltd., Bestfull Holdings Limited, AG Holdings, AI North America, Inc., Probe Productions, Inc., and Empire Insurance Company.

**Rafael Ma. C. Romualdez**, Filipino, 49, has been a Director of IMI since May 1997. He is presently a Director of Resins, Inc., RI Chemical Corporation and Claveria Tree Nursery, Inc. He is also the Chairman of the Philippine Iron Construction and Marine Works, Inc., Pigmentex Incorporated, Pacific Resins, Inc., and MC Shipping Corp.

**Diosdado P. Banatao**, American, 66, has been an independent director of IMI since January 1994 up to the present. He has been a Managing Partner of Tallwood Venture Capital, a venture capital firm, since July 2000. Prior to forming Tallwood, he was a venture partner at Mayfield Fund from January 1998 to May 2000. He co-founded three technology start-ups: S3 Incorporated (SBLU), Chips and Technologies (INTC) and Mostron. He also held positions in engineering and general management at National

Semiconductor Corporation, Seeq Technologies and Intersil Corporation. He currently serves on the board of directors at Ikanos Communications, Inphi, Wave Semiconductor and Wilocity. He previously served as Chairman and led investments in SiRF Technology, acquired by CSR (CSR); Marvell Technology Group (MRVL), Acclaim Communications, acquired by Level One (INTC); Newport Communications, acquired by Broadcom (BRCM), Cyras Systems, acquired by Ciena (CIEN), and Stream Machine, acquired by Cirrus Logic (CRUS). He has also served on the board of directors of various privately held companies in the semiconductor industry.

**Alelie T. Funcell**, Filipino, 57, has been an independent director of IMI since April 2010. She is the Founder, CEO, and President of Renewable Energy Test Center. She served as Chief Operating Officer and Senior Vice President of Quality at Solaria, Inc., a manufacturer of Concentrator Photovoltaic products and Vice President of Supplier Management and Manufacturing Operations of Xilinx, Inc., a billion dollar semiconductor company. Prior to Xilinx, she also worked in several semiconductor companies, including Intel, IDT and Silicon Systems. She is credited with numerous patents in the Semiconductor Packaging and Solar Industry. She is twice a recipient of the S.C. Valley YWCA "Tribute to Woman in the Industry" (TWIN) Award in 1994 while at IDT and in 2000 while at Xilinx. She was President of the Filipino-American Association of Milpitas, California in 1994 to 1996, a very active Bay area Filipino organization. She received an award from the FWN, as one of the 100 Most Influential Filipino Women in the United States in 2009.

**Hiroshi Nishimura**, Japanese, 60, has been an independent director of IMI since April 2010. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as a Consultant to the Jesus V. Del Rosario Foundation, Inc. and he served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007.

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jaime Augusto Zobel De Ayala	Ayala Corporation	Chairman, Ayala Corporation
Fernando Zobel De Ayala	Ayala Corporation	Vice-Chairman, President and COO, Ayala Corporation
	Asiacom Philippines, Inc.	Director, Asiacom Philippines, Inc.
Delfin E. Gonzalez, Jr.	Ayala Corporation	CFO, Ayala Corporation
	AYC Holdings, Ltd.	Director, AYC Holdings, Ltd.
Delfin L. Lazaro	Ayala Corporation	Director, Ayala Corporation
Rafael Ma. C. Romualdez	Resins, Inc.	Director, Resins Inc.
Jose Ignacio A. Carlos	Resins, Inc.	Director, Resins Inc.

(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
<b>Executive Director</b>	A director shall exercise due discretion in accepting and holding directorships outside of Integrated Micro-Electronics, Inc. A director may hold any number of directorships outside of Integrated Micro-Electronics, Inc. provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation.	
<b>Non-Executive Director</b>		
<b>CEO</b>		

(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
Jaime Augusto Zobel de Ayala	100	0	.0000
Fernando Zobel de Ayala	100	0	.0000
Delfin L. Lazaro	100	0	.0000
Arthur R. Tan	1,955,452	5,323,800	.4455
Rafael Ma. C. Romualdez	115	0	.0000
Jose Ignacio A. Carlos	115	0	.0000
Diosdado P. Banatao	115	0	.0000
Delfin C. Gonzalez Jr.	100	0	.0000
Hiroshi Nishimura	115	0	.0000
Alelie T. Funcell	115	0	.0000
John Eric T. Francia	100	0	.0000
<b>TOTAL</b>	<b>1,956,527</b>	<b>5,323,800</b>	<b>.4455</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	Jaime Augusto Zobel de Ayala
CEO/President	Arthur R. Tan

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<p>Shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President.</p> <p>Shall schedule meetings to enable the board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;</p> <p>Prepare the meeting's agenda in consultation with the CEO;</p> <p>Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and</p>	<p>The President/CEO shall have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;</p>

	Assist in ensuring compliance with the Corporation's guidelines on Corporate Governance.	
Accountabilities	The Chairman, as member of the Board of Directors, is primarily accountable to the stockholders.	The CEO sees to it that all orders and resolutions of the Board of Directors are carried into effect.
Deliverables	The Chairman shall have other responsibilities as the Board of Directors may impose upon him	<p>The CEO shall submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;</p> <p>Shall report to the Board from time to time all matters within his knowledge which the interest of the Corporation may require to be brought to its notice.</p> <p>The President/ CEO shall have such other responsibilities as the Board of Directors may impose upon him.</p>

### 3) Plan for Succession of CEO/ Managing Director/ President and Top Key Positions

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

The Executive Committee and the Group Head of Human Resources managed a Conglomerate-wide pool of key talents, classified based on specific criteria. The designated positions to be assumed, readiness, interventions needed in terms of training and development and exposures are some of the factors under consideration. The group meets regularly.

### 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.

The Board of Directors has eleven (11) members who are elected by the Corporation's stockholders entitled to vote at the annual meeting. They hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

The Corporation has Independent Directors constituting 20% of the members of the Board, but in no case lower than two (2). The Independent Directors are identified in the annual report.

The membership of the Board may be a combination of executive and non-executive directors, which includes independent directors, in order that no director or small group of directors can dominate the decision-making process.

The Non-executive Directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company

belongs to? Please explain.

A director of IMI shall have the following qualifications:

- a) Ownership of at least one (1) share of the capital stock of the Corporation;
- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;
- c) Relevant qualification, such as previous business experience, membership in good standing in a relevant industry, and membership in business or professional organizations, and
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.
- e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	<p>Foster the long-term success of the Corporation and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stakeholders;</p> <p>Formulate the corporation’s vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management’s performance;</p> <p>Orient all its activities towards three general guidelines:</p> <ol style="list-style-type: none"> <li>a. All actions taken by the Board are subject to the principle of legal permissibility. The Board must, therefore, not infringe on the appropriate provisions of Philippine law and the Corporation’s constitutive documents;</li> <li>b. All actions taken by the Board are subject to the principle of economic usefulness. The Board should, accordingly, contribute to increasing the value of the Corporation in a sustainable manner;</li> <li>c. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed Corporation.</li> </ol> <p>Ensure the presence and adequacy of Internal Control mechanisms for good governance.</p>		
<b>Accountabilities</b>	<p>The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the corporation’s performance, position and prospects on a quarterly basis, including, interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</p>		
<b>Deliverables</b>	<p>Properly discharge Board functions by meeting regularly; Constitute an Audit Committee and such other committee as are required in the By-Laws of the Corporation;</p> <p>Constitute an Audit Committee and such other committees as are required in the By-Laws of the Corporation;</p> <p>Select and appoint a President, CEO and other senior officers with appropriate level of motivation, integrity, competence and professionalism;</p> <p>Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation;</p> <p>Provide sound written policies and strategic guidelines on key capital</p>		

	<p>expenditures, and periodically evaluate and monitor implementation of such policies and strategies including business plans, operating budgets and management’s overall performance. Establish programs that can sustain the Corporation’s long-term viability and strength;</p> <p>Ensure the Corporation’s faithful compliance with all relevant laws, regulations, and as far as possible, best practices;</p> <p>Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the Commission, the PSE and the Corporation’s stockholders on matters of importance by establishing and maintaining an investor relations program;</p> <p>Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such system shall be regularly reviewed and updated for effectiveness;</p> <p>Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;</p> <p>Create an internal self-rating system that can measure the performance of the Board and Management;</p> <p>Cause the Corporation to participate in the Corporate Governance (CG) Survey using the CG Scorecard as an instrument;</p> <p>The Board is primarily responsible to the stockholders for financial reporting and control;</p> <p>Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;</p> <p>Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation’s expense, which expense shall be reasonable;</p> <p>Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;</p> <p>Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws of the Corporation, and in accordance with existing laws, rules and regulations;</p> <p>Appoint a Compliance Officer who shall hold a position of a Managing Director/Vice-President or its equivalent. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.</p>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent Directors hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management and interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The present independent directors held positions in various organizations that are not related to the company.

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

The Company subscribes to the SEC regulation on term limit for independent directors (ID) which provides that IDs can serve for 5 consecutive years. After completion of the five-year service period, the ID has to undergo a two-year cooling period prior to eligibility for re-election for another 5 years. An ID which has served for 10 years will be perpetually barred from being elected in the same company.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2011 annual meeting of stockholders due to any disagreement with the Company relative to the Company's operations, policies and practices.			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>	<p>No person shall be elected nor be competent to hold the office of Director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the corporation at the time of his election.</p> <p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged.</p> <p>a) If he is an officer, manager, or controlling person of, or the owner (either or record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the</p>	
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>b. Re-appointment</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>d. Temporary Disqualification</b>		
(i) Executive Directors		

(ii) Non-Executive Directors	<p>Corporation, or</p> <p>b) If he is an officer, manager, or controlling person of, of the owner (either or record or beneficially of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons' membership in the Board of Directors; or</p> <p>c) If the Board, in the exercise of its judgment in good faith, determine by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (a) and (b).</p> <p>In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.</p> <p>For the proper implementation of this provision, all nomination for election of Directors by the stockholders shall be submitted in writing to the Board of Directors at least thirty (30) business days before the date of the regular meeting.</p> <p>In case any vacancy or vacancies should occur in the Board of Directors during the period between two annual meetings due to death, resignation or other causes, the remaining Directors, if still constituting a quorum, may fill said vacancies by election from among the stockholders, and the stockholders so elected shall act as members of said Board until the new Board of Directors is elected.</p>
(iii) Independent Directors	
<b>e. Removal</b>	
(i) Executive Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	
<b>f. Re-instatement</b>	
(i) Executive Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	
<b>g. Suspension</b>	
(i) Executive Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	

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

Name of Director	Votes Received
Jaime Augusto Zobel de Ayala	100%
Fernando Zobel de Ayala	100%
Arthur R. Tan	100%
Diosdado P. Banatao (Independent Director)	100%
Jose Ignacio A. Carlos	100%
John Eric T. Francia	100%
Alelie T. Funcell (Independent Director)	100%
Delfin C. Gonzales, Jr.	100%
Delfin L. Lazaro	100%
Hiroshima Nishimura (Independent Director)	100%
Rafael Ma. C. Romualdez	100%

#### 6) Orientation and Education Program

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

The company's directors participate in an orientation program in corporate governance in compliance with the requirement of the regulators for listed companies which is certified by the Institute of Corporate Directors in the country.



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

Corporate Governance Orientation Program conducted by Institute of Corporate directors held on December 2, 2010 at Tower One Ayala Triangle, Ayala Avenue, Makati City participated by the Company's Directors and Senior Management.

Directors who have attended Corporate Governance Orientation Program:

Jaime Zobel De Ayala	May 2010
Fernando Zobel De Ayala	May 2010
Arthur R. Tan	December 2010
John Eric T. Francia	July 2010
Delfin L. Lazaro	February 2003
Delfin C. Gonzalez Jr.	September 2012
Hiroshi Nishimura	December 2010

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Rafael Ma. Romualdez	Sept. 16, 2012	Orientation Course on Corporate Governance	The Institute of Corporate Directors

## B. CODE OF BUSINESS CONDUCT & ETHICS

### 1) Policies

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the Corporation so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.		While employees are not prevented from engaging in personal transactions and investments, conduct that actually constitute a conflict of interest, as well as conduct that could be perceived as creating a conflict of interest with the Company's interest is strictly prohibited.
(b) Conduct of Business and Fair Dealings	Each employee, officer and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts or any other unfair dealing practices.		
(c) Receipt of gifts from third parties	An employee may only keep a gift or accept an invitation if: a. it is directly attributable to purely familial or personal relationships; b. its values does not exceed reasonable limits of propriety; c. it is a simple promotional item or is part of		

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	the suppliers promotional program; d. it is part of business meetings or discussions. However, if the gift does not fall under any of the above-mentioned conditions, the Company encourages the employee to turn over the gift to the Human Resources Division for inclusion in the Company raffle in any of the employees' activities.	
(d) Compliance with Laws & Regulations	The Company operates in full compliance with the laws, rules and regulations of the countries in which it operates and recognizes international standards in order to advance social and environmental responsibility.	
(e) Respect for Trade Secrets/Use of Non-public Information	Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights which is embodied in the IMI Intellectual Property (IP) Protection Policy. This policy includes, but is not limited to, confidential information, customer-supplied documentation, information and communication technologies facilities, manufacturing-related IP and intellectual property (scientific, literary, and artistic discoveries, creations and inventions).	
(f) Use of Company Funds, Assets and Information	All employees, officers, and directors should protect the Company's assets and ensure their efficient use and to use these for legitimate business purposes. Theft, carelessness, and waste have direct impact on the Company's profitability.	
(g) Employment & Labor Laws & Policies	IMI is committed to uphold the human rights of employees and to treat them with dignity and respect. It also recognizes international standards (e.g. Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI) and the Ethical Trading Initiative (ETI)) as references.	
(h) Disciplinary action	<p>The Corporation's directors, officers, staff in case of violation of any of the provisions of its Corporate Governance Manual are imposed the following penalties:</p> <ol style="list-style-type: none"> <li>In case of first violation, the subject person is reprimanded;</li> <li>In case of second violation, suspension from office shall be imposed; and</li> <li>For third violation, removal from office.</li> </ol>	The Company shall exercise its inherent rights to discipline or dismiss employees for any serious offense or infraction against the Company Rules and Regulation to maintain a productive, safe, and pleasant working environment
(i) Whistle Blower	<p>The Company has a Whistle Blower Policy which</p> <ol style="list-style-type: none"> <li>Encourages an atmosphere that allows individuals to exercise their obligations to responsibly disclose violations of law and serious breaches of conduct and ethics covered by the Company's Code of Conduct;</li> <li>Protects individuals from retaliation or reprisals by adverse disciplinary or employment penalties as a result of having disclosed wrongful conduct, and;</li> <li>Provides a process to enable individuals who believe they have been subject to reprisal to seek relief from retaliatory acts that fall within the Company's Code of Conduct;</li> <li>Informs individuals how allegations of wrongful conduct may be disclosed.</li> </ol>	
(j) Conflict Resolution	There is no known conflict with any party but in case any dispute arises, the Company's management will meet and discuss the issue and aim to reach a compromise. If otherwise, a final arbitration will be sought.	

2) Dissemination of Code

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

Yes.

3) Compliance with the Code

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

Annually, all supervisors, engineers and managers are required to sign a declaration of compliance to the Code of Conduct.

IMI has a management system designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the IMI's operations and products; (b) conformance with its Code of Ethics, and (c) identification and mitigation of operational risks related to the its Code of Ethics. The Company also does continual improvement activities in the way it conduct its business.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses and sales and purchases of goods on an arms basis and at current market prices at the time of the transactions.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	To date, there are no complaints received by the Company regarding related-party transactions.

(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.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	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.

<b>Directors/Officers/Significant Shareholders</b>	
Company	If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

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

<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	There is no known conflict with any party mentioned but in case any dispute arises, the Company's management will meet and discuss the issue and aim to reach a compromise. If otherwise, a final arbitration will be sought.
<b>Corporation &amp; Third Parties</b>	
<b>Corporation &amp; Regulatory Authorities</b>	

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

## C. BOARD MEETINGS & ATTENDANCE

### 1) Schedule of Meetings

Board meetings are scheduled at the beginning of the year and held at least quarterly, or as often as necessary, for the Board to fulfill its role.

### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jaime Augusto Zobel de Ayala	4/13/12	5	5	100
Member	Fernando Zobel de Ayala	4/13/12	5	3	60
Member	Delfin L. Lazaro	4/13/12	5	4	80
Member	Arthur R. Tan	4/13/12	5	5	100
Member	Jose Ignacio A. Carlos	4/13/12	5	5	100
Member	Rafael Ma. C. Romualdez	4/13/12	5	4	80
Member	Delfin C. Gonzalez, Jr.	4/13/12	5	4	80
Member	John Eric T. Francia	4/13/12	5	5	100
Independent	Hiroshi Nishimura	4/13/12	5	5	100
Independent	Diosdado P. Banatao	4/13/12	5	3	60
Independent	Alelie T. Funcell	4/13/12	5	4	80

### 3) Separate Meeting of Non-Executive Directors

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

None.

### 4) Quorum Requirement

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

Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the PhilSEC.

A majority of the Directors shall constitute a quorum for the holding of a meeting, and any resolution by a majority of the quorum duly convened in a session shall be valid as a corporate act.

The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an independent director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

### 5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

1 to 2 days.

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

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Yes. The Board has separate and independent access to the Corporate Secretary.

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

The Corporate Secretary shall have the following functions.

- i. Serve as an adviser to the directors on their responsibilities and obligations;
- ii. Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- iii. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- iv. Have charge of the stock certificate book and such other books and papers as the Board may direct;
- v. Attend to the giving and serving of notices of Board and stockholder meetings;
- vi. Be fully informed and be part of the scheduling process of other activities of the Board;
- vii. Prepare an annual schedule of Board Meetings and the regular agenda of meetings, and put the Board of notice of such agenda at every meeting;
- viii. Oversee the adequate flow of information to the Board prior to meetings;
- ix. Ensure fulfillment of disclosure requirements to the Commission and the PSE.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

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

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial accounting knowledge.

- (e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	The secretariat of the respective committees coordinates with various business areas for materials and inputs prior to the committee meetings. The materials are distributed to members of each Committee at least 2 days prior to their schedule of meeting.
Audit	
Nomination	
Remuneration	
Others (specify)	

- 6) External Advice

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

Procedures	Details
	The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties for committees. Independent Directors may, when necessary also request and receive support from executives, employees or outside professionals such as auditors, advisers and legal counsel to perform their duties. The Corporation shall cover the reasonable expenses providing such support.

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
	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:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Human Resources Group participates in independently-conducted remuneration surveys to determine the market competitiveness. Adjustment in remuneration is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.	The Human Resources Group participates in independently-conducted remuneration surveys to determine the market competitiveness. Adjustment in remuneration is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board and the Chairman of the Board
(2) Variable remuneration	The Company adopts a performance-based variable pay program aligned with business strategy. It is determined by the Compensation Committee of the Board and duly approved by the Board of Directors.	The Company adopts a performance-based variable pay program aligned with business strategy. The PB Pie is approved by the Compensation Committee of the Board. Individual amount is approved by the Chairman and CEO and the President and COO.
(3) Per diem allowance	In the conduct of business abroad, per diem allowance is provided to reimburse miscellaneous expenses like airport fees, travel tax, taxi fare, laundry and phone allowance.	
(4) Bonus	Refer to Item 2- Variable Remuneration	Refer to Item 2- Variable Remuneration
(5) Stock Options and other financial instruments	The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. Approved by the Board of	The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. Approved by the Board of

	Directors upon the recommendation of the Compensation Committee of the Board.	Directors upon the recommendation of the Compensation Committee of the Board.
(6) Others (specify)		

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<p>Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed 5% of the net income before tax of the Corporation during the preceding year.</p> <p>The Chairman of the Board shall receive such remuneration as may be fixed by the Board of Directors each year, in addition to the per diem and compensation that each Director may be entitled to receive.</p> <p>During the 2008 annual stockholders' meeting, the stockholders ratified the resolution fixing the remuneration of non-executive directors which the Board approved at its meeting on April 30, 2008, as follows:</p> <ol style="list-style-type: none"> <li>a. For each Director – P100,000.00 per diem per Board meeting actually attended;</li> <li>b. For each Board Committee member – P20,000.00 per diem per Committee meeting actually attended.</li> </ol> <p>The executives who are members of the Board of the Company do not receive per diem. Their compensation, as executives of the Company, is included in the compensation table indicated above.</p> <p>None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.</p> <p>The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received herein stated.</p>		
Non-Executive Directors			

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

Remuneration Scheme	Date of Stockholders' Approval
<p>The stockholders ratify all acts and resolutions of the Board and Management during every annual stockholder's meeting including those resolutions pertaining to the structure of fees and compensation of the directors.</p>	



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	The executives who are members of the Board of the Company do not receive per diem. Their corresponding per diem is included in their compensation as executives of the Company.	None	None
(b) Variable Remuneration		None	None
(c) Per diem Allowance		P3,460,000.00	P1,340,000.00
(d) Bonuses		None	None
(e) Stock Options and/or other financial instruments		None	None
(f) Others (Specify)		None	None
<b>Total</b>			

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

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:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. This is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.				

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
<b>Jerome S. Tan</b> , Global Chief Financial Officer	P34,280,000.00
<b>Linardo Z. Lopez</b> , Senior Managing Director, Chief Procurement Officer	
<b>Olaf Gresens</b> , Managing Director, Global Head of Sales and Marketing	
<b>Andrew C. Carreon</b> , Managing Director, Regional Head of Manufacturing Support	
<b>Melita R. Tomelden</b> , Managing Director, Global Head of Quality & Reliability	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	2			<p><b>Executive Committee</b> – is composed of not less than 3 members, a majority of whom shall be citizens of the Philippines.</p> <p>The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to –</p>		

					<ul style="list-style-type: none"> <li>i. Approval of any action for which shareholders' approval is also required;</li> <li>ii. The filling of vacancies on the Board or in the Executive Committee;</li> <li>iii. The amendment or repeal of By-Laws or the adoption of new By-Laws;</li> <li>iv. The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amenable or repealable;</li> <li>v. The distribution of cash dividends; and</li> <li>vi. The exercise of powers delegated by the Board exclusively to other committees, if any.</li> </ul> <p>A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity; provided, however, that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action, and may be subject to the revision or alteration by the Board of Directors; provided that, no rights or acts of third parties shall be affected by any such revision or alteration.</p>
Audit		1	1		<p><b>Audit Committee</b> – is composed of (3) members, and at least of whom shall be an Independent Director. The Independent Director shall chair the Audit Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.</p> <p>The Audit Committee shall have the following duties and responsibilities:</p> <ul style="list-style-type: none"> <li>a. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;</li> <li>b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation, which includes regular receipt from Management of information on risk exposures and risk management activities;</li> <li>c. Be responsible for setting up an internal audit department and consider the</li> </ul>

					<p>appointment of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;</p> <ul style="list-style-type: none"> <li>d. Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope performing its work and communicating its results;</li> <li>e. Provide oversight of the Corporation's internal and external auditors;</li> <li>f. Pre-approve all audit plans, scope and frequency before the conduct of external audit;</li> <li>g. Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;</li> <li>h. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following: <ul style="list-style-type: none"> <li>a. A definitive timetable within which the accounting system of the Corporation will be compliant with International Accounting Standards (IAS);</li> <li>b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.</li> </ul> </li> <li>i. Develop a transparent financial management system that will ensure the integrity of Internal Control activities throughout the Corporation through procedures and policies handbook that will be used by the entire organization;</li> <li>j. Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;</li> <li>k. Review the quarterly, half-year and annual financial statements before submission to the Board, focusin on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards,</li> </ul>
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					<p>and compliance with tax, legal and stock exchange requirements;</p> <ul style="list-style-type: none"> <li>l. Coordinate, monitor and facilitate compliance with laws, rules and regulations;</li> <li>m. Recommend and review the appointment of external auditors and their remuneration;</li> <li>n. Review and approve the proportion of audit versus Non-Audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of non-audit work shall be disclosed in the annual report.</li> </ul>
Nomination		2	1		<p><b>Nomination Committee</b> – is composed of at least 3 members, with at least (1) of whom shall be an Independent Director and a majority of whom shall be directors. The Committee shall have the following functions:</p> <ul style="list-style-type: none"> <li>a. Install and maintain a process to ensure that all directors to be nominated for election at the next annual stockholders meeting have the qualifications and none of the disqualifications previously stated.</li> <li>b. Encourage the selection of a mix of competent directors , each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;</li> <li>c. Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.</li> </ul>
Remuneration		3			<p><b>Compensation Committee</b> – is composed of at least (3) members, one of whom shall be an Independent Director and a majority of whom shall be directors. It shall have the following duties:</p> <ul style="list-style-type: none"> <li>a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</li> <li>b. Designate the amount of remuneration, which shall be in a sufficient level to attract</li> </ul>

					<p>and retain directors and officers who are needed to run the Corporation successfully;</p> <ul style="list-style-type: none"> <li>c. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers which among things, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;</li> <li>d. Disallow any director to decide his own remuneration during his incumbent term;</li> <li>e. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;</li> <li>f. Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;</li> <li>g. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.</li> </ul>
Finance		3			<p><b>Finance Committee</b> – is composed of at least (3) members, a majority of whom shall be directors. The Finance Committee shall have the principal oversight responsibility with respect to the Corporation's financial operation and its treasury related activities. It shall have oversight functions in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management. It shall also have oversight function of the Chief Risk Officer who is the Corporation's ultimate enterprise risk management champion.</p> <p>This function shall include receiving from senior Management periodic information on risk exposures and risk management and risk management activities;</p> <p>The Finance Committee shall define its own Charter and fix its own rules of procedures.</p>

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Delfin L. Lazaro	May 11, 2006	0	N.A.	N.A.	6
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006				6
Member (ED)	Arthur R. Tan	May 11, 2006				6

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Hiroshi Nishimura	April 19, 2010	6	6	100%	2
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006	6	6	100%	6
Member (NED)	Jaime P. Villegas	May 11, 2006	6	6	100%	6

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

- Please refer to the response on item E.1 above.

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

The Audit Committee is expected, through the provision of checks and balances, to support the corporate governance process. They are responsible for the following functions relative to external auditor:

- a. Recommend the appointment of the Independent Auditors and the fixing of their remuneration to the Board.
- b. Review and pre-approval of the Independent Auditor's plans to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit. In this regard, the Committee shall discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed.
- c. Monitoring of the coordination of efforts between the external and internal auditors.
- d. Review of the reports of the Independent Auditors, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control governance and compliance issues.
- e. Conducting a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, and the quality of management, financial and accounting controls.
- f. Review and approval of the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Corporation's year-end financial statements, and total expenditures on consultancy, to ensure that non-audit work will not in conflict with the audit functions of the independent auditor. The amount of both audit and non-audit work of independent auditors shall be disclosed in the annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jaime Augusto Zobel de Ayala	May 11, 2006	1	1	100%	6
Member (NED)	Jose Ignacio P. Carlos	April 26, 2007	1	1	100%	5
Member (ID)	Alelie T. Funcell	April 19, 2010	1	1	100%	2

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Fernando Augusto Zobel de Ayala	May 11, 2006	1	1	100%	6
Member (NED)	Delfin L. Lazaro	May 11, 2006	1	1	100%	6
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006	1	1	100%	6

(e) Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Delfin C. Gonzalez Jr.	July 9, 2010	4	4	100%	2
Member (NED)	John Eric T. Francia	July 9, 2010	4	4	100%	2
Member (NED)	Rafael Ma. C. Romualdez	April 14, 2009	4	4	100%	3

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	None	
Audit	None	
Nomination	None	
Remuneration	None	
Finance	None	

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Approval of counterparty banks and appointment of signatories; Renewal of credit line facilities	



Audit	Review of financial statements of the Company and its subsidiaries
Nomination	Approval of nominees for directorship Appointment of officers
Remuneration	ESOWN matters
Finance	Approval of dollar forward hedging Review of quarterly financial instruments MPO Matters Integration of STEL Endorsed and Approved renewal of credit facilities, risk limits, and loan documents, among others

## 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	The Executive Committee (ExCom) acts on such specific matters within the competence of the board as may occasionally be delegated to the ExCom in accordance with the corporation's By-Laws, except with respect to any action for which shareholders' approval is also required, filling of vacancies on the Board or in the ExCom, amendment or repeal of any resolution of the Board, which by its express terms is not so amendable or repealable, distribution of cash dividends, and the exercise of powers delegated by the board exclusively to other committees, if any.	
Audit	The Audit Committee oversees the Company's internal control and financial reporting on behalf of the Board.	
Nomination	The Nomination Committee ensures that all nominees for directors for election at the annual stockholders' meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and pertinent rules of the SEC. The Committee also reviews the qualifications of all persons nominated to positions requiring appointment by the Board.	
Remuneration	The Compensation Committee establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. It exercises oversight of the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the corporation's culture, strategy, and control environment.	
Finance	The Finance Committee supervises the implementation of an enterprise-wide risk management program and oversees major financial policies. The Company's risk management program involves risk identification, formulation of risk mitigation strategies, and execution of such strategies.	

## F. RISK MANAGEMENT SYSTEM

### 1) Statement on Effectiveness of Risk Management System

Disclose the following:

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

The risk management philosophy is embedded in the IMI's culture that upholds good governance and promotes a regulatory compliant and safe working environment while subscribing to the highest standards of quality service. Consistent with this, IMI supports a fully integrated risk management process and adopts an Enterprise-wide Risk Management framework to cover the full cycle of risk management.

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

The Finance Committee of the Board accounted for the initiatives, progress and effectiveness of the enterprise-wide risk management program and ensures that the risk management system is well in place.

- (c) Period covered by the review;

Annually, or as frequent as the Board Committee would require a review

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

The risk management system review is targeted on a semestral basis, and as often as management calls for its review, with quarterly monitoring of risks.

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

Kindly refer to the answer on letter d.

## 2) Risk Policy

- (a) Company

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

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	The Group manages interest costs using a mix of fixed and variable rate debt.	To manage the exposure to interest rate risk as they relate to the Groups' long-term debt obligation with floating interest rates.
Liquidity Risk	The Group maintains a level of cash and cash equivalent deemed sufficient to finance its operations.	The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations.
Credit Risk	The Group extends credit only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customers' overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to verification procedures.	The Group manages this risk by dealing with institutions for which credit limits have been established.
Foreign Currency Risk	The Group hedges the risk associated with foreign currency	The Group manages its foreign exchange exposure risk by

	fluctuations by entering into currency forward contracts.	matching, as far as possible, receipts and payments in each individual currency. The Group hedges the risk associated with foreign currency fluctuations.
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(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	The Group manages interest costs using a mix of fixed and variable rate debt.	To manage the exposure to interest rate risk as they relate to the Groups' long-term debt obligation with floating interest rates.
Liquidity Risk	The Group maintains a level of cash and cash equivalent deemed sufficient to finance its operations.	The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations.
Credit Risk	The Group extends credit only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customers' overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to verification procedures.	The Group manages this risk by dealing with institutions for which credit limits have been established.
Foreign Currency Risk	The Group hedges the risk associated with foreign currency fluctuations by entering into currency forward contracts.	The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. The Group hedges the risk associated with foreign currency fluctuations

(c) Minority Shareholders

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

Risk to Minority Shareholders
This risk has ramifications that can manifest in related-party transactions. The Company observes measures and policies to protect minority shareholders welfare.

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Interest Rate Risk	The Group monitors the sensitivity of its earnings before income taxes to reasonable possible changes in interest rates	The Group manages its interest rate exposure using a mix of fixed and variable rate debt; It also conducts scenario analysis to measure the impact of changes in interest rates on profit before tax.
Liquidity Risk	The Group regularly evaluates its projected and actual cash flows.	To cover financing requirements, the Group uses internally-generated funds and loan facilities with local and foreign banks.
Credit Risk	The Group regularly monitors its credit exposures and conducts an aging analysis of its loans and receivables and miscellaneous deposits.	The Group has a well-defined credit policy and established credit procedures. It classifies its credit quality of its exposures into Minimal Risk, Average Risk, Fairly High Risk and High Risk – with each classification having a corresponding credit term.
Foreign Currency Risk	Unhedged foreign currency exposure is reviewed and monitored closely on an ongoing basis.	Hedging of foreign currency exposure on a quarterly basis (based on FX hedging policy); Management will consider hedging any material exposure on currency when appropriate.

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Interest Rate Risk	The Group monitors the sensitivity of its earnings before income taxes to reasonable possible changes in interest rates	The Group manages its interest rate exposure using a mix of fixed and variable rate debt; It also conducts scenario analysis to measure the impact of changes in interest rates on profit before tax.
Liquidity Risk	The Group regularly evaluates its projected and actual cash flows.	To cover financing requirements, the Group uses internally-generated funds and loan facilities with local and foreign banks.
Credit Risk	The Group regularly monitors its credit exposures and conducts an aging analysis of its loans and	The Group has a well-defined credit policy and established credit procedures.

	receivables and miscellaneous deposits.	It classifies its credit quality of its exposures into Minimal Risk, Average Risk, Fairly High Risk and High Risk – with each classification having a corresponding credit term.
Foreign Currency Risk	Unhedged foreign currency exposure is reviewed and monitored closely on an ongoing basis.	Hedging of foreign currency exposure on a quarterly basis (based on FX hedging policy); Management will consider hedging any material exposure on currency when appropriate.

(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
Management Committee	Designates risk owners; approves risk responsibilities and accountabilities; and approves risk measurement methodologies	Ensures the sufficiency and effectiveness of the relevant infrastructure for managing risks
Audit Committee	Quarterly oversight review of ERM activities	Oversight of risk management activities in credit, market, liquidity, operational, legal and other risks of the corporation.

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

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

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

The company's definition of internal control is consistent with the COSO definition, which states that "internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of reporting
- Compliance with applicable laws and regulations"

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

The Audit Committee of the Board discusses the audit results and reports of the external auditors and internal auditors on matters related to internal controls and ensure that management is taking appropriate corrective actions.

For internal controls over financial reporting, Management has affirmed in the annual report their responsibility in designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

- (c) Period covered by the review: Annually and/or to the extent of the external auditor and internal auditor’s audit plan.
- (d) How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed periodically to the extent covered by the external auditor and internal auditor’s plan. The criteria for assessing the effectiveness of the internal control system, based on COSO, are as follows:

- Control environment
- Risk assessment
- Information and communication
- Control activities
- Monitoring of controls

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

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.

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
Internal Controls	Review of the adequacy of the system of internal controls to ensure the reliability and integrity of the financial reporting process and operating information, economic and efficient utilization of resources in achieving company objectives, and safeguarding of Company’s assets.	In-house and  Outsourced	Neilson Esguerra and  BDO	Internal control issues, recommendations and management actions are reported to the Audit Committee quarterly.
Risk Management	Participates in risk management workshops and meetings and provide inputs on risk mitigation strategies designed by risk owners.	In-house	Neilson Esguerra	Provides the Audit Committee with updates on the risk management process of the Company.
Compliance	Review of the	In-house	Neilson Esguerra	Compliance issues

	adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.			and management actions are reported to the Audit Committee quarterly.
Corporate Governance	Provide assistance to the Audit Committee in the discharge of the Committee's oversight function with regard to corporate governance	In-house	Neilson Esguerra	Internal audit reports its corporate governance activities to the Audit Committee quarterly and annually.

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

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

The internal audit head has unrestricted access to the audit committee and to all records, properties, and personnel.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Jacqueline G. Oliver	Different role and better compensation in another Company.

(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 2012</b>	The 2012 internal audit plan was approved by the Audit Committee on February 27, 2012. The internal audit progress against plan is being reported to the Committee quarterly and annually.
<b>Issues<sup>6</sup></b>	Internal audit did not raise any issues or compliance matters that arise from adopting different interpretations.
<b>Findings<sup>7</sup></b>	There were no major findings noted during the audit. However relevant internal control improvements were noted and reported to

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

	Management and the Audit Committee. Management established target dates for implementing the recommendations and Internal Audit established plans to monitor implementation.
<b>Examination Trends</b>	Data analyses are normally used to support individual auditing but this is on an ad hoc basis. The analyses are run once, and the results are used only to address specific audit objectives. Internal audit is strongly considering adopting continuous auditing.

[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>
<p>Management has established policies and procedures to ensure proper segregation of duties, authorization of transactions, adequate documentation, and physical control over assets and records.</p> <p>Among others, the Company has policies and procedures on;</p> <ol style="list-style-type: none"> <li>1. Access and Segregation of Duties</li> <li>2. Signing Authorities: <ul style="list-style-type: none"> <li>- Contracts (customers and suppliers)</li> <li>- Purchase Requisitions/Purchase Orders</li> <li>- Checks</li> <li>- Journal vouchers</li> </ul> </li> <li>3. Provisions for Inventory Obsolescence</li> <li>4. Allowance for Doubtful Accounts Receivable</li> <li>5. Foreign Currency Risk Management</li> <li>6. System Backup and Recovery</li> </ol> <p>In addition, the Company has the following ethics related policies and procedures</p> <ol style="list-style-type: none"> <li>7. Code of Conduct, with Annual Declaration of Compliance</li> <li>8. Conflict of Interest Policy, including suppliers</li> <li>9. Insider Trading Policy</li> <li>10. Non-Disclosure Agreement</li> </ol>	<p>The Policies and Procedures enumerated herein exist and are being implemented.</p>



(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts, Investment Banks, and Rating Agencies
<p>1. External Auditors:</p> <p>1.1 The Audit Committee (AC) obtains an annual confirmation from the external auditors that they have maintained their independence with respect to the company in accordance with the external auditor’s independence policies and procedures.</p> <p>1.2 The Audit Committee (AC) conducts a separate meeting in executive session with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately.</p> <p>1.3 The AC reviews and approves the proportion of audit versus non-audit work to ensure that non-audit work will not be in conflict with the audit functions of the external auditor.</p> <p>2. Internal Auditors:</p> <p>2.1 The internal audit activity reports functionally to the Audit Committee (AC).</p> <p>2.2 The internal audit head has open and direct access to the chairman and members of the AC.</p> <p>2.3 The AC has to concur with the appointment, re-assignment, replacement or dismissal of the internal audit head.</p> <p>2.4 The internal audit activity is governed by a charter approved by AC.</p>	<p>The Company’s insider trading policy, which defines the restrictions on trading, covers consultants and advisers. In addition, consultants, advisers, suppliers, and other business partners who may be given access to non-public material information are required to sign a non-disclosure agreement.</p>

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

Jaime G. Sanchez

**H. ROLE OF STAKEHOLDERS**

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

	Policy	Activities
Customers' welfare	The Company continuously identifies, monitors, and understand applicable laws, regulations and customer requirements.	To the extent possible, the company works closely with customers to ensure that there is at least one back up supplier or manufacturer for customer-supplied components or components supplied by customer-nominated suppliers.
Supplier/contractor selection practice	Each employee, officer, and director should endeavor to deal fairly with the Company’s customers, suppliers, competitors, officers and employees. No one should take unfair advantage	The Company has established supplier certification and development programs designed to assess and improve suppliers’ capability in ensuring

	of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices.	uninterrupted supply of components to IMI.
Environmentally friendly value-chain	IMI continuously supports and implements responsible manufacturing to protect the environment and people. Its Hazardous Substance Process Management (HSPM) continuously evolves to support product compliance to customer requirements and compliance to different environmental directives and regulations.	IMI is implementing the following initiatives: 1. Modification of internal HSPM support database to improve compliance verification of materials; 2. Improved support module to communicate IMI requirements to suppliers; 3. Support system to comply with specific customer requirements such as IMDS and CAMDS for Automotive customers, BOMCHECK, and material declaration
Community interaction	<p>The Company is committed to the larger, global community, evident in its faithful dedication to good governance and corporate social responsibility. Beyond the pursuit of profits, IMI places a high priority on Corporate Social Responsibility (CSR) in the communities in which it operates.</p> <p>As part of the Ayala Group, the Company's CSR efforts focus on 3 E's – Education, Environmental protection and Entrepreneurship, aside from its own CSR initiatives to nearby communities.</p>	<p>The Company, through the Ayala Group, is a proponent contributor of GILAS (Gearing up for Internet Literacy Access in Schools) project, which provide internet access to public schools nationwide.</p> <p>The Company annually does tree planting activity for the designated area by the Department of Environment and Natural Resources.</p> <p>CSR projects include blood donation drive; medical outreach; book donation; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren.</p>
Anti-corruption programmes and procedures?	Each employee, officer, and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices.	The Company has standing policies on Corporate Governance and Code of Conduct to which employees and officers subscribe. There is also an internal audit group in addition to an external auditor which oversees that procedures and company policies are being observed and followed.
Safeguarding creditors' rights	All employees are expected to perform their work with utmost integrity, discipline, honesty, sincerity and dedication. Any and all forms of corruption, extortion, embezzlement are strictly prohibited will be punishable up to the extent of immediate termination and legal actions.	The Company has an internal procedure for monitoring its financial indicators against certain thresholds to remain in line with commitments to its creditors.

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

Yes. IMI provides a separate sustainability report section within its Annual Report.

3) Performance-enhancing mechanisms for employee participation.

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

IMI always seeks to minimize the impact of its operations on its people and the environment through the implementation of an integrated Environment, Health, and Safety (EHS) program.

The EHS Organization keeps track of the interrelationship of various functions for developing, managing and implementing the different components of all applicable systems. Teams are in charge of implementing the programs developed to achieve the organization's EHS objectives and targets.

IMI prides itself on an integrated EHS management system that consists of programs in energy management, water conservation, health and safety management, and chemical and waste management.

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

Programs in Place for 2012

Health information campaign on goiter, dengue, HIV, hepatitis-B, tuberculosis, influenza, etc.

Immunization program for employees and their dependents –

-H1N1 & Seasonal Flu

- Hepatitis B

Hypertension Prevention Program

- Identification and Monitoring of hypertensive employees

Programs for 2011

Continuous health information campaign on dengue, HIV, hepatitis-B, tuberculosis, etc.

Immunization program for employees and dependents against influenza and cervical cancer.

(Source: Sustainability Report Section of the 2012 Annual Report)

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

Program for Skills management and lifelong learning for 2012

**Technology**

Sharepoint training; Agile Training; Labview Training

**Behavioral**

Building an Environment of Trust; Values Training (WOWCP); Facilitation Skills Training; Team Building; GL Leadership Training; Transition Leadership Training; Negotiation Skills Training; Essentials of Leadership; Setting Clear Goals; Financial Management; Becoming an Effective Supervisor Training

**Technical**

Agile Training; Agile PLM User Training; AOI-Automated Optical Inspection Fundamentals Training; A/P Related Process Workshop; Corporate General Orientation; Conformal Coating Fundamentals Training; Design Failure Mode & Effect Analysis; DOE-Design of Experiment Training; DFM Training; EMC-Electro Mechanical Compatibility Training; ESD Training; FMEA APIS Training; Flipchip Fundamentals Training; ISO/IEC 17025; IPQ Internal Audit Training; IPC-A-610E Training; Incoterms Training; Jigs & Fixture Buy-off Fundamentals; Lean Manufacturing Training; Labview Core 3 Training; Labview-Basic 1 & 2 Training; MS Excel 2010 Training; MS Powerpoint Training; MSA Overview; Mechanical Fabrication; NI Labview Advanced Architecture Training; Project Management Overview; PCB Design for Manufacturing Training; Programmable Logic Circuit Training, among others.

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

The Company has various rewards system in place that encourages employee productivity and exemplary performance and behavior.

The SGA (Small Group Activity) Award is a recognition given to groups in the manufacturing units that are able

to implement projects that contributes company productivity and product or service quality by offering recommendation to solve recurring problems related to products, services or processes.

The WISE (Work Improvement Suggestion from Employees) Award is a recognition given to employees who provide innovative ideas or suggestions that leads to improvements in systems, quality or processes resulting to financial savings or gain for the Company.

Perfect Attendance award is also given annually to employees in recognition for their perfect attendance and no incidence of tardiness.

- 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.

The Company has a standing "whistleblower policy" which supplements the existing Code of Conduct and protects individuals who make a good faith report about a violation of the Code of Conduct from retaliatory or employment action including dismissal, demotion, suspension, harassment, or other forms of discrimination.

The pertinent sections of the policy relating to the procedures for handling complaints are provided below:

#### **Reporting Violations**

1. The Code addresses the Company's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly and appropriately. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if an employee is not comfortable speaking with his supervisor or is not satisfied with the supervisor's response, he is encouraged to speak with someone in the Human Resources Department or anyone in the management team whom he feels comfortable in approaching.

2. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Company's Ethics Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when one is not satisfied or uncomfortable with following the Company's open door policy, the individual should contact the Internal Audit group.

3. An employee must make a reasonable attempt to ascertain the correctness of any information to be furnished and may be subject to disciplinary actions for knowingly furnishing false information, including suspension or dismissal, as determined by the employee's appointing authority or the appointing authority's designee. However, any employee disciplined under this section is entitled to process an appeal of the disciplinary action under the procedure set forth in any HR Policies.

#### **Ethics Officer**

The HR Head is the designated Ethics Officer. He is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code. All reported complaints and allegations shall be reported to the President and CEO. The Ethics Officer has direct access to the Audit Committee and is required to report to the Audit Committee at least annually on compliance activity. The Ethics Officer is also expected to work closely with the Chief Risk Officer (CRO) for the continuous assessment of ethics related risks and compliance.

#### **Procedure for Reporting**

1. The site HR Head is the designated authority to receive all reports/ complaints made under this Policy. A communication reporting any event/ information of concern may be addressed to the HR Head and may cover, to the extent possible, the following information and details:

- 1.1 What wrongdoing is being reported?
- 1.2 When it occurred?
- 1.3 Specific location where the wrongdoing occurred.
- 1.4 How the individual or firm committed the alleged wrongdoing?
- 1.5 Why the informant believes the activity to be improper?
- 1.6 What documentation exists to corroborate the allegations?
- 1.7 Other witnesses (if any) to the alleged wrongdoing.

2. One may not mention one's name or any other particulars that may identify him.

3. Copies of documents that may help in establishing the veracity of the report may preferably be attached to the complaint or may be submitted later if the report has been made via the hotline. However, care may be taken that these papers do not contain the name or any other particulars indicating the informant's identity.
4. If one has any personal interest in the matter, it must be disclosed at the outset in the forwarding letter/ email message/phone call.
5. The aforesaid note should be sent along with a forwarding letter/ email message containing the identity and contact particulars, preferably including a mobile or landline phone number of the person filing the Report. The envelope containing the Report (when made in paper form) should be marked "Confidential."
6. Any change in the individual functioning as the Ethics Officer will be updated in this Policy as and when it occurs.

### **Process of Handling Reports**

1. The Ethics Officer will personally open all the emails or postal/courier mails pertaining to the matters reported under this Policy. He shall maintain a Corporate Register containing brief particulars of the Reports received under this Policy. He shall assign a Unique Reference Number (URN) to each Report. All communications pertaining to a Report will bear the URN.
2. As soon as possible, but preferably within four weeks of receipt of a Report, the Ethics Officer will write to the informant to:
  - 2.1 Acknowledge that the concern has been received
  - 2.2 Indicate how the Company proposes to deal with the matter
  - 2.3 Give an estimate of how long it will take to provide a full response
  - 2.4 Say whether any initial inquiries have been made
  - 2.5 Supply information on support available to the informant; and
  - 2.6 Say whether further investigations will take place and if not, why not
3. Subject to any legal constraints, the person making a Report will normally be informed of the final outcome of any investigation.
4. Any reference or complaint made to any Senior Management executive of the Company of the nature covered under the ambit of this policy shall be forwarded by the concerned executive to the Ethics Officer and handled in the manner as described above.
5. An annual review will be put up to the Audit Committee and the Board of Directors on the Reports received under this Policy.

### **Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

### **Handling of Reported Violations**

The Ethics Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within (5) five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation. In investigating any report, due process will be observed. For cases that involve top management level, report shall be made directly to the Audit Committee or thru the Internal Audit.

### **No Retaliation**

This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Company prior to seeking resolution outside the Company.

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. Any employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

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

Title of Class	Shareholder	Number of Shares	Percent	Beneficial Owner
Common	AYC Holdings, Ltd.	945,537,373	32.2260%	AYC Holdings, Ltd.
Common	Ayala Corporation	180,492	.0062%	Ayala Corporation
Preferred		596,043,238	20.3145%	
Preferred	Asiacom Philippines, Inc.	460,000,000	15.6778%	Asiacom Philippines, Inc.
Common	PCD Nominee Corporation	239,412,304	8.1597%	Resins, Inc.
Preferred	Resins, Inc.	219,979,398	7.4974%	Resins, Inc.
Common	EPIQ NV	200,000,000	6.8165%	EPIQ NV

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			
<b>TOTAL</b>			

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

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No. The details can be found in the company'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 programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No for 2012; Yes for 2013
Attendance details of each director/commissioner in respect of meetings held	No for 2012; Yes for 2013
Details of remuneration of the CEO and each member of the board of directors/commissioners	No for 2012; Yes for 2013

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
SyCip Gorres Velayo & Company (SGV & Co.)	₱ 3.20M	-

4) Medium of Communication

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

IMI updates the investing public with strategic, operating, and financial information through adequate and timely disclosures filed with the SEC and the Philippine Stock Exchange (PSE). These disclosures are readily available in the company's website.

5) Date of release of audited financial report:

March 01, 2012.

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 (2012)
Bank of the Philippine Islands (BPI)	Affiliate	Current/Savings Accounts	\$749,838
		Receivables	\$417,487
		Revenue	\$58,198
Ayala Group Legal	Affiliate	Expenses	\$72,351
TLI	Affiliate	Receivables	\$8,229
		Payables	\$3,425
		Expenses	\$26,531
ICI	Affiliate	Expenses	\$144,905
GTI	Affiliate	Expenses	\$68,355
STEL	Subsidiary	Receivables	\$21,592,138

		Payables	\$1,518,066
		Revenues	\$2,655,499
EPIQ Subsidiaries	Subsidiary	Receivables	\$10,309,801
		Revenues	\$292,303
PSi	Subsidiary	Receivables	\$7,289,665
		Payables	\$546,135
		PSi	\$68,681
IMI Singapore	Subsidiary	Receivables	\$1,016,936
IMI Japan	Subsidiary	Receivables	\$979,125
		Payables	\$717,056
		Revenues	\$908,796
IMI USA	Subsidiary	Receivables	\$257,652
		Payables	\$125,679
		Revenues	\$2,695,395
		Expenses	\$798,982
IMI ROHQ	Subsidiary	Payables	\$436,367
		Revenues	\$3,859,491
		Expenses	\$55,625

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?

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses and sales and purchases of goods on an arms basis and at current market prices at the time of the transactions.

No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.

To date, there are no complaints received by the Company regarding related-party transactions.

## 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.

<b>Quorum Required</b>	Regular general meetings and duly called special meeting shall be constituted and pass resolutions, provided, over one-half (1/2) of the subscribed and outstanding capital is present or represented except in cases where the Corporation Law requires a greater number.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Voting
<b>Description</b>	<p>The vote of stockholders representing a majority of the issued and outstanding capital stock entitled to vote is required.</p> <p>The Method of Voting is straight and cumulative. In all items for approval, each share of stock entitles its registered owner to one vote.</p> <p>In case of election of directors, each common stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.</p> <p>Voting will be acclamation and will be counted by shares and not per capita. For the purpose of electing directors, voting will be by ballot only if demanded by a stockholder, if there are more nominees than the number of directors to be elected and if it is necessary to determine the winning nominees. The external auditor will validate the ballots.</p>

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Voting Right	None
Pre-emptive Right	
Right of Inspection	
Right of Information	
Right to Dividends	
Appraisal Right	

Dividends

<b>Stock Dividend</b>			
Class	PAYMENT DATE	PERCENT	RECORD DATE
Common shares	Sept. 24, 2010	15%	Aug. 31, 2010

<b>Cash Dividends</b>			
CLASS	PAYMENT DATE	Rate	RECORD DATE
Preferred shares	Feb. 21, 2012	8.25%	Feb. 8, 2012
Preferred shares	May 21, 2012	8.25%	May 9, 2012
Preferred shares	Aug. 23, 2012	8.25%	Aug. 10, 2012
Preferred shares	Nov. 22, 2012	8.25%	Nov. 9, 2012

<b>Cash Dividends</b>			
<b>CLASS</b>	<b>PAYMENT DATE</b>	<b>RATE</b>	<b>RECORD DATE</b>
Common shares	June 6, 2009	n/a*	March 26, 2009
Common shares	May 27, 2010	USD0.0024/PhP0.11	April 30, 2010
Common shares	April 4, 2011	USD0.00099/ PhP0.044	March 9, 2011

\* The Board declared a special cash dividend in 2009 amounting to \$2.0M apportioned to all the common shareholders.

(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.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
The Chairman of the Board encourages a question and answer forum from the participants of the stockholder's meeting and these are documented in the minutes of the meeting.	

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

Shareholders actively participate in corporate decisions mentioned by casting their votes. Resolutions are passed in regular general meetings and duly called special meeting that is constituted, provided, over one-half (1/2) of the subscribed and outstanding capital is present or represented except in cases where the Corporation Law requires a greater number.

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?

- a. Date of sending out notices:

Written notice of each stockholders' meeting stating the date, time and place and, for a special meeting, the purpose(s) for the meeting is called, shall be given by the Corporation not less than fifteen (15) business days prior to the date of the meeting to each stockholder of record, to the stockholder's address as it appears on the record of the stockholders of the Corporation. The written notice may be in paper, digital or electronic medium.

- b. Date of the Annual/Special Stockholders' Meeting:

General meetings may be regular or special, and shall be held at the offices of the Corporation or at any place designated by the Board of Directors in Metro Manila. Regular meeting shall be held annually on any date in April of each year as be determined by the Board of Directors. Special general meetings may be held at any time by resolution of the Board of Directors or at the request of stockholders representing at least one-third of the subscribed capital, setting forth the purpose of such meeting in the notice.

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

The relevant and substantial comments and queries of the stockholders were as follows:

Mr. Philip Turner asked how long will IMI be affected by the Japan and Thailand calamities. Mr. Tan replied that they think that it will take a long time before IMI can recover financially unless infrastructure-related products will be introduced in the market. Mr. Turner also asked what happened to the revenues

expected from PSi. Mr. Tan answered that PSi also had difficulties financially. It was also affected by the global downturn.

Mr. Turner further inquired if turnkey business is profitable. Mr. Tan replied that turnkey is more profitable than consignment. Mr. Guillermo Gili asked how far IMI is compared to Ionics. Mr. Tan replied that, from a sales perspective, IMI is ten times bigger. Mr. Tan also, in reply to Mr. Gili's follow up question, explained the profitability of the consignment arrangement.

Mr. Robert Murillo asked about the profit margin of IMI in the next five years. Mr. Tan replied that IMI expects 10% to 12% gross profit. Mr. Murillo also asked about the current OEM trend. Mr. Tan replied that the market is 70% dominated by OEM. The projected growth is at 7% for the next 5 years.

Mr. Edgar Ngo asked about the status of the plans for the initial public offering. Mr. Jerome S. Tan, Chief Financial Officer, answered that the options are still being reviewed.

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

Resolution	Approving	Dissenting	Abstaining
Approval of Minutes of previous meeting	100%	0%	0%
Annual Report	100%	0%	0%
Ratification of all acts and resolutions of the Board of Directors and Management adopted during the previous year	100%	0%	0%
Election of Directors	100%	0%	0%
Election of Auditors and fixing of their remuneration	100%	0%	0%
Consideration of Other Business as may properly come before the meeting	100%	0%	0%

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

April 15, 2013.

(e) Modifications

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

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	All	April 13, 2012	By show of hands	1.25%	90.46%	91.71%
Special	Not applicable					

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

Yes. The company adopted this policy for its Annual Stockholders' Meeting commencing in 2013.

(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.

(g) Proxy Voting Policies

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

	<b>Company's Policies</b>
Execution and acceptance of proxies	Stockholders and members may vote in person or by proxy in all meetings of stockholders or members. Proxies shall in writing, signed by the stockholder or member and filed before the scheduled meeting with the corporate secretary.
Notary	A proxy need not be notarized.
Submission of Proxy	Proxies shall be submitted not later than ten (10) days prior to the date of the stockholders meeting.
Several Proxies	Where the corporation receives more than one proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.
Validity of Proxy	A proxy shall be valid only for the meeting for which it is intended.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders meeting and election.
Validation of Proxy	In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of Directors which shall be empowered to pass on the validity of proxies. Any dispute that may arise pertaining thereto, shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party, or by the SEC officer supervising the proxy validation process.
Violation of Proxy	Any violation of these guidelines shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code; Section 56 of the Revised Securities Act and PD 902-A, as amended.

(h) Sending of Notices

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

Policies	Procedure
<p>Written notice of each stockholders' meeting stating the date, time, and place and, for a special meeting, the purpose(s) for which the meeting is called, shall be given by the Corporation not less than 15 business days prior to the date of the meeting to each stockholder of record, to the stockholder's address as it appears on the record of stockholders of the Corporation. The written notice may be in paper, digital or electronic medium.</p> <p>The notice of any meeting of the stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by email and addressed as herein provided.</p> <p>The Company may provide information or documents to a stockholder by email or by posting the information or documents on the website of the Company or another electronic network; provided that, a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the latter of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting.</p> <p>The Company shall give notice and provide information or documents electronically, as provided, above, only to stockholders who have consented to receive notices, information, or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Company and has not notified the Company in writing that he requires notices, information or documents to be given him in physical paper form.</p>	

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	607
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	March 20, 2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	March 20, 2012
<b>State whether CD format or hard copies were distributed</b>	CD format, hard copies and electronic mail
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes, stockholders who wished to receive paper copies of the Definitive Information Statement were provided with paper copies.

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes

The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
The minority shareholders shall have the right to propose the holding of meetings and the items in the agenda of the meeting that relate directly to the business of the Corporation and are for legitimate business purposes.	In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of the stockholders' meeting; provided always that, this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

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

Yes. All stockholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board.

## K. INVESTORS RELATIONS PROGRAM

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

IMI's external announcements like press releases emanate from the Marketing Communications office, which is part of the Strategic Planning and Marketing Group. External announcements are approved by the IMI President and CEO as well as relevant Management Committee members. An important external communication policy that the company has is its policy on press releases, advertisements and marketing collaterals. It states that IMI adheres to truth in press releases, advertisements, and marketing collaterals, and that it does not engage in unethical practices.

The Human Resource Division handles internal communications.

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

	Details
(1) Objectives	To inform stakeholders of recent company developments, financial performance, and other relevant matters

(2) Principles	IMI adheres to the values of truth and transparency
(3) Modes of Communications	IMI communicates through letters, email, disclosures, press releases, etc.
(4) Investors Relations Officer	Anthony Raymond P. Rodriguez OIC, IMI Investor Relations Unit Tel. No. 756-6840 local 5300 Email: ir@global-imi.com

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

In case of merger or consolidation, it is the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

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

KPMG.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
IMI continues to take part in social responsibility projects such as blood donation drive; medical outreach; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren. The company has also stepped up its engagement with sustainability through its Environment, Health, and Safety Program; green manufacturing technologies; and clean technology business ventures. These programs embed sustainability in IMI's business model, which seeks to keep up worldwide efforts to facilitate solutions through the design and creation of products that improve the quality of life.	

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

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

	Process	Criteria
<b>Board of Directors</b>	The Company has a Board Self-Assessment survey in place to evaluate the performance and achievements of the members of its Board of Directors.	
<b>Board Committees</b>		
<b>Individual Directors</b>		
<b>CEO/President</b>		

## 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
<p>To strictly observe and implement the provisions of the Company's Corporate Governance Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, staff, in case of violation of any of the provisions of the Manual:</p> <ul style="list-style-type: none"><li>• In case of first violation, the subject person shall be reprimanded;</li><li>• In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;</li><li>• For third violation, removal from office. The commission of a third violation of this manual by any member of the Board shall be a sufficient cause for removal from directorship.</li></ul>	




Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on JUN 27 2013.

SIGNATURES

  
**JAIME AUGUSTO ZOBEL DE AYALA**  
 Chairman, Board of Directors

  
**ARTHUR R. TAN**  
 President & Chief Executive Officer

  
**HIROSHI NISHIMURA**  
 Independent Director


  
**JAIME G. SANCHEZ**  
 Vice President, Deputy CFO & Group Controller  
 Acting Compliance Officer

**SUBSCRIBED AND SWORN** to before me this JUN 27 2013, affiants exhibiting to me their respective Passports as follows:

NAME	PASSPORT NO.	DATE & PLACE OF ISSUE
Jaime Augusto Zobel de Ayala	EB1548914	13 December 2010 – Manila
Arthur R. Tan	EA0025242	29 January 2010 – Manila
Hiroshi Nishimura	TZ0259071	25 August 2004 – Japan
Jaime G. Sanchez	EB4408073	10 January 2012 - Batangas

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 Series of 2013.



  
**ARLENE S. BOBADILLA-MONTERO**  
 Notary Public - Makati City  
 Appt. No. 334 until December 31, 2014  
 Attorney's Roll No. 39682  
 PTR No. 3671486MC; 01-02-2013; Makati City  
 IBP Lifetime Roll No. 06259  
 MCLE Compliance No. III-0010299; 3-18-2010  
 3<sup>rd</sup> Floor, Tower One & Exchange Plaza  
 Ayala Triangle, Ayala Avenue  
 Makati City, Philippines

Notarial DST pursuant to  
 Sec. 188 of the Tax Code  
 affixed on Notary Public's copy.

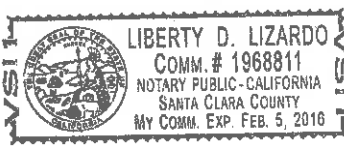
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_, on \_\_\_\_\_.

**SIGNATURE**

*Alelie T. Funnell*

**AELIE T. FUNCELL**  
Independent Director

**SUBSCRIBED AND SWORN** to before me this 16<sup>th</sup> Aug at 2013 Fremont, CA, affiant personally appeared before me and exhibited to me his/her Passport No. 217908868 issued at United States of America on April 26, 2006.



State of California, County of CA  
Subscribed and sworn to (or affirmed) before me on this 15 day of Aug, 2013, by Alelie T. Funnell proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.  
*Liberty D. Lizardo*  
(Signature of Notary)

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Book No. \_\_\_\_\_  
Series of 2013.

