

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

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the year ended: **December 31, 2013**
2. Exact Name of Registrant as Specified in its Charter: **INTEGRATED MICRO-ELECTRONICS, INC.**
3. Address of principal office: **33rd 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**

TABLE OF CONTENTS

| | |
|--|-----------|
| A. BOARD MATTERS | 5 |
| 1) BOARD OF DIRECTORS | |
| (a) Composition of the Board | 5 |
| (b) Corporate Governance Policies..... | 5 |
| (c) Review and Approval of Vision and Vision | 6 |
| (d) Directorship in Other Companies | 6 |
| (e) Shareholding in the Company..... | 8 |
| 2) CHAIRMAN AND CEO..... | 8 |
| 3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS..... | 9 |
| 4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS..... | 9 |
| 5) CHANGES IN THE BOARD OF DIRECTORS | 12 |
| 6) ORIENTATION AND EDUCATION PROGRAM | 13 |
| B. CODE OF BUSINESS CONDUCT & ETHICS | 15 |
| 1) POLICIES..... | 15 |
| 2) DISSEMINATION OF CODE | 16 |
| 3) COMPLIANCE WITH CODE | 16 |
| 4) RELATED PARTY TRANSACTIONS | 16 |
| (a) Policies and Procedures | 16 |
| (b) Shareholding in the Company..... | 17 |
| 5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS..... | 17 |
| 6) ALTERNATIVE DISPUTE RESOLUTION | 18 |
| C. BOARD MEETINGS & ATTENDANCE | 18 |
| 1) SCHEDULE OF MEETINGS | 18 |
| 2) DETAILS OF ATTENDANCE OF DIRECTORS..... | 18 |
| 3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS | 18 |
| 4) QUORUM REQUIREMENT..... | 18 |
| 5) ACCESS TO INFORMATION | 19 |
| 6) EXTERNAL ADVICE | 20 |
| 7) CHANGES IN EXISTING POLICIES..... | 20 |
| D. REMUNERATION MATTERS | 20 |
| 1) REMUNERATION PROCESS | 20 |
| 2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS | 21 |
| 3) AGGREGATE REMUNERATION..... | 22 |
| 4) STOCK RIGHTS, OPTIONS AND WARRANTS..... | 23 |
| 5) REMUNERATION OF MANAGEMENT | 23 |

| | |
|---|-----------|
| E. BOARD COMMITTEES | 24 |
| 1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES | 24 |
| 2) COMMITTEE MEMBERS..... | 28 |
| 3) CHANGES IN COMMITTEE MEMBERS..... | 29 |
| 4) WORK DONE AND ISSUES ADDRESSED..... | 30 |
| 5) COMMITTEE PROGRAM | 30 |
| F. RISK MANAGEMENT SYSTEM | 31 |
| 1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM | 31 |
| 2) RISK POLICY | 31 |
| 3) CONTROL SYSTEM | 33 |
| G. INTERNAL AUDIT AND CONTROL | 35 |
| 1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM | 35 |
| 2) INTERNAL AUDIT | |
| (a) Role, Scope and Internal Audit Function..... | 36 |
| (b) Appointment/Removal of Internal Auditor | 37 |
| (c) Reporting Relationship with the Audit Committee..... | 37 |
| (d) Resignation, Re-assignment and Reasons | 37 |
| (e) Progress Against Plans, Issues, Findings and Examination Trends | 37 |
| (f) Audit Control Policies and Procedures | 38 |
| (g) Mechanisms and Safeguards..... | 38 |
| H. ROLE OF STAKEHOLDERS | 39 |
| I. DISCLOSURE AND TRANSPARENCY..... | 44 |
| J. RIGHTS OF STOCKHOLDERS | 48 |
| 1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS | 48 |
| 2) TREATMENT OF MINORITY STOCKHOLDERS | 54 |
| K. INVESTORS RELATIONS PROGRAM..... | 54 |
| L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES..... | 55 |
| M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL..... | 55 |
| N. INTERNAL BREACHES AND SANCTIONS | 56 |

A. BOARD MATTERS

1) Board of Directors

| | |
|--|-----------|
| Number of Directors per Articles of Incorporation | 11 |
|--|-----------|

| | |
|--|-----------|
| Actual number of Directors for the year | 11 |
|--|-----------|

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) ¹ | Elected when (Annual /Special Meeting) | No. of years served as director |
|------------------------------|---|------------------------------------|---|--------------------|--|--|---------------------------------|
| Jaime Augusto Zobel de Ayala | NED | | | January 1995 | April 12 2013 | AGM | 18 |
| Fernando Zobel de Ayala | NED | | | January 1995 | April 12 2013 | AGM | 18 |
| Delfin L. Lazaro | NED | | | May 2000 | April 12 2013 | AGM | 13 |
| Arthur R. Tan | ED | | | July 2001 | April 12 2013 | AGM | 12 |
| Jose Ignacio A. Carlos | NED | | | December 2006 | April 12 2013 | AGM | 7 |
| Rafael Ma. C. Romualdez | NED | | | May 1997 | April 12 2013 | AGM | 17 |
| Delfin C. Gonzalez, Jr. | NED | | | July 2010 | April 12 2013 | AGM | 3 |
| John Eric T. Francia | NED | | | July 2010 | April 12 2013 | AGM | 3 |
| Hiroshi Nishimura | ID | | | April 2010 | 3 yrs | AGM | 3 |
| Diosdado P. Banatao | ID | | | January 1994 | 19 yrs | AGM | 19 |
| Alelie T. Funcell | ID | | | April 2010 | 3 yrs | AGM | 3 |

Ms. Ceferina S. Santos, a shareholder of the Company, formally nominated all the 11 candidates. Ms. Santos 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 six meetings for the year 2013.

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

¹ Reckoned from the election immediately following January 2, 2013.

(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 Group²

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 | Chairman, Executive |
| | Bank of the Philippine Islands | Chairman, Non-Executive |
| | Globe Telecom, Inc. | Chairman, Non-Executive |
| | Ayala Land Inc. | Vice Chairman, Non-Executive |
| | Manila Water Company, Inc. | Vice Chairman, Non-Executive |
| | Mermac, Inc. | Co-Vice Chairman, Non-Executive |
| | Alabang Commercial Corporation | Non-Executive |
| | Ayala International PTE. Ltd. | Non-Executive |
| | AC Energy Holdings, Inc. | Non-Executive |
| | Fernando Zobel de Ayala | Ayala Corporation |
| Manila Water Company, Inc. | | Chairman, Non-Executive |
| Ayala Land Inc. | | Chairman, Non-Executive |
| Ayala DBS Holdings, Inc. | | Chairman, Non-Executive |
| Alabang Commercial Corporation | | Chairman, Non-Executive |
| AC Energy Holdings, Inc. | | Chairman, Non-Executive |
| AC Finance International Limited | | Chairman, Non-Executive |
| Ayala International PTE. Ltd. | | Chairman, Non-Executive |
| Bank of the Philippine Islands | | Vice Chairman, Non-Executive |
| Livelt Investment, Ltd. | | Vice Chairman, Non-Executive |

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

| | | |
|-----------------------------|-----------------------------------|---------------------------------|
| | Mermac, Inc. | Co-Vice Chairman, Non-Executive |
| | Globe Telecom, Inc. | Non-Executive |
| | Asiacom Philippines, Inc. | Non-Executive |
| | AG Holdings Limited | Non-Executive |
| | Ayala International Holdings Ltd. | Non-Executive |
| | AI North America, Inc. | Non-Executive |
| John Eric T. Francia | Manila Water Company, Inc. | Non-Executive |
| Delfin L. Lazaro | Ayala Corporation | Non-Executive |
| | Philwater Holdings Company, Inc. | Chairman, Non-Executive |
| | AYC Holdings Ltd. | Chairman, Non-Executive |
| | Purefoods International, Ltd. | Chairman, Non-Executive |
| | A.C.S.T. Business Holdings Inc. | Chairman, Non-Executive |
| | Globe Telecom, Inc. | Non-Executive |
| | Ayala Land, Inc. | Non-Executive |
| | Manila Water Company, Inc. | Non-Executive |
| | Ayala DBS Holdings, Inc. | Non-Executive |
| | AC Energy Holdings, Inc. | Non-Executive |
| | Ayala International Holdings Ltd. | Non-Executive |
| | Bestfull Holdings Limited | Non-Executive |
| | AG Holdings | Non-Executive |
| | AI North America, Inc. | Non-Executive |

(iii) Relationship within the Company and its Group

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

| 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 |
|-------------------------------|--|--|
| Executive Director | 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. | |
| Non-Executive Director | | |
| CEO | | |

(e) Shareholding in the Company

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

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|------------------------------|-------------------------|--|--------------------|
| 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 |
| TOTAL | 1,956,527 | 5,323,800 | .4455 |

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>Assist in ensuring compliance with the</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> |

| | | |
|------------------|--|--|
| | 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:

| | Executive | Non-Executive | Independent Director |
|------------------|--|---------------|----------------------|
| Role | <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> <ul style="list-style-type: none"> 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; 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; c. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed Corporation. <p>Ensure the presence and adequacy of Internal Control mechanisms for good governance.</p> | | |
| Accountabilities | <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> | | |
| Deliverables | <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 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</p> | | |

| | |
|--|---|
| | <p>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> |
|--|---|

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 2013 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 |
|--------------------------------------|---|----------|
| a. Selection/Appointment | 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. 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. 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 Corporation, or b) If he is an officer, manager, or controlling person | |
| (i) Executive Directors | | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| b. Re-appointment | | |
| (i) Executive Directors | | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| d. Temporary Disqualification | | |
| (i) Executive Directors | | |
| (ii) Non-Executive Directors | | |

| | |
|------------------------------|--|
| (iii) Independent Directors | <p>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> |
| e. Removal | |
| (i) Executive Directors | |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |
| f. Re-instatement | |
| (i) Executive Directors | |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |
| g. Suspension | |
| (i) Executive Directors | |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |

Voting Result of the last Annual General Meeting (April 12, 2013)

| Name of Director | Votes Received (in favor) |
|--|---------------------------|
| Jaime Augusto Zobel de Ayala | 2,465,272,920 (84.02%) |
| Fernando Zobel de Ayala | 2,464,921,920 (84.01%) |
| Arthur R. Tan | 2,464,932,345 (84.01%) |
| Diosdado P. Banatao (Independent Director) | 2,464,921,345 (84.01%) |
| Jose Ignacio A. Carlos | 2,464,573,013 (84.00%) |
| John Eric T. Francia | 2,464,572,013 (84.00%) |
| Alelie T. Funcell (Independent Director) | 2,464,572,013 (84.00%) |
| Delfin C. Gonzalez, Jr. | 2,464,920,345 (84.01%) |
| Delfin L. Lazaro | 2,464,920,345 (84.01%) |
| Hiroshima Nishimura (Independent Director) | 2,464,572,013 (84.00%) |
| Rafael Ma. C. Romualdez | 2,464,572,013 (84.00%) |

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 Management³ 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 |

Board of Directors and Key Officers of the Company has attended a recently concluded Ayala Corporate Governance and Risk Management Summit held on February 4, 2014 at the Fairmont Makati. The summit was administered by the Institute of Corporate Directors, a training provider accredited by the Commission.

| Directors | Key Officers |
|------------------------------|------------------------------|
| Jaime Augusto Zobel de Ayala | Jerome S. Tan |
| Fernando Zobel de Ayala | Linardo Z. Lopez |
| Arthur R. Tan | Anthony Raymond P. Rodriguez |
| Jose Ignacio A. Carlos | Solomon M. Hermosura |
| John Eric T. Francia | Christian Gerard P. Castillo |
| Delfin C. Gonzalez Jr. | |
| Delfin L. Lazaro | |
| Hiroshi Nishimura | |
| Rafael Ma. C. Romualdez | |

- (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 |
| Jose Ignacio A. Carlos | Sept. 5, 2013 | Orientation Course on Corporate Governance | The Institute of Corporate Directors |

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

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 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 | 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: <ul style="list-style-type: none"> a. In case of first violation, the subject person is reprimanded; b. In case of second violation, suspension from office shall be imposed; and c. For third violation, removal from office. | | 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> <p>1.1 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;</p> <p>1.2 Protects individuals from retaliation or reprisals by adverse disciplinary or employment penalties as a result of having disclosed wrongful conduct, and;</p> <p>1.3 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;</p> <p>1.4 Informs individuals how allegations of wrongful conduct may be disclosed.</p> | |
| (j) Conflict Resolution | <p>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.</p> | |

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 | <p>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.</p> <p>No other transaction was undertaken by the Company in which any director or executive officer was involved or had a</p> |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/parents | |
| (7) Directors including spouse/children/siblings/parents | |

| | |
|--|--|
| (8) Interlocking director relationship of Board of Directors | <p>direct or indirect material interest.</p> <p>To date, there are no complaints received by the Company regarding related-party transactions.</p> |
|--|--|

(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.

| | Directors/Officers/Significant Shareholders |
|---------|--|
| 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,⁴ 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 | | |
| | | |
| | | |

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

- (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.

| Alternative Dispute Resolution System | |
|---------------------------------------|---|
| Corporation & Stockholders | 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. |
| Corporation & Third Parties | |
| Corporation & Regulatory Authorities | |

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 | 4/12/13 | 6 | 6 | 100 |
| Member | Fernando Zobel de Ayala | 4/12/13 | 6 | 4 | 67 |
| Member | Delfin L. Lazaro | 4/12/13 | 6 | 5 | 83 |
| Member | Arthur R. Tan | 4/12/13 | 6 | 6 | 100 |
| Member | Jose Ignacio A. Carlos | 4/12/13 | 6 | 6 | 100 |
| Member | Rafael Ma. C. Romualdez | 4/12/13 | 6 | 6 | 100 |
| Member | Delfin C. Gonzalez, Jr. | 4/12/13 | 6 | 6 | 100 |
| Member | John Eric T. Francia | 4/12/13 | 6 | 4 | 67 |
| Independent | Hiroshi Nishimura | 4/12/13 | 6 | 6 | 100 |
| Independent | Diosdado P. Banatao | 4/12/13 | 6 | 0 | - |
| Independent | Alelie T. Fucell | 4/12/13 | 6 | 5 | 83 |

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 papers⁵ 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?

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:

⁵ 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 /

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 | 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. | 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 Directors upon the recommendation of the Compensation Committee of the Board. | 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. |
| (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"> a. For each Director – P100,000.00 per diem per Board meeting actually attended; b. For each Board Committee member – P20,000.00 per diem per Committee meeting actually attended. | | |
| Non-Executive Directors | | | |

| | |
|--|---|
| | <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> |
|--|---|

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 (2013):

| 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 | | P4,700,000.00 | P1,200,000.00 |
| (d) Bonuses | | None | None |
| (e) Stock Options and/or other financial instruments | | None | None |
| (f) Others (Specify) | | None | None |
| Total | | | |

| 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 |
| Total | 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 **2013**:

| Name of Officer/Position | Total Remuneration |
|--|--------------------|
| Jerome S. Tan , Global Chief Financial Officer | P42,446,800.00 |
| Linardo Z. Lopez , Senior Managing Director, Chief Procurement Officer | |
| Olaf Gresens , Managing Director, Global Head of Sales and Marketing | |
| Andrew C. Carreon , Managing Director, Regional Head of Manufacturing Support | |
| Melita R. Tomelden , 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>Executive Committee – 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> <ol style="list-style-type: none"> i. Approval of any action for which shareholders’ approval is also required; ii. The filling of vacancies on the Board or in the Executive Committee; iii. The amendment or repeal of By-Laws or the adoption of new By-Laws; iv. The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amenable or repealable; v. The distribution of cash dividends; and vi. The exercise of powers delegated by the Board exclusively to other committees, if any. <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>Audit and Risk Committee – is composed of (3) members, and at least one of whom shall be an Independent Director. The Independent Director</p> | | |

| | | | | | |
|--|--|--|--|--|--|
| | | | | | <p>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> <ol style="list-style-type: none"> a. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements; b. Provide oversight over the Company's enterprise risk management (ERM) process by ensuring that a risk management structure or framework and policies and procedures exist and providing continuous input, evaluation and feedback on the effectiveness of the ERM process. Provide also oversight over the Chief Risk Officer (CRO) who is the Corporation's ultimate ERM champion. The Committee shall receive from the CRO periodic risk assessments and risk mitigation and action plans; c. Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive so that the reporting levels allow the internal audit activity to fulfil its responsibilities; 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; e. Provide oversight of the Corporation's internal and external auditors; f. Pre-approve all audit plans, scope and frequency before the conduct of external audit; 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; h. Ensure that Management formulates accounting/reporting processes and practices in accordance with International/Philippine Financial Reporting Standards i. Develop a transparent financial management system that will ensure |
|--|--|--|--|--|--|

| | | | | | |
|------------|--|---|---|--|---|
| | | | | | <p>the integrity of Internal Control activities throughout the Corporation through procedures and policies handbook that will be used by the entire organization;</p> <ul style="list-style-type: none"> 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; k. Review the quarterly, half-year and annual financial statements before submission to the Board, focus in on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements; l. Coordinate, monitor and facilitate compliance with laws, rules and regulations; m. Recommend and review the appointment of external auditors and their remuneration; 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. |
| Nomination | | 2 | 1 | | <p>Nomination Committee – 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"> 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. 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; c. Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board. |

| | | | | | |
|--------------|--|---|--|--|---|
| | | | | | |
| Remuneration | | 3 | | | <p>Compensation Committee – 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"> 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; b. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully; 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; d. Disallow any director to decide his own remuneration during his incumbent term; 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; 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; g. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above. |
| Finance | | 3 | | | <p>Finance Committee – 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, and other financial risks of the Corporation.</p> |

| | | | | | |
|--|--|--|--|--|---|
| | | | | | <p>This function shall include receiving from senior Management periodic information on financial risk exposures and corresponding risk mitigations.</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 | 4 | 4 | 100% | 3 |
| Member (NED) | Rafael Ma. C. Romualdez | May 11, 2006 | 4 | 4 | 100% | 7 |
| Member (NED) | Delfin C. Gonzalez Jr. | June 21, 2013 | 4 | 2 | 50% | Less than 1 yr. |
| Member | Jaime P. Villegas (replaced by Delfin C. Gonzalez Jr.) | May 11, 2006 | 4 | 2 | 50% | 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:

- Recommend the appointment of the Independent Auditors and the fixing of their remuneration to the Board.
- 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.
- Monitoring of the coordination of efforts between the external and internal auditors.
- 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.
- 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 (replaced by FZA effective April 12, 2013) | May 11, 2006 | 1 | 1 | 100% | 7 |
| Chairman (NED) | Fernando Zobel de Ayala (effective April 12, 2013) | April 12, 2013 | 1 | 0 | 0 | Less than 1 yr. |
| Member (NED) | Jose Ignacio P. Carlos | April 26, 2007 | 1 | 1 | 100% | 6 |
| Member (ID) | Alelie T. Funcell | April 19, 2010 | 1 | 1 | 100% | 3 |

(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 | 0 | 0 | 0 | 7 |
| Member (NED) | Delfin L. Lazaro | May 11, 2006 | 0 | 0 | 0 | 7 |
| Member (NED) | Rafael Ma. C. Romualdez | May 11, 2006 | 0 | 0 | 0 | 7 |

(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% | 3 |
| Member (NED) | John Eric T. Francia | July 9, 2010 | 1 | 4 | 25% | 3 |
| Member (NED) | Rafael Ma. C. Romualdez | April 14, 2009 | 4 | 4 | 100% | 4 |

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 | Delfin C. Gonzalez Jr. | Jaime P. Villegas was replaced by Delfin C. Gonzalez Jr. effective September 2, 2013. |
| Nomination | Fernando Zobel de Ayala | Jaime Augusto Zobel de Ayala was replaced by FZA effective April 12, 2013. |
| 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 | The Group manages this risk by dealing with institutions for which credit limits have been |

| | | |
|-----------------------|---|---|
| | 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. | 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. |

(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 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. |

(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.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|----------------------|--|--|--|--|
| 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 adequacy, existence and degree of adherence to Company policies, procedures and sound business practices. | In-house | Neilson Esguerra | Compliance issues 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 |
|---------------------|--------|
| None | |
| | |
| | |

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

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

| | |
|------------------------------------|--|
| Progress Against Plans 2013 | The 2013 internal audit plan was approved by the Audit Committee on February 19, 2013. The internal audit progress against plan is being reported to the Committee quarterly and annually. |
| Issues⁶ | Internal audit did not raise any issues or compliance matters that arise from adopting different interpretations. |
| Findings⁷ | There were no major findings noted during the audit. However relevant internal control improvements were noted and reported to Management and the Audit Risk Committee. Management established target dates for implementing the recommendations and Internal Audit established plans to monitor implementation. |
| Examination Trends | 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;

⁶ “Issues” are compliance matters that arise from adopting different interpretations.

⁷ “Findings” are those with concrete basis under the company’s policies and rules.

- 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.”

| Policies & Procedures | Implementation |
|--|---|
| <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"> 1. Access and Segregation of Duties 2. Signing Authorities: <ul style="list-style-type: none"> - Contracts (customers and suppliers) - Purchase Requisitions/Purchase Orders - Checks - Journal vouchers 3. Provisions for Inventory Obsolescence 4. Allowance for Doubtful Accounts Receivable 5. Foreign Currency Risk Management 6. System Backup and Recovery <p>In addition, the Company has the following ethics related policies and procedures</p> <ol style="list-style-type: none"> 7. Code of Conduct, with Annual Declaration of Compliance 8. Conflict of Interest Policy, including suppliers 9. Insider Trading Policy 10. Non-Disclosure Agreement | <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 |
|---|---|
| <ol style="list-style-type: none"> 1. External Auditors: <ol style="list-style-type: none"> 1.1 The Audit and Risk Committee (ARC) 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. 1.2 The ARC 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. 1.3 The ARC 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>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-</p> |

| | |
|--|---|
| <p>2. Internal Auditors:</p> <p>2.1 The internal audit activity reports functionally to the ARC.</p> <p>2.2 The internal audit head has open and direct access to the chairman and members of the ARC.</p> <p>2.3 The ARC 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 ARC.</p> | <p>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 of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices. | The Company has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring 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 | 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 | 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 |

| | | |
|--|--|--|
| | <p>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>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 programs and procedures? | <p>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.</p> | <p>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.</p> |
| Safeguarding creditors' rights | <p>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.</p> | <p>The Company has an internal procedure for monitoring its financial indicators against certain thresholds to remain in line with commitments to its creditors.</p> |

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 | | | |
| TOTAL | | | |

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.) - 2013 | ₱ 3.36M | ₱ 1.35M |
| SyCip Gorres Velayo & Company (SGV & Co.) - 2012 | ₱ 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:

February 17, 2014.

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

Below are the details of the Company's Related Party Transactions which formed part of the Company's December 2013 audited financial statements:

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an affiliate

As of December 31, 2013 and 2012, the Group maintains current and savings accounts, and other short-term investments with BPI as follows:

| | 2013 | 2012 |
|------------------------|------------------|--------------------|
| Cash in bank | \$772,267 | \$749,838 |
| Short-term investments | - | 1,318,027 |
| | \$772,267 | \$2,067,865 |

Total interest income earned from investments with BPI amounted to \$2,639 in 2013, \$22,652 in 2012 and \$10,402 in 2011.

b. Outstanding balances of the Group's related party transactions with its affiliates follow:

| | Receivables | | Payables | |
|-----------------------------------|------------------|------------------|-----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| BPI | \$109,854 | \$417,487 | \$18,267 | \$- |
| Narra VC | 91,792 | 91,792 | - | - |
| TLI | 16,807 | 8,229 | - | 3,425 |
| Innovate Communication Inc. (ICI) | - | - | 17,742 | 1,994 |
| Globe Telecom, Inc. (GTI) | - | - | 1,090 | 871 |
| Ayala Group Legal (AG Legal) | - | - | 4,505 | - |
| | \$218,453 | \$517,508 | \$41,604 | \$6,290 |

- i. Receivables from BPI are nontrade in nature and pertain to retirement and separation pay advanced by the Parent Company but reimbursable from the trust fund with BPI. These are noninterest-bearing and are due quarterly.
- ii. PSI's outstanding receivables from Narra VC are nontrade in nature and represent payments made by PSI to settle the Pre-Completion Liabilities and which will be later reimbursed from the New Investors.
- iii. Receivables from TLI are nontrade in nature and pertain to advances by the Parent Company for various expenses incurred by TLI, primarily on real property taxes and corporate secretarial services. These are reimbursable with a 30-day term.
- iv. Payables to BPI are nontrade in nature and pertain to outstanding housing and automobile financing loans. The outstanding housing and automobile financing loans arise from timing differences of the remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages. The loan reductions are remitted on a monthly basis.
- v. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.
- vi. Payables to GTI pertain to billings for Blackberry cellphone charges, software and WiFi connections. These are due and demandable.
- vii. Payables to AG Legal are nontrade in nature and pertain to legal services provided to the Parent Company and PSI. These are noninterest-bearing and are due within 30 days.
- viii. Payables to TLI are nontrade in nature and pertain to the lease contract between the Parent Company and TLI (see Note 28).

c. Outstanding balances of related party transactions within the Group follow:

| | Receivables | | Payables | |
|------------------------|---------------------|---------------------|---------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| STEL | \$24,204,080 | \$21,592,138 | \$8,390,188 | \$1,518,066 |
| IMI EU/MX Subsidiaries | 14,705,805 | 11,060,830 | - | - |
| PSi | 11,319,929 | 7,289,665 | 415,317 | 415,317 |
| IMI Singapore | 1,010,247 | 1,016,936 | - | - |
| IMI Japan | 979,526 | 979,125 | 712,569 | 717,056 |
| IMI USA | 250,405 | 257,652 | 289,146 | 125,679 |
| IMI ROHQ | 253,323 | - | 1,212,240 | 436,367 |
| | \$52,723,315 | \$42,196,346 | \$11,019,460 | \$3,343,303 |

- i. Receivables from STEL, IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan and IMI USA are nontrade in nature and pertain to operating cash advances made by the Parent Company.

Claims from subsidiaries that have been billed are presented as “Nontrade receivables,” while those still for billing are recognized as “Advances to related parties” in the financial statements of the Parent Company.

Advances to STEL, IMI Singapore, IMI Japan and IMI USA are noninterest-bearing and are due on demand.

Advances to PSi, IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.24% to 3.24% in 2013 and 2.31% to 2.81% in 2012.

Receivables from IMI ROHQ are nontrade in nature and represent the pension expense for IMI ROHQ’s employees to be funded by the Parent Company upon availment. These receivables are due on demand.

- ii. Payables to STEL pertain to various expenses of the Parent Company advanced by IMI Singapore and its subsidiaries such as travel expenses of the Parent Company’s personnel when going to STEL for business purposes. These advances are noninterest-bearing and are payable on demand.
- iii. Payables to PSi represent payments to settle certain liabilities that had arisen prior to the entry of New Investors and which have been identified as Pre-Completion Liabilities. Pursuant to the Agreement, the Old Investors and the New Investors shall reimburse PSi for these payments to the extent of two-thirds (2/3) and one-third (1/3) of the amounts, respectively, for the first \$3.00 million of the Pre-Completion Liabilities, with the Old Investors absorbing any amount in excess, but only to the extent of the value of the shares that will be eventually sold to the New Investors under the put and call options provision.
- iv. Payables to IMI Japan and IMI USA are trade in nature and pertain to the services rendered by IMI Japan and IMI USA. These receivables are with a 30-day term.
- v. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company and PSi which serves as a supervisory, communications and coordinating center for its affiliates.

- d. Revenue/income and expenses from the Group’s affiliates follow:

| | Revenue/Income | | | Expenses | | |
|----------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| MWAP | \$9,971 | \$8,885 | \$– | \$– | \$– | \$– |
| TLI | 7,713 | – | – | 26,328 | 26,531 | – |
| BPI | 2,639 | 58,198 | 252,370 | – | – | – |
| AG Legal | – | – | – | 82,818 | 72,351 | 110,786 |
| ICI | – | – | – | 88,266 | 144,905 | 203,951 |
| GTI | – | – | – | 70,438 | 68,355 | 88,248 |
| | \$20,323 | \$67,083 | \$252,370 | \$267,850 | \$312,142 | \$402,985 |

Revenue/income from its affiliates pertains to the following transactions:

- i. Rent income earned by STEL from lease of its office premises (see Note 28).
- ii. In 2013, the Parent Company and TLI entered into a service agreement for the Parent Company to provide TLI administrative services such as professional, clerical, financial and accounting services. The administrative services shall be for a period of three (3) years, commencing on January 2, 2013 up to December 31, 2015, renewable upon mutual agreement by both parties. The fixed monthly service fee is ₱30,000, inclusive of all taxes.
- iii. Interest income earned from investments and gain on foreign currency forwards with BPI.

Expenses incurred from related party transactions include:

- i. Rent expense from the lease contract with TLI (see Note 28).
- ii. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
- iii. Building rental, leased lines, internet connections and ATM connections with ICI.

iv. Purchases of Blackberry software and billings for cellphone charges and WiFi connections with GTI.

e. Revenue and expenses eliminated at the Group level follow:

| | Revenue | | | Expenses | | |
|---------------------------|--------------------|--------------|-------------|------------------|-------------|----------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| IMI ROHQ | \$4,649,240 | \$3,859,491 | \$3,130,303 | \$- | \$55,625 | \$50,702 |
| IMI USA | 2,441,304 | 2,695,395 | 128,047 | - | 798,982 | - |
| IMI Japan | 808,166 | 908,796 | - | - | - | - |
| STEL | - | 2,665,499 | 4,887,483 | 261,711 | - | - |
| IMI EU/MX Subsidiaries | - | - | - | 326,379 | 267,119 | - |
| PSi | - | - | - | 205,516 | 68,681 | - |
| | \$7,898,710 | \$10,129,181 | \$8,145,833 | \$793,606 | \$1,190,407 | \$50,702 |

Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to the Parent Company for recovery costs, billings for management salaries of key management personnel under IMI ROHQ and interest income from loans granted to PSi, IMI MX and CZ by the Parent Company.

Expenses incurred from related party transactions include:

- i. Allocation of pension expense covering IMI ROHQ's employees.
- ii. Professional fees from IMI USA and IMI Japan.
- iii. Interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company

Compensation of Key Management Personnel of the Group

Key management personnel of the Group include all management committee members. Compensation of key management personnel by benefit type follows:

| | 2013 | 2012 |
|------------------------------|--------------------|-------------|
| Short-term employee benefits | \$7,294,687 | \$6,264,578 |
| Post-employment benefits | 378,920 | 258,904 |
| Share-based payments | 5,262 | 24,793 |
| | \$7,678,869 | \$6,548,275 |

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.

| | |
|------------------------|--|
| Quorum Required | 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. |
|------------------------|--|

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|--------------------|--|
| System Used | Voting |
| Description | <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

| Stock Dividend | | | |
|-----------------------|----------------|---------|---------------|
| Class | PAYMENT DATE | PERCENT | RECORD DATE |
| Common shares | Sept. 24, 2010 | 15% | Aug. 31, 2010 |

| Cash Dividends | | | |
|-----------------------|---------------|-------|---------------|
| 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 |

| Cash Dividends | | | |
|-----------------------|---------------|----------------------|----------------|
| CLASS | PAYMENT DATE | RATE | RECORD DATE |
| 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.

| Measures Adopted | Communication Procedure |
|---|-------------------------|
| 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:

April 12, 2013

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. Guillermo Gili asked if the Corporation manufactures parts used for missiles. Mr. Arthur Tan replied that he is not aware that it does but the Corporation manufactures gyroscope for aeroscopes. The Corporation is not informed of the end-of-use of the parts it manufactures.

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

| Resolution | Approving | Against | Abstaining |
|--|-----------|---------|------------|
| Approval of Minutes of previous meeting | 84.07% | 0.00% | 0.003% |
| Annual Report | 84.05% | 0.00% | 0.06% |
| Ratification of all acts and resolutions of the Board of Directors and Management adopted during the previous year | 84.05% | 0.01% | 0.05% |
| Election of Auditors and fixing of their remuneration | 84.07% | 0.00% | 0.03% |

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 12, 2013 | By Poll | 84.0982%* | 0.0075%* | 84.1057%* |
| Special | Not applicable | | | | | |

*of total outstanding shares as of ASM record date

(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.

| | Company's Policies |
|-------------------------------------|--|
| 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

| | |
|--|---|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 645 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | March 19, 2013 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | March 19, 2013 |
| State whether CD format or hard copies were distributed | CD format, hard copies and electronic mail |
| If yes, indicate whether requesting stockholders were provided hard copies | 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 |
|----------------------|--|----------|
| Board of Directors | The Company has a Board Self-Assessment survey in place to evaluate the performance and achievements of the members of its Board of Directors. | |
| Board Committees | | |
| Individual Directors | | |
| CEO/President | | |

N. INTERNAL BREACHES AND SANCTIONS

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

| Violations | Sanctions |
|--|-----------|
| <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">• In case of first violation, the subject person shall be reprimanded;• 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;• 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. | |



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

SECRETARY'S CERTIFICATE

I, **NIMFA AMBROSIA L. PEREZ-PARAS**, being the duly elected, qualified and incumbent Assistant Corporate Secretary of **INTEGRATED MICRO-ELECTRONICS, INC.** (the "Corporation"), do hereby certify that:

1. The following updates and changes in the Corporation's 2013 Consolidated Changes in the Annual Corporate Governance Report are supported by the minutes of the 12 April 2013 Annual Stockholders' Meeting (ASM):
 - a. Voting results on the election of directors during the last ASM

"As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes received by the nominees are as follows:

| | For | Against* | Abstain* |
|------------------------------|---------------|----------|----------|
| Jaime Augusto Zobel de Ayala | 2,465,272,920 | 0 | 428,874 |
| % of Shares Voted | 84.02% | 0% | 0.01% |
| Fernando Zobel de Ayala | 2,464,921,920 | 0 | 428,874 |
| % of Shares Voted | 84.01% | 0% | 0.01% |
| Delfin L. Lazaro | 2,464,920,345 | 0 | 428,874 |
| % of Shares Voted | 84.01% | 0% | 0.01% |
| Arthur R. Tan | 2,464,932,345 | 0 | 428,874 |
| % of Shares Voted | 84.01% | 0% | 0.01% |
| Delfin C. Gonzalez, Jr. | 2,464,920,345 | 0 | 428,874 |
| % of Shares Voted | 84.01% | 0% | 0.01% |
| John Eric T. Francia | 2,464,572,013 | 0 | 428,874 |
| % of Shares Voted | 84.00% | 0% | 0.01% |
| Rafael Ma. C. Romualdez | 2,464,572,013 | 0 | 428,874 |
| % of Shares Voted | 84.00% | 0% | 0.01% |
| Jose Ignacio A. Carlos | 2,464,573,013 | 0 | 428,874 |
| % of Shares Voted | 84.00% | 0% | 0.01% |
| Alelie T. Funcell | 2,464,572,013 | 0 | 428,874 |
| % of Shares Voted | 84.00% | 0% | 0.01% |
| Hiroshi Nishimura | 2,464,572,013 | 0 | 428,874 |
| % of Shares Voted | 84.00% | 0% | 0.01% |
| Diosdado P. Banatao | 2,464,921,345 | 0 | 428,874 |
| % of Shares Voted | 84.01% | 0% | 0.01% |

*Votes "Against" have no effect on the outcome of the election. Under the Corporation Code of the Philippines, the election of directors is by plurality of votes. Abstentions also have no effect on the outcome of the elections. Under the Corporation Code of the Philippines shareholders have the right to cumulative voting to ensure minority

stockholders' representation in the Board of Directors. A shareholder is entitled to vote his shares multiplied by the number of directors to be elected. He may cumulate his votes and cast them all in favor of one candidate, or distribute them equally or in any proportion among the candidates.

b. Resolutions Approved in the ASM

b.1. Resolution No. S-01-13: "Resolved, to approve the minutes of the annual stockholders' meeting held on 13 April 2012."

"As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the approval of the minutes and the adoption of Resolution No. S-01-13 are as follows:

| | For | Against | Abstain |
|----------------------------|---------------|---------|---------|
| Number of Voted Shares | 2,466,805,979 | 0 | 921,000 |
| % of Voting Shares Present | 84.07% | 0.00% | 0.003%" |

b.2. Resolution No. S-02-13: "Resolved, to note the Corporation's Annual Report, which consists of the Chairman's Message, the President's Report, and the audio-visual presentation to the stockholders as of 12 April 2013, and to approve 2012 audited financial statements."

"As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the noting of the annual report and the approval of the 2012 financial statements, and the adoption of Resolution No. S-02-13 are as follows:

| | For | Against | Abstain |
|----------------------------|---------------|---------|-----------|
| Number of Voted Shares | 2,465,950,467 | 0 | 1,776,512 |
| % of Voting Shares Present | 84.05% | 0.00% | 0.06%" |

b.3. Resolution No. S-03-13: "Resolved, to ratify and approve the acts and resolutions of the Corporation's Board of Directors, the Executive Committee, and other Board Committees, as well as all the acts of the Management taken or adopted since the annual stockholders' meeting on 13 April 2012 until 12 April 2013 as reported by the Corporation's Secretary."

"As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion are as follows:

| | For | Against | Abstain |
|----------------------------|---------------|---------|-----------|
| Number of Voted Shares | 2,465,950,467 | 351,000 | 1,425,512 |
| % of Voting Shares Present | 84.05% | 0.01% | 0.05%" |

b.4. Resolution No. S-04-13: "Resolved, to elect the firm of SyCip Gorres Velayo & Company as the external auditor of the Corporation for the 2013 fiscal year for an audit fee of Pesos: Three Million Three Hundred Sixty Thousand (P3,360,000.00), exclusive of value-added tax and out-of-pocket expenses."

"As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the election of SGV as external auditor of the Corporation including the approval of its audit fee, and the adoption of Resolution No. S-04-13 are as follows:

M

| | For | Against | Abstain |
|----------------------------|---------------|---------|---------|
| Number of Voted Shares | 2,466,801,467 | 0 | 925,512 |
| % of Voting Shares Present | 84.07% | 0% | 0.03%” |

c. Stockholders' Attendance

“The Secretary further certified that stockholders representing 2,467,726,979 shares or 84.11% of the 2,934,078,088 outstanding and voting shares were present in person or by proxy.”

2. The appointment Mr. Fernando Zobel de Ayala as Chairman of the Corporation's Nomination Committee was recorded in the minutes of the 12 April 2013 organizational meeting of the Board of Directors, as follows:

“The Board appointed the Chair and members of each of the Board Committees as follows”

XXX

Nomination Committee

Fernando Zobel de Ayala-Chairman

XXX”

3. The appointment of Mr. Delfin C. Gonzalez as new member of the Corporation's Audit Committee was recorded in the minutes of the 21 June 2013 regular meeting of the Board of Directors, as follows:

“The Board also approved the appointment of Mr. Delfin C. Gonzalez, Jr. as the new member of the Audit and Risk Committee in view of the retirement of Mr. Jaime P. Villegas.”

4. The transfer of the enterprise risk management function from the Finance Committee to the Audit and Risk Committee was approved by the Board of Directors and recorded in the minutes of their meeting on 2 September 2013, as follows:

“Resolution No. B-10-13: Resolved, to approve and authorize the transfer of the Enterprise Risk Management function from the Finance Committee to the Audit and Risk Committee effective as of date of this meeting.”

5. This certification is being issued to comply with requirements of the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation this
_____ JUL 22 2014 _____ at Makati City.


NIMFA AMBROSIA L. PEREZ-PARAS
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUL 22 2014 at Makati City, affiant exhibiting to me her Passport Number EB0020342 issued on January 4, 2010 at Manila, Philippines.

Doc. No. 39 ;
Page No. 8 ;
Book No. VI ;
Series of 2014.

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



RICARDO VICTOR K. RAMOS
Notary Public - Makati City
Appt. No. 332 until 31 December 2016
Attorney's Roll No. 55348
PTR No. 4236211MC; 01/09/2014; Makati City
IBP Lifetime Roll No. 010326
MCLE Compliance No. IV - 0007353; 08/13/2012
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Makati City, Philippines