

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the year ended: **2017**
2. Exact Name of Registrant as Specified in its Charter: **INTEGRATED MICRO-ELECTRONICS, INC.**
3. Address of principal office: **North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Biñan, Laguna**
Postal Code: **4024**
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, in [redacted] area code: **(632) 756-6840**
8. Former name or former address, if changed from the last report: **Not Applicable**

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A. BOARD MATTERS

1) Board of Directors

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Jaime Augusto Zobel de Ayala	NED			January 1995	April 8, 2016	Annual Meeting	22
Fernando Zobel de Ayala	NED			January 1995			22
Delfin L. Lazaro	NED			May 2000			17
Arthur R. Tan	ED			July 2001			16
Jose Ignacio A. Carlos	NED			December 2006			10
Rafael Ma. C. Romualdez	NED			May 1997			20
Jose Teodoro K. Limcaoco	NED			April 2016			1
Gilles Bernard	ED			June 23 2016	June 23 2016	1	
Hiroshi Nishimura	ID			April 2010	7 yrs.	7	
Edgar O. Chua	ID			April 2014	3 yrs.	3	
Alelie T. Funcell	ID			April 2010	7 yrs.	7	

Mr. Marlowe Macatiag, a shareholder of the Company, formally nominated all the 11 candidates. Mr. Macatiag is not related to any of the nominees including the nominees for independent directors.

Profiles of our Board of Directors:

Jaime Augusto Zobel de Ayala, Filipino, 57, has served as Chairman of the Board of Directors of IMI since January 1995. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala land, Inc. and Manila Water Company, Inc. He is also the Chairman of Ayala Education, Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc. and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc., Livelt Investments Limited, AI North America, Inc., and AG Holdings Limited; Chairman of Harvard Business School Asia-Pacific Advisory Board; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, and Endeavor Philippines. He was the Philippine Representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council from 2010 to December 2015. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business Administration in 1987. In 2007, he received the Harvard Business School Alumni Achievement Award, the school's highest recognition. He was a recipient of the Presidential Medal of Merit in 2009 for enhancing the prestige and honor of the Philippines both at home and abroad. In 2010, he was bestowed the Philippine Legion of Honor, with rank of Grand Commander, by the President of the Philippines in recognition of his outstanding public service. In 2015, he received the Order of Mabini, with rank of Commander, for his vital contributions during the Philippines' hosting of the Asia Pacific Economic Cooperation (APEC) Summit.

Arthur R. Tan, Filipino, 57, is a member of the Board of Directors of IMI since July 2001. He has been the Chief

¹ Reckoned from the election immediately following January 2, 2012.

Executive Officer of IMI since April 2002. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. He is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc., President and Executive Officer of Speedy-Tech Electronics Ltd.; and Group President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. He was the President of IMI from April 2002 to June 23, 2016. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

Gilles Bernard, French, 59, has been a Director and the President of IMI since June 23, 2016, and the Global Chief Operating Officer of IMI since February 2016. He holds this position on top of his role as Head of Global Operations Support. Concurrently, he is also the President of PSi Technologies Inc., a semiconductor assembly and test subsidiary of IMI. Before this movement, he was the COO for Europe and Mexico operations and Head of Global Operations support overseeing global Materials Management, Quality, Sales and Key Strategic Accounts Management. Prior to joining IMI, he was the General Manager of EPIQ NV from 1995 up to 2001, before he assumed the CEO post in 2001. He held this position until EPIQ NV's acquisition in 2011. He started his career as a development engineer and later on became D & D Manager of passive components division of Thomson. He then moved to the SMEE subsidiary of Mitsubishi Corporation as Quality Manager of SMEE. He finished a degree in Engineering and obtained a Master's Degree in Physics and Chemistry from Paris 13th University in 1976.

Fernando Zobel de Ayala, Filipino, 56, has served as a director of IMI since January 1995. He holds the following positions in publicly listed companies: Director, President and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of The Philippine Islands and Globe Telecom, Inc. He is the Chairman of AC International Finance Ltd., Ayala International Holdings Limited, Accendo Commercial Corporation, Alabang Commercial Corporation, Automobile Central Enterprises, Inc., AC Industrial Technology Holdings, Inc., Liontide Holdings, Inc., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice Chairman of Ceci Realty, Inc., Vesta Property Holdings, Inc., Aurora Properties, Inc., Columbus Holdings, Inc. Emerging City Holdings, Inc., Fort Bonifacio Development Corporation, and Bonifacio Land Corporation; Director of Livelt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., AC Infrastructure Holdings Corporation, Ayala Retirement Fund Holdings, Inc. , Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization, Habitat for Humanity International, Asia Philanthropy Circle, TATE Asia Pacific Acquisitions Committee and The Metropolitan Internal Council; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, National Museum, Asia Society . He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Jose Ignacio A. Carlos, Filipino, 47, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc. He earned a BS Management degree from the Ateneo de Manila University in 1991 and finished Masters of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

Delfin L. Lazaro, Filipino, 70, has served as member of the Board of IMI since May 2000. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Ayala Land, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.. His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., Ayala International Holdings, Ltd., AYC Holdings, Inc., Bestfull Holdings Limited, and Probe Productions, Inc.; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Jose Teodoro K. Limcaoco, Filipino, 54, has been a director of IMI since April 8, 2016. He also holds the following positions in publicly listed companies: Chief Finance Officer and Finance Group Head of Ayala Corporation, Director of Globe Telecom, Inc. and an Independent Director of SSI Group, Inc.. He is the Chairman of Darong

Agricultural and Development Corporation, and Zapfam, Inc. He is the Chairman, President and CEO of Water Capital Works, Inc. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc., AC Energy Holdings, Inc., Ayala Healthcare Holdings, Inc., Ayala Aviation Corporation, Ayala Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., LICA Management Inc., and Just For Kids, Inc. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He served as the President of the Chamber of Thrift Banks from 2013-2015. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Rafael Ma. C. Romualdez, Filipino, 53, has been a Director of IMI since May 1997. He is presently a Director of Resins, Inc., RI Chemical Corporation, Chemserve Incorporated, Claveria Tree Nursery, Inc., Lakpue Drug Incorporated and La Croesus Pharma Incorporated. He is also the Chairman of the Philippine Iron Construction and Marine Works, Inc., Pacific Resins, Inc., and MC Shipping Corp. He earned a degree in B.A. Mathematics from Boston College in 1986 and took Masters in Business Administration at the George Washington University in 1991.

Edgar O. Chua, Filipino, 60, has been an independent director of IMI since April 2014. He is the Chairman of Pilipinas Shell Petroleum Corporation, a publicly listed company; and currently in the advisory boards of Mitsubishi Motors & Coca-Cola FEMSA Philippines. He is also the Chairman of the Makati Business Club and trustee of various civic and business organizations including the National Competitiveness Council and the Trilateral Commission. He held senior positions outside the Philippines as Transport analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia, and various regional positions in Shell Oil Products East. Mr. Chua earned his Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France.

Alelie T. Fucell, Filipino, 61, has been an independent director of IMI since April 2010. She is the Founder, CEO, and President of Renewable Energy Test Center. She served as Chief Operating Officer and Senior Vice President of Quality at Solaria, Inc., a manufacturer of c-Si Photovoltaic products and Vice President of Supplier Management and Manufacturing Operations of Xilinx, Inc., a billion dollar semiconductor company. She is not a director of any publicly listed company. Prior to Xilinx, she also worked in several semiconductor companies, including Intel, IDT and Silicon Systems. She is credited with numerous patents in the Semiconductor Packaging and Solar Industry. She is twice a recipient of the S.C. Valley YWCA "Tribute to Woman in the Industry" (TWIN) Award in 1994 while at IDT and in 2000 while at Xilinx. She was President of the Filipino-American Association of Milpitas, California in 1994 to 1996, a very active Bay area Filipino organization. She received an award from the FWN, as one of the 100 Most Influential Filipino Women in the United States in 2009. She finished a degree in Chemical Engineering at University of Sto. Tomas in 1977.

Hiroshi Nishimura, Japanese, 64, has been an independent director of IMI since April 2010. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007. He finished a degree in Electronics Engineering Course at Kurume University in 1976.

(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.

Integrated Micro-Electronics, Inc. (IMI) has a Manual of Corporate Governance in which the board of directors, management, officers and employees commit themselves to the principles and best practices of governance as a guide in the attainment of its corporate goals.

The Corporation makes a continuing effort to create awareness of good corporate governance within the

organization. At the same time, the entire organization declares its continuing commitment to the Corporation's Vision and Mission.

IMI Board of Directors is responsible to promote and adhere to the principles and best practice of corporate governance, to foster long-term success of the Corporation and to secure its sustained competitiveness in the global environment in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

(c) Review and Approval of Vision and Mission

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

As mandated by IMI's Board Charter, one of the duties and responsibilities of the board is to review the vision and mission of the Corporation every year.

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.

(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 Director
	Speedy-Tech Electronics Ltd.	Executive Director
	IMI International (Singapore) Pte Ltd.	Executive Director

(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
	Ayala Group Club, Inc.	Co-Chairman, Non-Executive
	Ayala Education, Inc.	Chairman, Non-Executive
	Ayala Retirement Fund Holdings, Inc.	Chairman, Non-Executive

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

	<i>Liveit Investment Limited</i>	<i>Non-Executive</i>
	<i>Asiacom Philippines, Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>AI North America, Inc.</i>	<i>Non-Executive</i>
	<i>AG Holdings Ltd.</i>	<i>Non-Executive</i>
	<i>Ayala Healthcare Holdings, Inc.</i>	<i>Non-Executive</i>
Fernando Zobel de Ayala	<i>Ayala Corporation</i>	<i>Executive</i>
	<i>AC International Finance Limited</i>	<i>Chairman, Non-Executive</i>
	<i>Ayala International PTE. Ltd.</i>	<i>Chairman, Non-Executive</i>
	<i>Bank of the Philippine Islands</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Livelt Investment, Ltd.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Mermac, Inc.</i>	<i>Co-Vice Chairman, Non-Executive</i>
	<i>Globe Telecom, Inc.</i>	<i>Non-Executive</i>
	<i>Asiacom Philippines, Inc.</i>	<i>Non-Executive</i>
	<i>AG Holdings Limited</i>	<i>Non-Executive</i>
	<i>Ayala International Holdings Ltd.</i>	<i>Non-Executive</i>
	<i>AI North America, Inc.</i>	<i>Non-Executive</i>
	<i>Accendo Commercial Corporation</i>	<i>Chairman, Non-Executive</i>
	<i>Ceci Realty, Inc.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Sonoma Services, Inc.</i>	<i>Non-Executive</i>
	<i>Vesta Property Holdings, Inc.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Columbus Holdings, Inc.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Emerging City Holdings, Inc.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Fort Bonifacio Development Corporation</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Bonifacio Land Corporation</i>	<i>Vice Chairman, Non-Executive</i>
	<i>AC Energy Holdings, Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>AC Infrastructure Holdings Corporation</i>	<i>Non-Executive</i>
	<i>Alabang Commercial Corporation</i>	<i>Chairman, Non-Executive</i>
	<i>Aurora Properties, Inc.</i>	<i>Vice Chairman, Non-Executive</i>
	<i>Automobile Central Enterprises, Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>Ayala Automobile Holdings Corporation</i>	<i>Chairman, Non-Executive</i>
	<i>Liontide Holdings, Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>Ayala Group Club, Inc.</i>	<i>Co-Chairman, Non-Executive</i>
	<i>Ayala Retirement Fund Holdings, Inc.</i>	<i>Non-Executive</i>
	<i>Ayala Healthcare Holdings, Inc.</i>	<i>Chairman, Non-Executive</i>
Delfin L. Lazaro	<i>Ayala Corporation</i>	<i>Non-Executive</i>
	<i>Philwater Holdings Company, Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>AYC Holdings Ltd.</i>	<i>Chairman, Non-Executive</i>
	<i>Purefoods International, Ltd.</i>	<i>Chairman, Non-Executive</i>
	<i>A.C.S.T. Business Holdings Inc.</i>	<i>Chairman, Non-Executive</i>
	<i>Globe Telecom, Inc.</i>	<i>Non-Executive</i>
	<i>Ayala Land, Inc.</i>	<i>Non-Executive</i>
	<i>Manila Water Company, Inc.</i>	<i>Non-Executive</i>
	<i>Ayala DBS Holdings, Inc.</i>	<i>Non-Executive</i>
	<i>AC Energy Holdings, Inc.</i>	<i>Non-Executive</i>
	<i>Ayala International Holdings Ltd.</i>	<i>Non-Executive</i>
	<i>Bestfull Holdings Limited</i>	<i>Non-Executive</i>
	<i>AG Holdings</i>	<i>Non-Executive</i>
	<i>AI North America, Inc.</i>	<i>Non-Executive</i>
Edgar O. Chua	<i>Energy Development Corporation</i>	<i>Non-Executive</i>

(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:

The Corporation shall ensure that adequate time and attention is given to the fulfilment of the Directors of their duties. The Independent Directors shall hold no more than five board seats in publicly-listed companies and Executive Directors shall hold no more than two board seats in listed companies outside the Corporation's group.³ In the implementation of this policy, the Board may consider several directorships in related companies or companies in the same industry as one. (Charter of the Board of Directors, Section 3.4)

- (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 (As of December 2016):

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	18,218,100	1.0804
Rafael Ma. C. Romualdez	115	0	.0000
Jose Ignacio A. Carlos	115	0	.0000
Edgar O. Chua	100	0	.0000
Jose Teodoro K. Limcaoco	100	0	.0000
Hiroshi Nishimura	115	600,000	.0321
Alelie T. Funcell	115	0	.0000
Gilles Bernard	100	1,280,475	.0686
TOTAL	1,956,512	20,098,575	1.1811

Summarized below are the reported trades in Integrated Micro-Electronics, Inc.'s Securities of the directors and officer in 2016:

³ ACGS, E.2.8 and E.2.9

NUMBER OF SHARES					
	Security	As of Dec. 31, 2015	Acquired	Disposed of	As of Dec. 31, 2016
DIRECTORS					
Jaime Augusto Zobel de Ayala	Direct	100	-	-	100
Fernando Zobel de Ayala	Direct	100	-	-	100
Arthur R. Tan	Direct	1,955,452	-	-	1,955,452
	Indirect	18,168,100	50,000	-	18,218,100
Delfin C. Gonzalez, Jr.	Direct	100	-	100	-
Jose Teodoro K. Limcaoco	Direct	-	100	-	100
Edgar O. Chua	Direct	100	-	-	100
Alelie T. Fucell	Direct	115	-	-	115
Jose Ignacio A. Carlos	Direct	115	-	-	115
Delfin L. Lazaro	Direct	100	-	-	100
Rafael Ma. C. Romualdez	Direct	115	-	-	115
Hiroshi Nishimura	Direct	115	-	-	115
	Indirect	600,000	-	-	600,000
John Eric T. Francia	Direct	100	-	100	-
Gilles Bernard	Direct	-	100	-	100
	Indirect	1,280,475	-	-	1,280,475
OFFICERS					
Jerome S. Tan	Indirect	3,241,033	-	-	3,241,033
Linardo Z. Lopez	Direct	645,126	-	-	645,126
	Indirect	3,272,799	669,800	500,700	3,441,899
Jaime G. Sanchez	Indirect	420,895	20,000	20,000	420,895
Anthony Raymond P. Rodriguez	Direct	22,561	-	-	22,561
	Indirect	375,000	-	-	375,000
Solomon M. Hermosura	Direct	115	15,800	-	15,915
	Indirect	245,000	75,500	-	320,500
Joanne M. Lim	Direct	-	-	-	-
TOTAL		30,227,616	831,300	520,900	30,538,016

The nominee shares of Messrs. Gonzalez and Francia were transferred to Messrs. Limcaoco and Bernard, respectively, upon their resignation and election in 2016.

As stated in the Company's Board Charter, Section 3, Item 2. **Dealing in Corporation's Shares** – in line with the insider trading policy of the Corporation, each Director is required to report to the Board within three (3) business days from the dealing in the shares of stock of the Corporation.

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	<i>Jaime Augusto Zobel de Ayala</i>
CEO	<i>Arthur R. Tan</i>

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<i>a. Schedule meetings to enable the board to perform its duties</i>	<i>a. The President/CEO shall have general supervision of the</i>
Accountabilities		

Deliverables	<p><i>responsibly while not interfering with the flow of the Corporation's operations;</i></p> <p><i>b. Prepare the meeting's agenda in consultation with the CEO;</i></p> <p><i>c. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and</i></p> <p><i>d. Assist in ensuring compliance with the Corporation's guidelines on Corporate Governance.</i></p>	<p><i>business, affairs, and property of the Corporation, and over its employees and officers;</i></p> <p><i>b. The CEO sees to it that all orders and resolutions of the Board of Directors are carried into effect.</i></p> <p><i>c. 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;</i></p> <p><i>d. 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.</i></p>
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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 Board approves the succession plan for the CEO/Managing Director/President and the top key management positions based on the recommendations of the Nomination Committee and other factors that the Board may deem proper and relevant. (Charter of the Board of Directors)

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 shall be composed of members who possess the necessary knowledge, skills and experience required to properly perform the duties of the Board.

The Board shall encourage the selection of a mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board to the greatest extent possible.⁴ (Charter of Board of Directors, Section 2.2)

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.*

⁴ ASEAN Corporate Governance Scorecard (ACGS), E.4.6.

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

	Executive	Non-Executive	Independent Director
Role			
Deliverables	<ol style="list-style-type: none"> 1. Conduct fair business transaction with the corporation and ensure that personal interest does not bias Board decisions. 2. Devote time and attention necessary to properly discharge his duties and responsibilities. 3. Before deciding on any matter brought before the Board, every director should carefully study the issue. 4. The director should view each company issues objectively and support plans and ideas which he believes are beneficial to the Company. 5. The director should be knowledgeable of the statutory and regulatory requirements affecting the corporation. 6. The director should not disclose any non-public information of the Company to any person without the authority of the Board. 7. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the corporation. 8. Prior to assuming office, the director is expected to attend a seminar on corporate governance conducted by a duly recognized private or government institution. 		<p>Perform the same roles and deliverables as those given to the executive and non-executive directors. In addition, independent directors serve as chairs of the Audit Committee, Risk Management and Related Party Transactions Committee, Compensation Committee and Nomination Committee of the Company.</p>
Accountabilities	<p>Directors who willfully and knowingly vote for or assent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.</p> <p>When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.</p>		

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

To be considered independent, a Director shall, apart from his fees and shareholdings, hold no interests or relationships with the Corporation that may hinder his independence from the Corporation, Management, or shareholders which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation. For this purpose, an Independent Director shall submit to the Corporate Secretary a letter of confirmation stating the he holds no interests affiliate with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a Director.⁵ (Charter of the Board of Directors, Section 2.4)

On the other hand, independent directors under the ASEAN standards shall also possess the qualifications and

⁵ Manual of Corporate Governance, Article II, 1.5

none of the disqualifications for independent directors under the Philippine Requirements provided and except that, when relevant in the application of the qualifications and disqualifications, a “substantial stockholder” shall mean a stockholder who possesses the power to direct or govern, directly or indirectly, the financial and operating policies of the Corporation so as to obtain benefits from its activities. (Charter of the Board of Directors, Section 2.4 and Annex A)

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.

Yes. The independent directors of the Corporation, considered as such in accordance with SEC Memorandum Circular No. 16, series of 2002, can serve for five (5) consecutive years, provided that service for the a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the independent director position was relinquished or terminated. After completion of the five-year service period, an independent director shall be ineligible for election as such in the Corporation unless the independent director has undergone a “cooling off” period of two (2) years, provided, that during such period, the independent director concerned has not engaged in any activity that under existing rules of the SEC disqualifies a person from being elected as independent director of the Corporation. An independent director re-elected as such in the Corporation after the “cooling off” period can serve for another four (4) consecutive years under the conditions mentioned above. After serving as independent director for nine (9) years, the independent director shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as independent director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the Securities and Exchange Commission. (Charter of the Board of Directors, Sections 4.6 - 4.8)

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
<i>To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2016 annual meeting of stockholders due to any disagreement with the Company relative to the Company’s operations, policies and practices.</i>			

(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:

Directors shall hold office for a term of one (1) year, more or less, immediately upon their election and until their successors shall have been elected and qualified in accordance with the Company By-laws and applicable rules.

In case any vacancy or vacancies should occur on the Board of Directors other than removal or expiration of term, due to death, resignation or other causes, the remaining Directors, if still consisting 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.

Procedures	Process Adopted	Criteria	
a. Selection / Appointment			
(i) Executive Directors	<p><i>The stockholders of the Company may submit written nominations to the Board at least 30 business days before the next annual meeting of the stockholders. The Nomination committee evaluates the nominees and approve a list of nominees eligible to be elected as member of the Board.</i></p> <p><i>The Nomination Committee likewise identifies and recommends qualified individuals for nomination and election of the Board through the use of professional search firms and other external sources of candidates.</i></p>	<p><i>A director of the Company shall have the following qualifications:</i></p> <ol style="list-style-type: none"> <i>1. Ownership of at least one (1) share of the capital stock of the Company;</i> <i>2. College degree or its equivalent competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business;</i> <i>3. Relevant qualifications, such as previous business experience, membership in good standing in relevant industry and membership in business or professional organization;</i> <i>4. Integrity, probity, diligence and assiduousness in the performance of his functions;</i> <i>5. Directorships in other companies, taking into account the following factors:</i> <ol style="list-style-type: none"> <i>i) the nature of the business of the corporation;</i> <i>ii) the number of directors in other companies;</i> <i>iii) any possible conflict of interest, and</i> <i>iv) the age of the director, and</i> <i>6. For independent directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two percent (2%).</i> 	
(ii) Non-Executive Directors			
(iii) Independent Directors			
b. Reappointment			
(i) Executive Directors	<p><i>The stockholders of the Company may submit written nominations to the Board at least 30 business days before the next annual meeting of the stockholders. The Nomination committee evaluates the nominees and approve a list of nominees eligible to be elected as member of the Board.</i></p> <p><i>The Nomination Committee likewise identifies and recommends qualified individuals for nomination and election of the Board through the use of professional search firms and other external sources of candidates.</i></p>	<p><i>A director of the Company shall have the following qualifications:</i></p> <ol style="list-style-type: none"> <i>1. Ownership of at least one (1) share of the capital stock of the Company;</i> <i>2. College degree or its equivalent competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business;</i> <i>3. Relevant qualifications, such as previous business experience, membership in good standing in relevant industry and membership in business or professional organization;</i> <i>4. Integrity, probity, diligence and assiduousness in the performance of his functions;</i> 	
(ii) Non-Executive Directors			
(iii) Independent Directors			

		<p>5. <i>Directorships in other companies, taking into account the following factors:</i></p> <ul style="list-style-type: none"> <i>i) the nature of the business of the corporation;</i> <i>ii) the number of directors in other companies;</i> <i>iii) any possible conflict of interest, and</i> <i>iv) the age of the director, and</i> <p>6. <i>For independent directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two percent (2%), and</i></p> <p>7. <i>The term limit set for independent directors under applicable laws, rules and regulations.</i></p>	
c. Permanent Disqualification			
(i) Executive Directors	<p><i>The Company abides with the rules set forth in its Manual of Corporate Governance, the SEC Code of Corporate Governance and existing laws.</i></p>	<p><i>The following persons are disqualified from being a director of the Corporation:</i></p> <ol style="list-style-type: none"> <i>1. Any person who has been finally convicted by a competent judicial or administrative body of any crime involving the purchase or sale securities, arising out of the person's conduct as an underwriter, broker, dealer, and arising out of his relationship with a bank, quasi-bank and investment house.</i> <i>2. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions;</i> <i>3. Any person finally found by the SEC or a court or other administrative body to have willfully violated or willfully aided any provision of the Securities Regulation Code;</i> <i>4. Any person judicially declared to be insolvent;</i> <i>5. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violation or misconduct listed above;</i> <i>6. Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5)</i> 	
(ii) Non-Executive Directors			
(iii) Independent Directors			

		<p>years prior to the date of his election of appointment;</p> <p>7. Any person engaged in any business which competes with or is antagonistic to that of the Corporation; and</p> <p>8. After serving as independent director for nine years, the independent director shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as independent director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p>The Company abides with the rules set forth in its Manual of Corporate Governance, the SEC Code of Corporate Governance and existing laws. The temporary disqualification of the director requires a resolution of a majority of the Board.</p>	<p>The following are the grounds for temporary disqualification of incumbent directors:</p> <ol style="list-style-type: none"> 1. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and Implementing Rules and Regulations. 2. Absence or non- participation for whatever reason/s other than illness, death of immediate family or serious accident in at least 75% of all board meetings during his incumbency, or any twelve month period during his incumbency. 3. Dismissal or termination from directorship in another listed corporation; 4. Being under preventive suspension by the Corporation for any reason; and 5. Conviction that has not yet become final referred to in the grounds for disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	<p>The removal of directors requires an affirmative vote of 2/3 of the outstanding capital stock of the Company.</p>	<p>A director may be removed with or without a cause with the affirmative vote of shareholders owning 2/3 of outstanding capital stock. However, a director may not be removed without cause if it will deny minority shareholders representation in the Board.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	<p>A temporary disqualified director shall, within 60 business days from such</p>	

(ii) Non-Executive Directors	<i>disqualification, take the appropriate action to remedy or correct the disqualification.</i>
(iii) Independent Directors	
<i>If the beneficial security ownership on an independent director in the Corporation or in its related companies exceeds 2%, the Corporation shall cease to consider him as an independent director until his beneficial security ownership is reduced to 2% or lower.</i>	
g. Suspension	
(i) Executive Directors	<i>After due notice and hearing, a director who violates the Manual of Corporate Governance will be subjected to the penalties as set forth in the said Manual</i>
(ii) Non-Executive Directors	
(iii) Independent Directors	

Voting Result of the last Annual General Meeting (**April 7, 2017**)

Name of Director	Votes Received (in favor)*
Jaime Augusto Zobel de Ayala	1,784,179,502 (95.55%)
Fernando Zobel de Ayala	1,779,056,102 (92.23%)
Arthur R. Tan	1,784,565,102 (95.57%)
Edgar O. Chua (Independent Director)	1,234,323,302 (66.102%)
Jose Ignacio A. Carlos	1,234,560,802 (66.12%)
Gilles Bernard	1,784,565,102 (95.57%)
Alelie T. Funcell (Independent Director)	1,234,708,902 (66.123%)
Jose Teodoro K. Limcaoco	1,234,560,802 (66.12%)
Delfin L. Lazaro	1,229,051,802 (65.82%)
Hiroshima Nishimura (Independent Director)	1,234,708,902 (66.123%)
Rafael Ma. C. Romualdez	1,234,560,702 (66.115%)

*Percentage out of the registered voting shares.

6) Orientation and Education Program

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

The Corporate Secretary briefs each new director of the By-laws and Manual of Corporate Governance, the schedule of regular meetings of the Board and Board committees, their rights, including access to information and advice, and the procedure and processes for the provision of information to them.

The Office of Corporate Strategy and the Chief Finance Officer give each new director a briefing of existing and planned investments, current strategic directions, budgets and internal controls and processes.

Prior to assuming office, each director is required to attend a seminar on corporate governance conducted by a duly recognized private or government institution.

(b) State any in-house training and external courses attended by Directors and Senior Management⁶ for the past three (3) years:

- *Ayala Group Corporate Governance Summit held on 18 February 2015*
- *Ayala Group Corporate Governance and Risk Management Summit held on 8 March 2016*
- *Ayala Group Corporate Governance and Risk Management Summit held on 11 August 2017*

⁶ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(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
Jaime Augusto Zobel de Ayala	August 11, 2017	Ayala Group Corporate Governance and Risk Management Summit	Institute of Corporate Directors, Inc.
Fernando Zobel de Ayala			
Edgar O. Chua			
Jose Ignacio A. Carlos			
Hiroshi Nishimura			
Jose Teodoro K. Limcaoco			
Jerome S. Tan			
Jaime G. Sanchez			
Solomon M. Hermosura			
Joanne M. Lim			
Delfin L. Lazaro	May 10, 2017	Distinguished Governance Speaker Series	Institute of Corporate Directors, Inc.
Rafael Ma. C. Romualdez			
Edgar O. Chua	April 20, 2017	Seminar on CG for the Common Good	De La Salle University Center for Professional Development in Business

The directors of the Corporation, in their own capacity or as sponsored by the Corporation, attend education programs, seminars, and roundtable discussions on corporate governance with service providers that are duly accredited by the SEC.

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	<p>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.</p>		<p>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.</p>
(b) Conduct of Business and Fair Dealings	<p>All directors, officers and employees shall:</p> <ol style="list-style-type: none"> Deal fairly with the Corporation’s customers, suppliers and business partners, and with the government, competitors and colleagues; Not take undue advantage through misrepresentation of material facts, concealment, manipulation, or any other form of unfair dealing practice; and Treat everyone with respect and act in good faith and with integrity and sense of professionalism at all times. 		
(c) Receipt of gifts from third parties	<p>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</p>		

	<p>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.</p> <p>Directors, officers and employees must immediately report any offer or gift of any value given to them or their immediate family with a view to get favors or to influence business recommendations, proposals or decisions affecting the Corporation or any of its related companies. The report shall be made to the Chairman of the Board in the case of the directors, President and CEO, to the President in case of the Managing Directors, and to the Group Head and Unit Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Strategic Human Resources.</p>	
(d) Compliance with Laws & Regulations	<p>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.</p> <p>The Company expects its directors, officers and employees to conduct business in accordance with the Philippine Laws and regulations. Employees are encouraged to consult with Corporate Governance Group and the office of the General Counsel whenever there is any doubt concerning the legality of any matter.</p> <p>Any suspected criminal violations will be reported to the appropriate authorities. Non-criminal violations will be investigated and addressed as appropriate.</p>	
(e) Respect for Trade Secrets/Use of Non-public Information	<p>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).</p>	
(f) Use of Company Funds, Assets and Information	<p>All directors, officer and employees shall be responsible for the proper use of all company assets and resources, which include, but are not limited to, information, facilities, equipment, software, vehicles and supplies owned or leased by the Corporation or are otherwise in its possession. They shall use company assets and resources efficiently, responsibly and for legitimate business purpose only.</p>	
(g) Employment & Labor Laws & Policies	<p>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.</p>	
(h) Disciplinary action	<p>The Corporation's directors, officers, staff in case of violation of any of the provisions of its Corporate Governance Manual are imposed the following penalties:</p> <ol style="list-style-type: none"> 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. 	<p>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</p>
(i) Whistle Blower	<p>The Company has a Whistle Blower Policy which</p> <ol style="list-style-type: none"> 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; 1.2 Protects individuals from retaliation or reprisals by adverse disciplinary or employment penalties as a result of having disclosed wrongful conduct, and; 	

	<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. All employees have copies of the Code of Conduct and Ethics. Part of the on-boarding program of all newly hired employees is the orientation on the Code of Conduct and Ethics to keep them informed in the same manner that the existing employees, as well as the directors, chairman, and senior management, are aware and informed. They are 21 provided with the Code of Conduct and Ethics handbook.

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.

The Company's Related Party Transaction (RPT) Policy was approved and was in effect in February 17, 2015.

The Company recognizes that Related Party transactions (RPTs) can present potential or actual conflict of interest and may raise questions about whether such transactions are in the best interests of the Company and shareholders. The Company has adopted this policy that transactions with related parties shall be subject to review and approval to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the Company and its subsidiaries or affiliates and their shareholders.

Related party transactions shall be disclosed, reviewed and approved in accordance with the policy consistent with the principles of transparency and fairness.

The RPTs shall be disclosed in the Company's financial statements, and other applicable filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission and other regulatory bodies.

Material RPTs shall be reviewed by the Committee and endorsed to the Board of Directors for approval.

The Board shall approve a material RPT before its commencement. If not identified beforehand, the material RPT must be subsequently reviewed by the Committee and ratified by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for ratification.

In the review of the RPTs, the Committee shall consider the following factors:

1. the terms of the transaction;
2. the aggregate value of the transaction;
3. whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
4. the extent of Related Party's interest in the transaction;
5. purpose and timing of the transaction;
6. whether the transaction would present an improper conflict of interests or special risks or contingencies for the Corporation or any of its subsidiaries or affiliates, or the Related Party taking into account the size of the transaction and the overall financial position of the Related Party; and
7. Any material information or other factors the Committee deems relevant.

Any member of the Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>Material/significant Related Party Transactions (RPTs) are those transactions that meet the threshold values approved by the Audit and Risk Committee (the "Committee") to be potentially or actually significant to the Company and other requirements as may be determined by the Committee upon the recommendation of Chief Risk Officer.</i>
(2) Joint Ventures	
(3) Subsidiaries	<i>Material RPTs shall be reviewed by the Committee who are all Independent Directors and endorsed to the Board of Directors for approval.</i>
(4) Entities Under Common Control	
(5) Substantial Stockholders	<i>The Board shall approve a material RPT before its commencement. If not identified beforehand, the material RPT must be subsequently reviewed by the Committee and ratified by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for ratification.</i>
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	<i>Any member of the Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee.</i>
(8) Interlocking director relationship of Board of Directors	
	<i>The Chief Risk Officer and the Committee shall perform periodic post verification of RPTs to ensure that the terms and conditions recommended by the Committee and approved by the Board of Directors are properly and correctly implemented.</i>
	<i>The Chief Risk Officer shall (i) advise each of the subsidiaries and affiliates of the Company of this Policy and (ii) and work with the subsidiaries and affiliates of the Company to implement the Policy for each subsidiary or affiliate to adopt its own policy on RPTs.</i>
	<i>The Committee shall annually review the threshold values and the provisions of this Policy and may recommend to the</i>

	<p><i>Board amendments to this Policy as it deems appropriate.</i></p> <p><i>Please refer to Notes to Consolidated Financial Statements of the Company which discloses in detail the Related-Party Transactions for the year.</i></p>
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(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	<i>N.A.</i>
Name of Officer/s	<i>N.A.</i>
Name of Significant Shareholders	<i>N.A.</i>

(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	<i>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.</i>
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁷ 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
<i>None</i>		

(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
<i>None</i>		

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

⁷ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>None that the Company is aware of.</i>		

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	<p><i>The Company has no record of conflicts or differences with its stockholders, regulatory authorities and other third parties.</i></p> <p><i>However, it is the policy of the Company to resolve disputes or differences with stockholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration.</i></p>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Schedule of Meetings

Yes. At the beginning of the year, the Office of the Corporate Secretary sends to the directors, through email, the schedule of board meetings for the year as follows:

*February 9, 2016
April 8, 2016
June 23, 2016
August 16, 2016
October 4, 2016 and
November 28, 2016*

2) Attendance of Directors (For the year 2016)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jaime Augusto Zobel de Ayala	4/8/16	6	6	100
Member	Fernando Zobel de Ayala	4/8/16	6	4	67
Member	Delfin L. Lazaro	4/8/16	6	4	67
Member	Arthur R. Tan	4/8/16	6	6	100
Member	Jose Ignacio A. Carlos	4/8/16	6	5	83
Member	Rafael Ma. C. Romualdez	4/8/16	6	6	100
Member	Delfin C. Gonzalez, Jr. ⁸	4/6/15	1	1	100
Member	John Eric T. Francia ⁹	4/8/16	2	2	100
Member	Jose Teodoro K. Limcaoco	4/8/16	5	5	100

⁸ Mr. Gonzalez was replaced by Mr. Limcaoco on April 8, 2016

⁹ Mr. Francia was replaced by Mr. Bernard on June 23, 2016

Member	Gilles Bernard	6/23/16	4	4	100
Independent	Hiroshi Nishimura	4/8/16	6	6	100
Independent	Edgar O. Chua	4/8/16	6	6	100
Independent	Alelie T. Funcell	4/8/16	6	6	100

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.

Yes, two-thirds (2/3) of the number of Directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.¹⁰

5) Access to Information

(a) How many days in advance are board papers¹¹ for board of directors meetings provided to the board?

The board materials for the board of directors' meetings are being distributed to the directors at least five business days before the meeting.

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

Yes, board members are free to contact the General Counsel and Corporate Secretary, and any of the management team to discuss issues or matters that need clarification in the discharge of their duties as members of the Corporation's board of directors.

(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.

¹⁰ ACGS, E.3.4.

¹¹ 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.

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

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

- (e) Committee Procedures

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

Yes No

Committee	Details of the procedures
Executive	<p>1. The Office of the Corporate Secretary sends the board materials at least five business days before the scheduled meeting.</p> <p>2. The board materials provide supporting information for matters for approval of the directors during the meeting.</p> <p>3. The Company meets with the independent directors, nonexecutive directors and executive directors, individually or in groups, as may be necessary for management to keep the directors informed and to seek guidance</p>
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
<p><i>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.</i></p>	

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
	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	<i>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.</i>	<i>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</i>
(2) Variable remuneration	<i>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.</i>	<i>The Company adopts a performance-based variable pay program aligned with business strategy. The PB Pie is approved by the Compensation Committee of the Board. Individual amount is approved by the Chairman and CEO and the President and COO.</i>
(3) Per diem allowance	<i>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.</i>	
(4) Bonus	<i>Refer to Item 2- Variable Remuneration</i>	
(5) Stock Options and other financial instruments	<i>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.</i>	<i>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.</i>
(6) Others (specify)	N.A.	N.A.

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	<i>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.</i>		
Non-Executive Directors			
	<i>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.</i>		

	<p><i>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:</i></p> <ol style="list-style-type: none"> <i>a. For each Director – P100,000.00 per diem per Board meeting actually attended;</i> <i>b. For each Board Committee member – P20,000.00 per diem per Committee meeting actually attended.</i> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received herein stated.</i></p>
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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><i>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.</i></p>	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year (2016):

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	<p><i>The Executive Directors do not receive remuneration as director.</i></p>	None	None
(b) Variable Remuneration		None	None
(c) Per diem Allowance		Php 3,500,000	Php 2,220,000
(d) Bonuses		None	None
(e) Stock Options and/or other financial instruments		None	None
(f) Others (Specify)		None	None
Total		None	None
Total		Php 3,500,000	Php 2,220,000
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
<i>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.</i>				

(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 **2016**:

Name of Officer/Position	Total Remuneration
<i>Jerome S. Tan, Global Chief Financial Officer</i>	<i>Php 52.9M</i>
<i>Linardo Z. Lopez, Senior Managing Director, Chief Procurement Officer</i>	
<i>Olaf Gresens, Managing Director, Global Head of Sales and Marketing</i>	
<i>Mary Ann S. Natividad, Global Head of Business Strategies and Development</i>	
<i>Monina C. Macavinta, Human Resource Global Head</i>	

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		Yes	<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> <ul style="list-style-type: none"> Approval of any action for which shareholders’ approval is also required; The filling of vacancies on the Board or in the Executive Committee; The amendment or repeal of By-Laws or the adoption of new By-Laws; The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; The distribution of cash dividends; and 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	2	Yes	<p>Audit and Risk Committee – is composed of (3) members, and at least one of whom shall be an Independent Director. The Independent Director shall chair the Audit Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation’s financial management systems and environment in</p>		

				<p><i>particular.</i></p> <p><i>The Audit Committee shall have the following duties and responsibilities:</i></p> <p><i>Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;</i></p> <p><i>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;</i></p> <p><i>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;</i></p> <p><i>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;</i></p> <p><i>Provide oversight of the Corporation's internal and external auditors;</i></p> <p><i>Pre-approve all audit plans, scope and frequency before the conduct of external audit;</i></p> <p><i>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;</i></p> <p><i>Ensure that Management formulates accounting/reporting processes and practices in accordance with International/Philippine Financial Reporting Standards</i></p> <p><i>Develop a transparent financial management system that will ensure the integrity of Internal Control activities throughout the Corporation through procedures and policies handbook that will be used by the entire organization;</i></p> <p><i>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;</i></p> <p><i>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</i></p>
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					<p>requirements;</p> <p>Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>Recommend and review the appointment of external auditors and their remuneration;</p> <p>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.</p>
Nomination		1	2	Yes	<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> <p>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.</p> <p>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;</p> <p>Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.</p>
Remuneration		1	2	Yes	<p>Compensation Committee – is composed of at least (3) members, two of whom shall be an Independent Director and a majority of whom shall be directors. It shall have the following duties:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>Disallow any director to decide his own remuneration during his incumbent term;</p> <p>Provide in the Corporation's annual reports, information and proxy statements a clear, concise</p>

					<p>and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;</p> <p>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;</p> <p>Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.</p>
Finance		3		Yes	<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>
Proxy Validation Committee	3*	0	0		Has the power to pass on the validity of proxies submitted by the stockholders for the annual or special meetings.

*Officers of the Company who are not members of the company's Board of Directors.

2) Committee Members (as appointed last April 7, 2017)

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Arthur R. Tan	May 11, 2006				11
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006				11
Member (NED)	Jose Teodoro K. Limcaoco	April 8, 2016				1

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Edgar O. Chua	April 4, 2014				3
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006				11
Member (ID)	Hiroshi Nishimura	April 8, 2016				1

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.*
- 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(ID)	Alelie T. Funcell	April 8, 2016				1
Member (NED)	Jose Ignacio P. Carlos	April 26, 2007				10
Member (ID)	Edgar O. Chua	April 8, 2016				1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alelie T. Funcell	April 8, 2016				1
Member (NED)	Delfin L. Lazaro	May 11, 2006				12
Member (ID)	Hiroshi Nishimura	April 8, 2016				1

(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 L. Lazaro	April 8, 2016				1
Member (NED)	Rafael Ma. C. Romualdez	April 14, 2009				7
Member (NED)	Teodoro K. Limcaoco	April 8, 2016				1

(f) Proxy Validation Committee

Office	Name	Date of Appointment	No. of Meetings	No. of Meetings	%	Length of Service in
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			Held	Attended		the Committee
Chairman	Solomon M. Hermosura	April 6, 2015				2
Member	Jaime G. Sanchez	April 6, 2015				2
Member	Neilson C. Esguerra	April 6, 2015				2

(g) Related Party Transactions Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Edgar O. Chua	April 8, 2016				1
Member (ID)	Hiroshi Nishimura	April 8, 2016				1
Member (ID)	Alelie T. Funcell	April 8, 2016				1
Member (NED)	Teodoro K. Limcaoco	April 7, 2017				Less than a year

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 Z. Gonzalez Jr. was replaced by Hiroshi Nishimura	Retirement of D. Gonzalez Jr. as a Director of IMI.
Nomination	Alelie T. Funcell (ID), replaced Fernando Zobel de Ayala as chairman of the committee. Edgar O. Chua (ID) was appointed as a new member of the committee.	To comply with ASEAN requirement.
Remuneration	Hiroshi Nishimura (ID), replaced Jaime Zobel de Ayala as chairman of the committee. Alelie T. Funcell (ID) was appointed as a new member of the committee.	To comply with ASEAN requirement.
Finance	Delfin Z. Gonzalez Jr. was replaced by Teodoro K. Limcaoco	Retirement of D. Gonzalez Jr. as a Director of IMI.
	John Eric T. Francia was replaced by Hiroshi Nishimura	Resignation of J. Francia as a Director of IMI.
Related Party Transaction	Teodoro K. Limcaoco was a newly appointed member last April 7, 2017	

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	<i>Approval of counterparty banks and appointment of signatories; Renewal of credit line facilities</i>	
Audit	<i>Review of financial statements of the Company and its subsidiaries</i>	
Nomination	<i>Approval of nominees for directorship Appointment of officers</i>	
Remuneration	<i>Approved the performance bonus, merit increase of the employees of the Corporation.</i>	
Finance	<i>Approval of dollar forward hedging Review of quarterly financial instruments Endorsed and Approved renewal of credit facilities, risk limits, and loan</i>	

	<i>documents, among others</i>
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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
<i>Executive</i>	<i>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.</i>	
<i>Audit</i>	<i>The Audit Committee oversees the Company's internal control and financial reporting on behalf of the Board.</i>	
<i>Nomination</i>	<i>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.</i>	
<i>Remuneration</i>	<i>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.</i>	
<i>Finance</i>	<i>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.</i>	

F. RISK MANAGEMENT SYSTEM

1) Statement on Effectiveness of Risk Management System

Disclose the following:

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

IMI's risk management is embedded in the existing organization's practices and processes. It is part of the organization's processes that are relevant, effective and efficient. It is entrenched into IMI's processes on policy development, business and strategic planning and review, and change management.

IMI has successfully transitioned its Enterprise Risk Management from COSO to ISO 31000 framework that is widely used and adhered to and guided by its risk management principles. The characteristics of a risk intelligent enterprise are visible in the company's ERM – from having an established ERM policy, ERM Risk Oversight Structure that includes strong support from the top management, clear ERM Processes and Risk Reporting, Risk profile and description, and comprehensive Risk information system shared across all IMI sites. Resources are properly allocated to cater to the development of risk management professionals geared towards achieving company's goals and objectives.

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

The Audit and Risk Committee of the Board confirmed that they have reviewed and discussed the adequacy of

IMI's enterprise risk management process, including the nature of significant risk exposures, and the related risk mitigation efforts and initiatives. This activity was reviewed in the context that management is primarily responsible for the risk management process

- (c) Period covered by the review;

For the year ended December 2016.

- (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 semi-annual basis, and as often as management calls for its review, with regular monitoring of risks. The directors reviewed the IMI's Risk Heat Map where risks are classified to its significance and priorities. Effectiveness is assessed through the reporting of the status of risks and its risk mitigation.

- (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
Business Resiliency Risk - Business Interruption (Natural and Man-made Disasters)	<i>IMI believes that it is essential that its critical business functions continue to operate despite the many adverse events and incidents happening around it. It is imperative that the whole organization is risk prepared and is business ready when fortuitous disaster occurs.</i>	<i>To have a strong business continuity plan that assures an in-depth understanding of the key activities and actions to be done before, during, and after unfortunate times:</i> <ul style="list-style-type: none"> • <i>Be resilient provided with a support infrastructure and a well-designed critical business functions that are expected to be materially unaffected by most disruptions;</i> • <i>To recover business functions that may fail for some reason and achieve recovery time objective and;</i> • <i>To have contingency plan that strengthens organizational capability and readiness to cope and work effectively amidst unforeseen business disruptions.</i>
Competition Risk - Sales and Marketing	<i>IMI is committed to develop and execute sales and marketing strategy and compete with the market.</i>	<i>To maximize revenue/contribution margin and /or market share, and provide a consistent and compelling incentive for potential consumers and a return on investment to shareholder.</i>
Operational Risk	<i>Due to existing source's</i>	<i>To be able to meet customers'</i>

- Sourcing and Procurement Risk	<i>limitations, it is inevitable to manage the sourcing of alternative parts in a timely manner and ensure the availability of required quantity of materials.</i>	<i>demands and not compromise company's commitment on delivery, and quality and other requirements.</i>
Information Security and Cyber Risk - Information Technology (IT) Security	<i>Protecting critical data and infrastructure from unauthorized access, use, disclosure, disruption, modification, perusal inspection, recording or destruction, theft, viruses or sabotage will not impact company's business viability and reputation</i>	<i>To ensure strong and adequate information security controls to safeguard confidentiality, integrity and loss of critical information.</i>

(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
Business Resiliency Risk - Business Interruption (Natural and Man-made Disasters)	<i>IMI believes that it is essential that its critical business functions continue to operate despite the many adverse events and incidents happening around it. It is imperative that the whole organization is risk prepared and is business ready when fortuitous disaster occurs.</i>	<i>To have a strong business continuity plan that assures an in-depth understanding of the key activities and actions to be done before, during, and after unfortunate times:</i> <ul style="list-style-type: none"> • <i>Be resilient provided with a support infrastructure and a well-designed critical business functions that are expected to be materially unaffected by most disruptions;</i> • <i>To recover business functions that may fail for some reason and achieve recovery time objective and;</i> • <i>To have contingency plan that strengthens organizational capability and readiness to cope and work effectively amidst unforeseen business disruptions.</i>
Competition Risk - Sales and Marketing	<i>IMI is committed to develop and execute sales and marketing strategy and compete with the market.</i>	<i>To maximize revenue/contribution margin and /or market share, and provide a consistent and compelling incentive for potential consumers and a return on investment to shareholder.</i>
Operational Risk - Sourcing and Procurement Risk	<i>Due to existing source's limitations, it is inevitable to manage the sourcing of alternative parts in a timely manner and ensure the availability of required quantity of materials.</i>	<i>To be able to meet customers' demands and not compromise company's commitment on delivery, and quality and other requirements.</i>
Information Security and Cyber Risk	<i>Protecting critical data and infrastructure from unauthorized</i>	<i>To ensure strong and adequate information security controls to</i>

- Information Technology (IT) Security	<i>access, use, disclosure, disruption, modification, perusal inspection, recording or destruction, theft, viruses or sabotage will not impact company's business viability and reputation</i>	<i>safeguard confidentiality, integrity and loss of critical information.</i>
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(c) Minority Shareholders

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

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

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)
Business Resiliency Risk - Business Interruption (Natural and Man-made Disasters)	<i>IMI monitors incidences of short and long business interruptions as defined in the policy.</i>	<i>IMI has developed a process and general execution guide flow needed in crafting business continuity planning activities and reviewing existing plans that strengthens organizational capability and readiness to cope and work effectively amidst unforeseen business disruptions.</i>
Competition Risk - Sales and Marketing	<i>Closely monitoring of the company's new businesses and customers as well its revenues and RFQ hit-rate</i>	<i>Developing an account retention plan focusing on top key customers; Improving the costing tool to cater both standard and non-standard parts to be able to provide quotations that can win customers; Creating customer engagement plans</i>
Operational Risk - Sourcing and Procurement Risk	<i>Making use of the supplier capability matrix or Preferred supplier list and regular updating of alternative suppliers list; Measures the delivery of materials to check its availability</i>	<i>Creating internal budgetary pricing database for mechanical parts – focus and concerned materials, (benchmark for suppliers) based on experience, history and expertise; Reviewing the flow on RFQ, clarify roles and accountabilities Strengthening technical expertise on materials (mechanical, PCB, etc.)</i>
Information Security and Cyber Risk - Information Technology (IT)	<i>IMI monitors the number of network security incidences (reported formally through IMI Helpdesk and email information)</i>	<i>Updating information security policy to include guidelines and control process for managing the network; Identifying necessary tools for</i>

Security		<i>reviewing network vulnerability assessment and establish formal periodic procedures for conducting network vulnerability review / assessment;</i> <i>Identifying equipment that are under warranty, outside warranty but with memorandum of agreement (MA), and outside warranty without MA</i>
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(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)
Business Resiliency Risk - Business Interruption (Natural and Man-made Disasters)	<i>IMI monitors incidences of short and long business interruptions as defined in the policy.</i>	<i>IMI has developed a process and general execution guide flow needed in crafting business continuity planning activities and reviewing existing plans that strengthens organizational capability and readiness to cope and work effectively amidst unforeseen business disruptions.</i>
Competition Risk - Sales and Marketing	<i>Closely monitoring of the company's new businesses and customers as well its revenues and RFQ hit-rate</i>	<i>Developing an account retention plan focusing on top key customers; Improving the costing tool to cater both standard and non-standard parts to be able to provide quotations that can win customers; Creating customer engagement plans</i>
Operational Risk - Sourcing and Procurement Risk	<i>Making use of the supplier capability matrix or Preferred supplier list and regular updating of alternative suppliers list; Measures the delivery of materials to check its availability</i>	<i>Creating internal budgetary pricing database for mechanical parts – focus and concerned materials, (benchmark for suppliers) based on experience, history and expertise; Reviewing the flow on RFQ, clarify roles and accountabilities Strengthening technical expertise on materials (mechanical, PCB, etc.)</i>
Information Security and Cyber Risk - Information Technology (IT) Security	<i>IMI monitors the number of network security incidences (reported formally through IMI Helpdesk and email information)</i>	<i>Updating information security policy to include guidelines and control process for managing the network; Identifying necessary tools for reviewing network vulnerability assessment and establish formal periodic procedures for conducting network vulnerability review / assessment;</i> <i>Identifying equipment that are under warranty, outside warranty but with memorandum of agreement (MA), and outside warranty without MA</i>

(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
Risk Management Executive Committee or IMI's Management Committee	Approves risk responsibilities and accountabilities; and approves risk measurement methodologies	Ensures sufficient allocation of resources and staff requirements for risk management; Ensures the sufficiency and effectiveness of the relevant infrastructure (policies, processes, management reports, people, methodologies, and systems and data) for managing specific risks
Audit and Risk Committee	Regular reviews 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 Committee of Sponsoring Organization of the Treadway Commission's (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 and Risk 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: *One year.*

- (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.

The review by Internal Audit is based on the results of risk assessments performed. Low risk areas are not covered in the audit plan, which is presented to Audit and Risk Committee for approval.

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.	<i>In-house</i>	<i>Neilson Esguerra</i>	<i>Internal control issues, recommendations and management actions are reported to the Audit and Risk Committee quarterly.</i>
Risk Management	Participates in risk management workshops and meetings and provide inputs on risk mitigation strategies designed by risk owners.	<i>In-house</i>	<i>Neilson Esguerra</i>	<i>Provides the Audit and Risk Committee with quarterly updates on the activities of internal audit in the risk management process of the Company.</i>
Compliance	Review of the adequacy, existence and degree of	<i>In-house</i>	<i>Neilson Esguerra</i>	<i>Compliance issues and management actions are reported to the</i>

	adherence to Company policies, procedures and sound business practices.			<i>Audit and Risk Committee quarterly.</i>
Corporate Governance	Provide assistance to the Audit Committee in the discharge of the Committee's oversight function with regard to corporate governance	<i>In-house</i>	<i>Neilson Esguerra</i>	<i>Internal audit reports its corporate governance activities to the Audit and Risk Committee quarterly and annually.</i>

- (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 and Risk 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
<i>None</i>	<i>None</i>

- (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 2016	<i>The 2016 Internal Audit (IA) plan was approved by the Audit and Risk Committee (ARC) on February 4, 2016. The IA progress against plan is being reported to the ARC quarterly and annually.</i>
Issues¹²	<i>IA did not raise any issues or compliance matters that arise from adopting different interpretations.</i>
Findings¹³	<i>There were no major findings noted during the audit. However relevant internal control improvements were noted and reported to Management and the Audit and Risk Committee. Management established target dates for implementing the recommendations and Internal Audit monitors the implementation.</i>
Examination Trends	<i>Data analyses are normally used to support</i>

¹² "Issues" are compliance matters that arise from adopting different interpretations.

¹³ "Findings" are those with concrete basis under the company's policies and rules.

	<p><i>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.</i></p>
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The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

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

(f) Audit Control Policies and Procedures

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

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. Signing Authorities 2. Allowance for Inventory Obsolescence 3. Allowance for Doubtful Accounts Receivable 4. Foreign Currency Risk Management 5. 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. Related Party Transactions 9. Insider Trading Policy 10. Non-Disclosure Agreement 	<p><i>The Policies and Procedures enumerated herein exist and are being implemented.</i></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) annually confirms from the external auditors that they have maintained their independence with respect to the company in accordance with the external auditor’s 	<p><i>The Company’s insider trading policy, which defines the restrictions on trading, covers</i></p>

<p>independence policies and procedures.</p> <p>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.</p> <p>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> <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><i>consultants and advisers. In addition, consultants, advisers, suppliers, and other business partners who may be given access to non-public material information are required to sign a non-disclosure agreement.</i></p>
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(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.

On January 14, 2013, the Company submitted to the SEC the certification on the compliance with the revised manual of corporate governance for the year 2012. The certification was signed by the Company's Compliance Officer and the President and CEO.

On June 28, 2013, the Company has also submitted to the SEC the notarized Annual Corporate Governance Report for 2012 signed by the Chairman and CEO, the President and CEO, Compliance Officer and one independent directors of the Company.

On September 9, 2013, the Company resubmitted to the SEC the consularized Annual Corporate Governance Report for 2012 signed by the Chairman and CEO, the President and CEO, Compliance Officer and two independent directors of the Company.

On January 8, 2015, the Company submitted to the SEC the Consolidated Changes in the Annual Corporate Governance Report for 2014 that was reviewed and approved by the Board of Directors of the Company at their meeting on December 4, 2014.

On January 5, 2016, the Company submitted to the SEC the Consolidated Changes in the Annual Corporate Governance Report for 2015 that was reviewed and approved by the Board of Directors of the Company at their meeting on December 1, 2015.

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.	<p><i>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.</i></p> <p><i>The Company as one of its core values believes that building strong partnership</i></p>

		<i>with customers by providing excellent and mutually beneficial solutions by: collaborating with customers to achieve shared goals; providing compelling value-add services and solutions; anticipating the needs of customers; managing customers with professionalism and respect; responding to customers' concerns with timeliness and; drive zero defect.</i>
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.	<i>The Company has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to IMI.</i>
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.	<i>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</i>
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 profits, IMI places a high priority on Corporate Social Responsibility (CSR) in the communities in which it operates. 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.	<i>The Company, through the Ayala Group, is a proponent contributor of GILAS (Gearing up for Internet Literacy Access in Schools) project, which provide internet access to public schools nationwide. The Company annually does tree planting activity for the designated area by the Department of Environment and Natural Resources. CSR projects include blood donation drive; medical outreach; book donation; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren.</i>
Anti-corruption programs and procedures?	Each employee, officer, and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices.	<i>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.</i>
Safeguarding creditors' rights	The Company shall protect the rights of all creditors as an integral stakeholder.	

	<p>The Company shall comply with all positive, affirmative and negative debt covenants for so long as the obligations are outstanding.</p> <p>In the event of a default, the Company will abide with the relevant provisions of the agreement pertaining to defaults, remedies, and penalties for all outstanding obligations.</p> <p>The Company shall regularly furnish all creditors information that will enable the lenders to evaluate the Company.</p> <p>The Company shall embed Creditor's protection in its internal Treasury Performance Management Systems.</p>	<p><i>The Company shall ensure that all covenants for all obligations are identified, monitored and complied with. The Company regularly tracks and complies with deadlines of reports related to covenants that need to be submitted.</i></p> <p><i>The Company shall endeavor that no event of default will occur. All events that are considered events of defaults are identified, monitored and complied with to prevent any event from occurring. In the likely event of a default, the Company will immediately notify all creditors, abide with the provisions pertaining to default, including remedies and pay penalties if needed.</i></p> <p><i>The Company shall identify all information and frequency of submission that lenders are to be provided for in accordance with the loan agreements. The company endeavors to submit these information, including audited annual financial statements, unaudited semi-annual reports, and verification of no-default on or before due date.</i></p> <p><i>Internally, the Company has a specific section in Treasury tasked with Debt Management. The objectives of the Debt Management Section are:</i></p> <ol style="list-style-type: none"> <i>1. To maintain a healthy debt mix at a level aligned with strategic and operational requirements at a minimum borrowing/interest costs possible.</i> <i>2. To ensure timely and accurate payments of interest and principal as they become due.</i> <i>3. To ensure compliance to covenants as stipulated in loan agreements.</i>
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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 2016

- Immunization Program for employees and dependents
 - Expanded Immunization Program for employees' pediatric dependents to cover for vaccinations not given by the Department of Health (DOH)
 - Influenza vaccines for seasonal flu
 - Cervical cancer vaccine extended to above 45 years old
- Breast Cancer Month -intensive awareness program through posters, email blasts, and lecture

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

Program for Skills management and lifelong learning for 2016

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 behavior? 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 (As of January 31, 2017)

Title of Class	Shareholder	Number of Shares	Percent	Beneficial Owner
Common	AYC Holdings, Ltd.	945,537,373	50.6368%	AYC Holdings, Ltd.
Common	PCD Nominee Corporation (Filipino)	245,525,281	13.1487%	PCD participants acting for themselves or for their customers
Common	PCD Nominee Corporation (Filipino)	239,412,304	12.8214%	Resins, Inc.
Common	EPIQ NV	200,000,000	10.7107%	EPIQ NV

Common	PCD Nominee Corporation (Non-Filipino)	125,564,126	6.7244%	PCD participants acting for themselves or for their customers
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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	<i>No. The details can be found in the company's website</i>
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education program attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) External Auditor's fee:

Name of auditor	Audit Fee	Non-audit Fee
<i>SyCip Gorres Velayo & Company (SGV & Co.) - 2016</i>	<i>₱ 3.70M</i>	<i>₱350K Tax advisory services ₱70K ASM</i>
<i>SyCip Gorres Velayo & Company (SGV & Co.) - 2015</i>	<i>₱ 3.60M</i>	<i>₱730K Tax advisory services ₱70K ASM</i>
<i>Isla Lipana & Co. - 2015</i>		<i>₱380K Tax consultancy</i>
<i>SyCip Gorres Velayo & Company (SGV & Co.) - 2014</i>	<i>₱ 6.86M*</i>	<i>₱ 0.70M</i>

**Includes Annual and Interim Audit of Financial Statements.*

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). The following disclosures are readily available in the company's website:

- a. *Structured and unstructured corporate disclosures*
- b. *Company website*
- c. *Analysts' briefings*
- d. *Press releases*
- e. *Annual report*
- f. *Stockholders' meeting*

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

2015 Audited Financial Statement was released in March 15, 2016 while the 2016 Audited Financial Statement was released in March 10, 2017.

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 2016 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 Bank of the Philippine Islands, an affiliate

As of December 31, 2016 and 2015, the Group maintains current and savings accounts with BPI amounting to \$0.93 million and \$1.53 million, respectively.

Total interest income earned from investments with BPI amounted to \$4,247, \$25,698 and \$5,338 for the years ended December 31, 2016, 2015 and 2014, respectively.

The Parent Company has receivables from the plan assets managed by BPI amounting to \$0.30 million and \$0.20 million for the years ended December 31, 2016 and 2015, respectively.

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

Receivables/Deposits		Payables	
2016	2015	2016	2015

Ayala Corporation Energy Holdings Inc.	\$482,844	\$-	\$-	\$-
Ayala Corporation	-	-	584,070	-
Innove Communication Inc. (ICI)	-	-	276	295
Globe Telecom, Inc. (GTI)	-	-	6,023	4,386
	\$482,844	\$-	\$590,369	\$4,681

- i. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.
 - ii. Payables to AC are nontrade in nature and pertain to transaction costs paid in advance in relation to VIA acquisition.
 - iii. 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.
 - iv. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.
- c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

	Receivables		Payables	
	2016	2015	2016	2015
IMI EU/MX Subsidiaries	\$24,100,160	\$22,298,478	\$8,570	\$71
PSi	16,722,133	13,471,568	98,735	99,229
IMI Singapore	1,464,524	1,010,247	58,353	-
IMI Japan	992,531	992,795	604,196	527,563
IMI USA	261,963	251,917	370,856	292,243
STEL	191,271	214,955	1,449,193	1,756,603
IMI ROHQ	25,213	362,925	779,761	1,162,377
	\$43,757,795	\$38,602,885	\$3,369,664	\$3,838,086

The outstanding balances are eliminated upon consolidation.

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

Advances to PSi and IMI EU/MX Subsidiaries have a 90-day term subject to interest rates ranging from 1.00% to 2.88% in 2016, from 1.25% to 2.85% in 2015 and from 2.33% to 2.73% in 2014.

Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company's retirement plan upon availment. In 2016, the retirement expense is being included in the service fees billed by ROHQ to the Parent Company.

Payables to STEL pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration for the net assets transferred by STPH to the Parent Company. These advances are noninterest-bearing and are payable on demand.

- ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.
- iii. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income			Expenses		
	2016	2015	2014	2016	2015	2014
BPI	\$4,247	\$25,698	\$6,021	\$-	\$-	\$-
Manila Water Asia Pacific (MWAP)	-	-	9,868	-	-	-
TLI	-	-	7,371	1,045,948	1,093,559	1,115,426
AC	-	-	-	687,142	-	-
AG Legal	-	-	-	197,308	93,108	118,774
ICI	-	-	-	92,923	88,936	55,971
GTI	-	-	-	85,755	86,260	73,337
	\$4,247	\$25,698	\$23,260	\$2,109,076	\$1,361,863	\$1,363,508

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

- i. Interest income earned from investments and gain on foreign currency forwards with BPI.
- ii. Rental income earned by STEL for the lease of its office premises to MWAP in 2014.
- iii. Revenue from TLI pertains to administrative services such as professional, clerical, financial and accounting services provided by the Parent Company to TLI in 2014.

Expenses incurred from related party transactions include:

- i. Rental expense from the lease contract with TLI (see Note 28).
- ii. Transaction costs related to VIA acquisition advanced by AC.
- iii. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
- iv. Building rental, leased lines, internet connections and ATM connections with ICI.
- v. Billings for cellphone charges and WiFi connections with GTI.

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

- i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore for recovery costs and billings to IMI Singapore and the Parent Company for management salaries of key management personnel under IMI ROHQ.
- ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company.

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	2016	2015
Short-term employee benefits	\$7,940,519	\$8,825,529
Post-employment benefits	280,248	361,372
Share-based payments	643,098	1,442,721
	\$8,863,865	\$10,629,622

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	<i>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.</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>By poll.</i>
Description	<p><i>The vote of stockholders representing a majority of the issued and outstanding capital stock entitled to vote is required.</i></p> <p><i>The Method of Voting is straight and cumulative.</i></p> <p><i>In all items for approval, each share of stock entitles its registered owner to one vote.</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>All votes will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by the external auditor of the Company, SGV & Co.</i></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	<i>None</i>
Pre-emptive Right	
Right of Inspection	
Right of Information	
Right to Dividends	
Appraisal Right	

Dividends

Stock Dividend-Common Shares

PAYMENT DATE	PERCENT	RECORD DATE
Sept. 24, 2010	15%	Aug. 31, 2010

Cash Dividends-Common Shares

PAYMENT DATE	RATE	RECORD DATE
March 19, 2014	USD 0.00140/ ₱0.06319	March 3, 2014
March 19, 2015	USD 0.0042/ ₱0.1868	March 4, 2015
March 10, 2016	USD 0.0046/ ₱0.2204	February 23, 2016

Cash Dividends-Preferred Shares

PAYMENT DATE	RATE	RECORD DATE
May 21, 2013	8.25% p.a.	May 8, 2013
August 23, 2013	8.25% p.a.	August 9, 2013
November 22, 2013	8.25% p.a.	November 11, 2013
February 21, 2014	2.90% p.a.	February 7, 2014
May 21, 2014	2.90% p.a.	May 7, 2014
August 22, 2014	2.90% p.a.	August 7, 2014
November 21, 2014	2.90% p.a.	November 7, 2014
February 20, 2015	2.90% p.a.	February 6, 2015
May 22, 2015	2.90% p.a.	May 8, 2015
August 24, 2015	2.90% p.a.	August 7, 2015

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. There are no other restrictions that limit the payment of dividends on common shares.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Board of Directors and the stockholders of the Company. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

(d) Stockholders' Participation

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

The agenda for the Annual Stockholders' Meeting, the detailed Definitive Information Statement and the unbundled proxy form are distributed to the stockholders on record 15 business days prior to the meeting to enable the stockholders to study and understand every agenda item of the meeting.

During the annual stockholders' meeting, the Chairman of the Board encourages the stockholders to ask questions for each agenda or matters for approval during the meeting. The question and answer portion is 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

The Company calls for a regular or special stockholders' meeting to propose to the stockholders the actions listed above. The details of the proposed actions are presented in the Definitive Information Statement which is made available to the stockholders. During the meeting, the Company's board and/or management present the proposed actions and encourage stockholders to ask questions. The affirmative vote of stockholders representing at least 2/3 of the issued and outstanding capital stock of the Company is required for the approval of the above items.

In cases of amendment of the Articles of Incorporation where written assent is allowed, a stockholder may deliver, in person or by mail, his vote directly to the Corporation.

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:

March 10, 2017, 21 business days from date of meeting, the company met the requirement of minimum 21 business days.

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

April 7, 2017

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

There were no questions raised during the Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions (April 7, 2017)

Resolution	Approving	Against	Abstaining
<i>Approval of Minutes of previous meeting</i>	100%	-	-
<i>Annual Report</i>	100%	-	-
<i>Election of Auditors and fixing of their remuneration</i>	100%	-	-
<i>Approval of the Decrease of Authorized Capital Stock from PhP3.75Bn to PhP2.45Bn and the corresponding Amendment of the Seventh Article of the Articles</i>	76.84%	-	-

<i>of Incorporation</i>			
<i>Approval of the Second Article of the Articles of Incorporation to include in the primary purpose the production, assembly or manufacture of non-electronic products or parts, components or materials of non-electronic products</i>	76.84%	-	-
<i>Approval of the Seventh Article of the Articles of Incorporation to add re-issuability to the features of the preferred shares</i>	76.55%	0.28%	-

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

April 7, 2017.

(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 7, 2017	By Poll	63.558%	13.281%	76.84%
Special	Not applicable					

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

Yes. The company has engaged SyCip Gorres Velayo & Co. to validate the voting results of the company's annual stockholders' meeting since 2014.

(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
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Execution and acceptance of proxies	<p><i>Proxies shall be in writing, signed by the stockholder or his duly authorized representative and filed before the scheduled meeting with the Corporate Secretary.</i></p> <p><i>A stockholder may designate any person of his choice to act as his proxy. Absent such designation or in cases where the designated proxy should fail to appear at the meeting, the Chairman of the meeting shall be deemed authorized and hereby directed to cast the vote as indicated by the voting stockholder or his proxy.</i></p> <p><i>If a duly accomplished and executed proxy is undated, the postmark or date of dispatch indicated in the electronic mail or, if not mailed, its actual date of presentation, shall be considered as the date of the proxy.</i></p>
Notary	<i>Not required.</i>
Submission of Proxy	<i>The stockholder may deliver in person or by mail his or her proxy forms directly to the Corporation through the Office of the Corporate Secretary not later than seven (7) business days prior to the meeting.</i>
Several Proxies	<i>Where a proxy is given to two or more persons in the alternative in one instrument, the proxy designated as an alternate can only act as proxy in the event of non-attendance of the other designated person. If the stockholder designates several proxies, the number of shares of stock to be represented by each proxy will be specifically indicated in the proxy form. Where the same stockholder gives two or more proxy forms, the latest one given is to be deemed to revoke all former proxies.</i>
Validity of Proxy	<p><i>The duly accomplished proxy form should be submitted to the Office of the Corporate Secretary not later than seven (7) business days prior to the date of the annual stockholders' meeting. Unless provided in the proxy, it will be valid only for the meeting for which it is intended. No proxy will be valid and effective for a period longer than five (5) years at any one time. Stockholders may vote by proxy at other corporate meetings even when the purpose thereof is not solely to elect the directors of the Corporation.</i></p> <p><i>Any reasonable doubt about the validity of the proxy shall be resolved in favor of the stockholder.</i></p>
Proxies executed abroad	<i>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</i>
Invalidated Proxy	<i>Proxy forms received after the prescribed date of submission shall be invalid. A proxy may be revoked at any time before the right granted is exercised, unless it is coupled with interest. The revocation may be done in writing, orally or by conduct (e.g. appearance of the stockholder of record at the meeting).</i>
Validation of Proxy	<i>The validation of proxy shall be conducted by the Committee of Inspectors of Proxies and Ballots at least five (5) business days prior to the date of the stockholders' meeting.</i>
Violation of Proxy	<i>No person making a solicitation shall solicit any undated or post-dated proxy or any proxy which provides that it shall be deemed to be dated as of any date subsequent to the date on which it is signed by the security holder. No security broker shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a</i>

	<i>person other than the customer, without the express written authorization of such customer.</i>
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(h) Sending of Notices

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

Policies	Procedure
	<i>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.</i>
	<i>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.</i>
	<i>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.</i>
	<i>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.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	337
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 11, 2017
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 11, 2017
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
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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
<p><i>The Company strictly adheres with its policies with respect to the treatment of minority stockholders.</i></p> <p><i>A Director 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.</i></p> <p><i>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.</i></p> <p><i>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.</i></p>	

(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	<i>To inform stakeholders of recent company developments, financial performance, and other relevant matters.</i>
(2) Principles	<i>The Company's investor relations program guided by the principles of full disclosures, transparency and fairness. The Company also implements uniform disclosure standards across all stakeholders.</i>
(3) Modes of Communications	<i>IMI communicates through the following modes of communication for its stakeholders:</i> <ol style="list-style-type: none"> 1. <i>Structured and unstructured corporate disclosures</i> 2. <i>Company Website</i> 3. <i>Analysts' Briefing</i> 4. <i>Press Releases</i> 5. <i>Press Briefing</i> 6. <i>Annual Report</i> 7. <i>International and local investor conferences</i> 8. <i>Stockholders' Meeting</i> 9. <i>Conference calls</i>
(4) Investors Relations Officer	<i>Anthony Raymond P. Rodriguez IMI Investor Relations Unit Tel. No. 756-6840 local 5300 Email: ir@global-imi.com</i>

- 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.

The company engaged various accredited independent parties to issue fairness opinion reports for the Company's mergers and acquisitions of assets.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
<i>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.</i>	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	The Board shall conduct a self-evaluation where all the board members shall participate. An outside consultant may be employed to conduct simultaneous evaluation of the Board's performance.	<ul style="list-style-type: none"> (i) <i>Knowledge</i> – Whether the Board possesses adequate information on industry trends and overall business environment; (ii) <i>Strategy and Implementation</i> – Whether the Board has adopted appropriate corporate strategy and whether the same has been effectively implemented; (iii) <i>Risk Management</i> – Whether the Board has a keen understanding of the types of risks to which the Corporation may be exposed and would be vulnerable, and whether it has adopted appropriate systems and processes to manage these risks; (iv) <i>Corporate Ethics</i> – Whether the Board has taken the lead role to ensure faithful compliance with all the applicable laws and rules, and the Corporation's By-laws, Manual of Corporate Governance, Code of Conduct and Ethics and other relevant company policies; and (v) <i>Internal Control/Oversight Function</i> – Whether the Board has taken reasonable steps to ensure that the Corporation is properly managed, including monitoring of the operational and financial results.
Board Committees	The Board Committees shall assess their respective performance. The Board may conduct simultaneous evaluation of the performance of each Board Committee.	<ul style="list-style-type: none"> (i) <i>Committee Organization</i> – Whether the Committee is composed of appropriate number of Directors with the right balance of skills, experiences and backgrounds to ensure the proper performance of the roles and responsibilities of the Committee; (ii) <i>Committee Meetings</i> – Whether the Committee had adequate number of meetings to sufficiently focus on significant matters of concern; and (iii) <i>Committee Processes and Procedures</i> – Whether the Committee adopted processes and procedures to ensure timely resolution of matters before it.
Individual Directors	The Board shall assess the performance of its individual members.	<ul style="list-style-type: none"> (i) <i>Knowledge</i> – Whether the Director has an in-depth knowledge of the Corporation's business and strategic direction; (ii) <i>Participation</i> – whether the Director attended all, some or only a few of the meetings of the Board and of the committees in which he/she is a member, and whether he/she made valuable contributions in the discussion of matters before the Board and/or the committees; and (iii) <i>Fair Dealing</i> – whether the Director conducted fair business transactions with the Corporation and ensured that his/her personal interest did

		not conflict with the interest of the Corporation.
CEO/President	The Board shall assess the performance of the President and CEO, and other key management officials.	<p>(i) <i>Compliance</i> – Whether the President and CEO, and other key management officials have taken steps to ensure the Corporation’s compliance with all the legal requirements in the management of its affairs;</p> <p>(ii) <i>Administration</i> – Whether the President and CEO, and other key management officials have effectively managed the day-to-day operations of the Corporation towards the achievement of the organization’s goals and objectives;</p> <p>(iii) <i>Knowledge, Skills and Competence</i> – whether the President and CEO, and other key management officials possess appropriate knowledge, skills and competence essential to the due performance of duties;</p> <p>(iv) <i>Corporate Ethics</i> – Whether the President and CEO, and other key management officials have consistently demonstrated integrity and observed the corporate core values; and</p> <p>(v) <i>Board-Management Relationship</i> – Whether the President and CEO, and other key management officials have worked closely with the Board and provided the latter with complete, adequate information on the operations and affairs of the Corporation in a timely manner.</p>

N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
<p><i>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:</i></p> <ul style="list-style-type: none"> • <i>In case of first violation, the subject person shall be reprimanded;</i> • <i>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;</i> • <i>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.</i> 	