



Ayala Corporation

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9 May 2017

Securities and Exchange Commission

PICC Complex, Roxas Boulevard, Pasay City

Attention.: Director Justina F. Callangan
Corporate Governance & Finance Department

Philippine Stock Exchange, Inc.

3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Attention: Mr. Jose Valeriano B. Zuño, III
OIC-Head, Disclosure Department

Philippine Dealing and Exchange Corporation

37/F Tower 1, The Enterprise Center
6766 Ayala Ave cor. Paseo de Roxas, Makati City

Attention: Ms. Vina Vanessa S. Salonga
Head, Issuer Compliance and Disclosure Department

Gentlemen:

In compliance with the SEC Memorandum Circular No. 20, series of 2016, we are submitting the attached Annual Corporate Governance Report of our Company for the year 2016.

We trust that you find the foregoing in order.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'S. M. Hermosura', written over a horizontal line.

SOLOMON M. HERMOSURA

General Counsel and Compliance Officer

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



- | | |
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| 1. Report is Filed for the Year | 2016 |
| 2. Exact Name of Registrant as Specified in its Charter | AYALA CORPORATION |
| 3. 32F to 35F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City
Address of Principal Office | 1226
Postal Code
 |
| 4. SEC Identification Number 34218 | 5. (SEC Use Only) |
| | Industry Classification Code |
| 6. BIR Tax Identification Number | 000-153-610-000 |
| 7. (632) 908-3000
Issuer's Telephone number, including area code | |
| 8. Not applicable
Former name or former address, if changed from the last report | |

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A. BOARD MATTERS

1) Board of Directors

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

Complete the table with information on the Board of Directors:

The following are the directors of the Corporation, classified in accordance with the Revised Code of Corporate Governance and SEC Memorandum Circular No. 16, series of 2002:

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	ED	Mermac, Inc.	Amelia Cayaba & Mermac, Inc.	May 1987	April 15, 2016	Annual Meeting	<u>29</u>
Fernando Zobel de Ayala	ED	Mermac, Inc.	Amelia Cayaba & Mermac, Inc.	May 1994	April 15, 2016	Annual Meeting	<u>22</u>
Delfin L. Lazaro	NED	N.A.	Amelia Cayaba	January 2007	April 15, 2016	Annual Meeting	<u>9</u>
Yoshio Amano	NED	Mitsubishi Corporation (MC)	Amelia Cayaba & MC	April 2012	April 15, 2016	Annual Meeting	<u>4</u>
Ramon R. Del Rosario, Jr.	ID	N.A.	Amelia Cayaba (not related to Mr. Del Rosario)	April 2010	April 15, 2016 (Served as ID for 4 years from April 2012)	Annual Meeting	<u>6</u>
Xavier P. Loinaz	ID	N.A.	Amelia Cayaba (not related to Mr. Loinaz)	April 2009	April 15, 2016 (Served as ID for 4 years from April 2012)	Annual Meeting	<u>7</u>
Antonio Jose U. Periquet	ID	N.A.	Amelia Cayaba (not related to Mr. Periquet)	September 2010	April 15, 2016 (Served as ID for 4 years)	Annual Meeting	<u>5</u>

¹ Reckoning of the cumulative term is from 2012, in connection with the SEC Memorandum Circular No. 9, series of 2011.

					from April 2012)		
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Ms. Amelia Cayaba is a minority stockholder of the Company.

Profiles of our Board of Directors:

Jaime Augusto Zobel de Ayala, Filipino, 57, Director of Ayala Corporation since May 1987. He is the Chairman and CEO of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, 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., Asiacom Philippines, Inc. and AC Industrial Technology Holdings, 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 until December 2015. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and obtained an MBA at 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.

Fernando Zobel de Ayala, Filipino, 56, Director of Ayala Corporation since May 1994. He is the President and Chief Operating Officer of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. 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, Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization, Habitat for Humanity International and 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, and Asia Society. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Yoshio Amano, Japanese, 58, Non-Executive Director of Ayala Corporation since April 2012. He is a Senior Vice President of Mitsubishi Corporation and the General Manager of Mitsubishi Corporation-Manila Branch; Chairman of International Elevator & Equipment Inc.; President of MC Diamond Realty Investment Phils., Inc., MC Oranbo Investment, Inc., FMT Kalayaan, Inc., MCCavite Holdings, Inc. and Japanese Chamber of Commerce & Industry of the Philippines (JCCIPI); and Director of Isuzu Philippines Corporation, Imasen Philippines Manufacturing Corp., Kepco Ilijan Corporation, Trans World Agro-Products Corp., Portico Land Corporation, Century City Development II Corporation and The Japanese Association Manila, Inc. He is not a director of any other publicly listed company. Mr. Amano graduated from the University of Tokyo with a degree from the

Faculty Engineering in 1982. He has been with Mitsubishi Corporation for more than 30 years in various leadership positions.

Ramon R. del Rosario, Jr., Filipino, 72, Independent Director of Ayala Corporation since April 2010. He holds the following positions in publicly listed companies: President and Chief Executive Officer of Phinma Corporation; Chairman of Trans-Asia Petroleum Corporation; and Vice Chairman of PHINMA Energy Corp. (formerly Trans-Asia Oil and Energy Development Corporation). He is the President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, United Pulp and Paper Co., Inc., Microtel Inns and Suites (Pilipinas), Inc., Microtel Development Corp., Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corp., CIP II Power Corp., One Subic Power Generation Corp., Fuld & Co., Inc., Fuld & Co (Philippines), Inc. and Paramount Building Management & Services Corp.; Vice-Chairman of Phinma Foundation and Phinma Property Holdings Corp., director of Union Galvasteel Corp. and other PHINMA-managed companies; Chairman of The National Museum of the Philippines, Ramon Magsaysay Award Foundation and Philippine Business for Education; Vice-Chairman of Caritas Manila; and Trustee of De La Salle University and Philippine Business for Social Progress (PBSP). He is a trustee and former chairman of the Makati Business Club. Mr. del Rosario graduated from De La Salle College in 1967 with a degree in BSC-Accounting and AB Social Sciences Magna cum Laude and from Harvard Business School in 1969 for his Master in Business Administration. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

Delfin L. Lazaro, Filipino, 70, Director of Ayala Corporation since January 2007. He holds the following positions in publicly listed companies: Director of Ayala Land, Inc., Integrated Micro-Electronics, 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 Ayala International Holdings, Ltd., Ayala Industrial Technology Holdings, Inc., Ayala International Finance, 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.

Xavier P. Loinaz, Filipino, 73, Independent Director of Ayala Corporation since April 2009. He is also an Independent Director of Bank of the Philippine Islands, a publicly listed company. He also holds the following positions: Independent Director of BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation; Trustee of E. Zobel Foundation; and Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.; and Vice Chairman of XPL MTJL Properties, Inc. He was formerly the President of the Bank of the Philippine Islands (BPI) from 1982 to 2004. He was also the President of Bankers Association of the Philippines from 1989 to 1991. He graduated with an AB Economics degree at Ateneo de Manila University in 1963 and took his MBA-Finance at Wharton School, University of Pennsylvania in 1965.

Antonio Jose U. Periquet, Filipino, 55, Independent Director of Ayala Corporation since September 2010. He is also an Independent Director of other listed companies namely: ABS-CBN, Bank of the Philippine Islands, DMCI Holdings, Inc., Philippine Seven Corporation, and Max's Group of Companies, Inc. His other significant positions are: Chairman of Pacific Main Holdings, Inc., Campden Hill Group, Inc., and Campden Hill Advisor, Inc. and Albizia ASEAN Tenggara Fund; Independent Director of BPI Capital Corporation, and BPI Family Savings Bank, Inc. and BPI Asset Management Corporation; Director of Straits Wine Company, Inc.; Trustee of Lyceum of the Philippines University; and Member of the Member of Philippine Jesuit Provincial and the Dean's Global Advisory Council at the University of Virginia's Darden School of Business. He is also an Honorary Investment Adviser to the British Government. He graduated with an AB Economics degree at Ateneo de Manila University in 1982 and took his Masters of Science in Economics at the Oxford University, UK in 1988 and Masters in Business Administration at University of Virginia, USA in 1990.

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

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective redress for violation of those rights. The directors shall encourage the

exercise of shareholders' voting rights and the resolution of collective action problems through appropriate mechanisms. They shall be instrumental in reducing or eliminating 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 shareholders information necessary to make informed decisions subject to legal constraints.

As mandated by the Board Charter, the Board of Directors establishes the vision, strategies, key policies, and procedures of the company, and the mechanisms to monitor, evaluate, and improve management performance.

The Board leads the review of the company's vision and mission every year, revisits the group's corporate strategy and monitors its implementation. In 2015, the Board reviewed a refreshed vision statement of the company. As a result, the company adopted a new vision statement that is available in the company website and appended to the company's Manual of Corporate Governance.

The Board also reviews and ensures the adequacy of internal control mechanisms and risk management process for good governance, and the proper implementation of the company's Code of Conduct and Ethics. The Board also promotes and enhances shareholders' rights.

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

The Board reviews and approves the vision and mission at least once a year, as part of the review and approval of the Company's strategy as recommended by Management. The Board and Management also revisit the Company's vision and mission as part of the budget review process.

On September 22, 2015, the Board reviewed the mission and vision statements of the Company. As the result of the review, the Company adopted the following new vision statement that has been published in the Company website and appended to the Company's Revised Manual of Corporate Governance.

VISION STATEMENT:

We will be the most relevant, innovative, and enduring Philippine-based business group, enabling shared value and prosperity for the many markets and stakeholders we serve.

The following is the Company's mission statement:

Ayala Corporation, a holding company with a diverse business portfolio, has a legacy of pioneering the future. Founded in 1834, it has achieved its position of leadership by being values driven, goals oriented, and stakeholder focused. Anchored on values of integrity, long-term vision, empowering leadership, and commitment to national development, we fulfill our mission to ensure long-term profitability, increase shareholder value, provide career opportunities, and create synergies as we build mutually beneficial partnerships and alliances with those who share our philosophy and values. With entrepreneurial strength, we continue to create a future that nurtures to fruition our business endeavors and personal aspirations.

In 2016, the Board has reviewed and affirmed the appropriateness of the vision and mission statement of the company.

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

		Independent). Indicate if director is also the Chairman.
<i>Jaime Augusto Zobel de Ayala</i>	<i>Bank of the Philippine Islands</i>	<i>Chairman, Non-Executive Director</i>
	<i>Integrated Micro-Electronics, Inc.</i>	<i>Chairman, Non- Executive Director</i>
	<i>Globe Telecom, Inc.</i>	<i>Chairman, Non-Executive Director</i>
	<i>Ayala Land, Inc.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Manila Water Company, Inc.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Alabang Commercial Corporation</i>	<i>Non-Executive Director</i>
	<i>Ayala International Pte Ltd.</i>	<i>Non-Executive Director</i>
	<i>AC Energy Holdings, Inc.</i>	<i>Non-Executive Director</i>
	<i><u>Ayala Group Club, Inc.</u></i>	<i><u>Co-Chairman, Non-Executive Director</u></i>
	<i><u>Ayala Education, Inc.</u></i>	<i><u>Chairman, Non-Executive Director</u></i>
	<i><u>Ayala Retirement Fund Holdings, Inc.</u></i>	<i><u>Chairman, Non-Executive Director</u></i>
	<i><u>Asiacom Philippines, Inc.</u></i>	<i><u>Chairman, Non-Executive Director</u></i>
	<i><u>Livelt Investments Limited</u></i>	<i><u>Non-Executive Director</u></i>
	<i><u>AI North America, Inc.</u></i>	<i><u>Non-Executive Director</u></i>
	<i><u>AG Holdings Limited</u></i>	<i><u>Non-Executive Director</u></i>
	<i><u>Ayala Healthcare Holdings, Inc.</u></i>	<i><u>Non-Executive Director</u></i>
	<i><u>AC Industrial Technology Holdings, Inc.</u></i>	<i><u>Non-Executive Director</u></i>
<i>Fernando Zobel de Ayala</i>	<i>AC International Finance Limited</i>	<i>Chairman, Non-Executive Director</i>
	<i>Ayala International Holdings Limited</i>	<i>Chairman, Non-Executive Director</i>
	<i>Ayala Land, Inc.</i>	<i>Chairman, Non-Executive Director</i>
	<i>Bank of the Philippine Islands</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Livelt Investments, Ltd.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Globe Telecom, Inc.</i>	<i>Non-Executive Director</i>
	<i>Integrated Micro-Electronics, Inc.</i>	<i>Non-Executive Director</i>
	<i>Asiacom Philippines, Inc.</i>	<i>Non-Executive Director</i>
	<i>AG Holdings Limited</i>	<i>Non-Executive Director</i>
	<i>Ayala International Holdings Limited</i>	<i>Non-Executive Director</i>
	<i>AI North America, Inc.</i>	<i>Non-Executive Director</i>
	<i>Accendo Commercial Corporation</i>	<i>Chairman, Non-Executive Director</i>
	<i>Ceci Realty, Inc.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Vesta Property Holdings, Inc.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Columbus Holdings, Inc</i>	<i>Vice Chairman, Non-Executive Director</i>

	<i>Emerging City Holdings, Inc.</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Fort Bonifacio Development Corporation</i>	<i>Vice Chairman, Non-Executive Director</i>
	<i>Bonifacio Land Corporation</i>	<i>Vice Chairman, Non-Executive Director</i>
	<u><i>AC Energy Holdings, Inc.</i></u>	<u><i>Chairman, Non-Executive Director</i></u>
	<u><i>AC Infrastructure Holdings Corporation</i></u>	<u><i>Non-Executive Director</i></u>
	<u><i>Alabang Commercial Corporation</i></u>	<u><i>Chairman, Non-Executive Director</i></u>
	<u><i>Aurora Properties, Inc.</i></u>	<u><i>Vice Chairman, Non-Executive Director</i></u>
	<u><i>Automobile Central Enterprises, Inc.</i></u>	<u><i>Chairman, Non-Executive Director</i></u>
	<u><i>AC Industrial Technology Holdings, Inc.</i></u>	<u><i>Chairman, Non-Executive Director</i></u>
	<u><i>Liontide Holdings, Inc.</i></u>	<u><i>Chairman, Non-Executive Director</i></u>
	<u><i>Ayala Group Club, Inc.</i></u>	<u><i>Co-Chairman, Non-Executive Director</i></u>
	<u><i>Ayala Retirement Fund Holdings, Inc.</i></u>	<u><i>Non-Executive Director</i></u>
	<u><i>Ayala Healthcare Holdings, Inc.</i></u>	<u><i>Chairman, Non-Executive Directors</i></u>
<i>Delfin L. Lazaro</i>	<i>Philwater Holdings Company, Inc.</i>	<i>Chairman, Non-Executive Director</i>
	<i>AYC Holdings, Ltd.</i>	<i>Chairman, Non-Executive Director</i>
	<i>Purefoods International, Ltd.</i>	<i>Chairman, Non-Executive Director</i>
	<i>A.C.S.T. Business Holdings, Inc.</i>	<i>Chairman, Non-Executive Director</i>
	<i>Globe Telecom, Inc.</i>	<i>Non-Executive Director</i>
	<i>Ayala Land, Inc.</i>	<i>Non-Executive Director</i>
	<i>Integrated Micro-Electronics, Inc.</i>	<i>Non-Executive Director</i>
	<i>Manila Water Co., Inc.</i>	<i>Non-Executive Director</i>
	<i>Ayala DBS Holdings, Inc.</i>	<i>Non-Executive Director</i>
	<u><i>AC Industrial Holdings, Inc.</i></u>	<u><i>Non-Executive Director</i></u>
	<i>Ayala International Holdings, Ltd.</i>	<i>Non-Executive Director</i>
	<i>Bestfull Holdings Limited</i>	<i>Non-Executive Director</i>
	<i>AG Holdings Limited</i>	<i>Non-Executive Director</i>
	<i>AI North America, Inc.</i>	<i>Non-Executive Director</i>
<i>Xavier P. Loinaz</i>	<i>Bank of the Philippine Islands</i>	<i>Independent Director</i>
	<u><i>BPI Family Savings Bank</i></u>	<u><i>Independent Director</i></u>
	<u><i>BPI M/S Insurance Corporation</i></u>	<u><i>Independent Director</i></u>
<i>Ramon R. Del Rosario, Jr.</i>	<i>South Luzon Thermal Energy Corp.*</i>	<i>Non-Executive Director</i>
<i>Yoshio Amano</i>	<i>Portico Land Corporation</i>	<i>Non-Executive Director</i>
<i>Antonio Jose U. Periquet</i>	<i>Bank of the Philippine Islands</i>	<i>Independent Director</i>
	<u><i>BPI Capital Corporation</i></u>	<u><i>Independent Director</i></u>
	<u><i>BPI Family Savings Bank, Inc.</i></u>	<u><i>Independent Director</i></u>
	<u><i>BPI Asset Management</i></u>	<u><i>Independent Director</i></u>

	<u>Corporation</u>	
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* The Company has no power to elect a majority of the members of the board of directors of South Luzon Thermal Energy Corporation.

(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.
Antonio Jose U. Periquet	ABS-CBN Corporation	Independent Director
	ABS-CBN Holdings Corporation	Independent Director
	DMCI Holdings, Inc.	Independent Director
	Philippine Seven Corporation	Independent Director
	Max's Group of Companies, Inc.	Independent Director
Ramon R. del Rosario, Jr.	Phinma Corporation	Executive Director
	Trans-Asia Petroleum Corporation	Executive Director
	PHINMA Energy Corp. (formerly Trans-Asia Oil & Energy Dev't. Corp.)	Executive Director
Fernando Zobel de Ayala	Pilipinas Shell Petroleum Corporation	Independent Director

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jaime Augusto Zobel de Ayala	Mermac, Inc.	Mr. Zobel is an officer and a stockholder of Mermac, Inc.
Fernando Zobel de Ayala	Mermac, Inc.	Mr. Zobel is an officer and a stockholder of Mermac, Inc.
Yoshio Amano	Mitsubishi Corporation	Mr. Amano is the General Manager of Mitsubishi Corporation-Manila Branch

(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:

Yes. The Corporation ensure that adequate time and attention is given to the fulfillment of the directors of their duties. The independent directors and non-executive directors hold no more than five board seats in publicly-listed companies and executive directors hold no more than two board seats in listed companies outside the Corporation's group. 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:

Name of Director	Number of Direct	Number of	% of Capital
------------------	------------------	-----------	--------------

	shares*	Indirect shares / Through (name of record owner)*	Stock
Jaime Augusto Zobel de Ayala	Common- <u>96,665</u> Voting Preferred-543,802	Common (through ESOWN subscription)- <u>39,731</u> Preferred B (through PCD) – 20,000	<u>0.0807%</u>
Fernando Zobel de Ayala	Common-47,059 Voting Preferred-554,983	Common (through ESOWN subscription)-130,787	<u>0.0845%</u>
Delfin L. Lazaro	Voting Preferred-258,297	Common (through ESOWN subscription)-30,753 Common (through PCD Nominee)-54	<u>0.0333%</u>
Yoshio Amano	Common-1	None	0.0000%
Xavier P. Loinaz	Common-126,614 Voting Preferred-65,517	None	0.0222%
Ramon R. Del Rosario, Jr.	Common-1	None	0.0000%
Antonio Jose U. Periquet	Common-1,200	Preferred B (through PCD) – 400,000	0.0463%
TOTAL	<u>1,694,139</u>	<u>621,325</u>	<u>0.2670%</u>

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐

No ☒

Identify the Chair and CEO:

Chairman of the Board	Jaime Augusto Zobel de Ayala
CEO/President	Jamie Augusto Zobel de Ayala (CEO)/ Fernando Zobel de Ayala (President)

Among the checks and balances laid down to ensure that the Board gets the benefit of independent views are: (1) the powers and responsibilities of the Chairman and of the CEO are specified and separate in the By-laws; (2) only two of the seven directors are executive directors and the powers and responsibilities of directors are clearly delineated from the powers and responsibilities of management; and (3) three of the seven directors are independent directors.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	1. Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;	1. Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
Accountabilities	2. Prepare the meeting agenda;	2. See that all orders and resolutions of the Board of Directors are carried into effect;
Deliverables	3. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and 4. Assist in ensuring compliance with	3. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual

	the Corporation's guidelines on corporate governance.	meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs; and 4. Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.
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- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Nomination Committee of the Board conducts a review and evaluation of the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board. In conducting its review, the Committee shall consider the following factors:

- a) *Duties and responsibilities of the position/s under consideration;*
- b) *For the nominees:*
 - (i) *level of knowledge on the Corporation's business;*
 - (ii) *potential to assume greater responsibility in the organization;*
 - (iii) *ability, integrity and expertise; and*
 - (iv) *results of previous performance assessments.*

The Committee's review of the management succession plan shall also take into account relevant human resource policies of the Corporation and its vision, mission and overall corporate strategy. (Charter of the Nomination Committee, Section 4)

The Board approves the succession plans for the CEO/Managing Director/President and the top key management positions based on the recommendations of the Committee and other factors that the Board may deem proper and relevant. (Charter of the Board of Directors, Section 6.1 (t), and Annex B)

- 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. (Charter of the 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.

Yes. Mr. Amano, an Non-Executive Director of the Corporation, is the General Manager of Mitsubishi Corporation-Manila Branch. Mitsubishi Corporation is also a holding company. Mr. del Rosario, an Independent Director of the Corporation, has been the President and CEO of Phinma, Corporation, a holding company, for at least ten years.

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

	Executive Directors	Non-Executive Directors	Independent Directors
Role	1. Conduct fair business transaction with the		Perform the same roles

Deliverables	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.	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.
Accountabilities	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. 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.	

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

The Corporation adheres to both Philippine law and the rules of the Securities and Exchange Commission and of the Philippine Stock Exchange. (the "Philippine Requirements") and the standards set by the Association of Southeast Asian Nations (ASEAN) for the strengthening of the ASEAN capital market development and integration for the establishment of an ASEAN Economic Community (the "ASEAN Standards") in the determination of independent directors. In line with this, the Corporation has adopted the following definition of independent directors:

Independent directors under the Philippine Requirements shall, apart from their fees and shareholdings, hold no interests or relationships with the Corporation that may hinder their independence from the Corporation, Management or shareholders which could or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For this purpose, each independent director submits to the Corporate Secretary a letter of confirmation stating that he holds no interest affiliated with the Corporation, the Management or controlling stockholder at the time of his election or re-election.

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

None.

Name	Position	Date of Cessation	Reason
N.A.			

(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.

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<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 approves a list of nominees eligible to be elected as members of the</i>	<i>A director of the Company shall have the following qualifications:</i> 1. <i>Ownership of at least one (1) share of the capital stock of the Company;</i> 2. <i>College degree or its equivalent or adequate competence and understanding of the</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

	Board. <u>The Nomination Committee may consider and recommend to the Board other qualifications for directors, including independence criteria/standards for independent directors, which are aligned with the Corporation's vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.</u> The Nomination Committee likewise identifies and recommends qualified individuals for nomination and election to the Board through the use of professional search firms and other external sources of candidates.	fundamentals of doing business or sufficient experience and competence in managing a business; 3. Relevant qualifications, such as previous business experience, membership in good standing in relevant industry and membership in business or professional organizations; 4. Integrity, probity, diligence and assiduousness in the performance of his functions; 5. Directorships in other companies, taking into account the following factors: i) the nature of the business of the Corporation ii) the number of directors in other companies; iii) any possible conflict of interest; and iv) the age of the director; and 6. For independent directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two percent (2%).
b. Re-appointment		
(i) Executive Directors	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 comes up with list of nominees eligible to be elected as members of the Board. <u>The Nomination Committee may consider and recommend to the Board other qualifications for directors, including independence criteria/standards for independent directors, which are aligned with the</u>	A director of the Company shall have the following qualifications: 1. Ownership of at least one (1) share of the capital stock of the Company; 2. 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; 3. Relevant qualifications, such as previous business experience, membership in good standing in relevant industry and membership
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<u>Corporation's vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.</u> The Nomination Committee likewise identifies and recommends qualified individuals for nomination and election to the Board through the use of professional search firms and other external sources of candidates.	in business or professional organizations; 4. Integrity, probity, diligence and assiduousness in the performance of his functions; 5. Directorships in other companies, taking into account the following factors: i) the nature of the business of the Corporation ii) the number of directors in other companies; iii) any possible conflict of interest; and iv) the age of the director; 6. For independent directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two percent (2%); and 7. The term limit set for independent directors under applicable laws, rules and regulations.
c. Permanent Disqualification		
(i) Executive Directors	The Company abides with the rules set forth in its Manual of Corporate Governance, the SEC Code of Corporate Governance and existing laws.	The following persons are disqualified from being a director of the Corporation: 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. 2. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions; 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; 4. Any person judicially
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<i>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) years prior to the date of his election of appointment;</i> <i>7. Any person engaged in any business which competes with or is antagonistic to that of the Corporation; and</i> <i>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.</i>
d. Temporary Disqualification		
(i) Executive Directors	<i>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</i>	<i>1. The following are the grounds for temporary disqualification of incumbent directors: Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and Implementing Rules and Regulations.</i> <i>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</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

		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
e. Removal		
(i) Executive Directors	The removal of directors requires an affirmative vote of 2/3 of the outstanding capital stock of the Company.	A director may be removed with or without 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.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	A temporary disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If the beneficial security ownership of 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.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	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.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received (in favor)*
Jaime Augusto Zobel de Ayala	<u>664,623,244 (95.49%)</u>
Fernando Zobel de Ayala	<u>665,381,643 (95.60%)</u>
Delfin L. Lazaro	<u>665,306,184 (95.59%)</u>
Yoshio Amano	<u>660,706,593 (94.93%)</u>
Xavier P. Loinaz	<u>670,978,579 (96.40%)</u>
Ramon R. Del Rosario, Jr.	<u>664,773,640 (95.51%)</u>
Antonio Jose U. Periquet	<u>664,437,962 (95.46%)</u>

*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 Management³ for the past three (3) years:

- Ayala-LEAP (Ayala Leadership Acceleration Program)
- EAGLE (Emerging Ayala Group Leaders Program)
- The Leadership Circle (integrated within Ayala-LEAP and EAGLE)
- LEAP Alumni Learning Series (presentations by visiting professors and practitioners in the fields of customer centricity, strategy, leadership, etc.)
- Executive Coaching
- Ayala Group Corporate Governance Summit
- Corporate Governance and Risk Management for Banks
- Corporate Governance Orientation Program by the Institute of Corporate Directors (ICD)
- Corporate Governance Seminar by SyCip Gorres Velayo & Co. (SGV) on July 2014
- Ayala Group Sustainability Summit
- Ayala Group Corporate Governance and Risk Management Summit held on 4 February 2014
- Ayala Group Corporate Governance Summit held on 18 February 2015
- Corporate Governance Seminar by SGV on December 8, 2015
- Ayala Corporation Corporate Governance and Risk Management Summit held on 8 March 2016
- CFA Phils Financial Modeling & Valuation, March 14-15, 2016
- Corporate Governance Seminar by SGV on April 11, 2016
- ECOP BOSH Certificate, May & August 2016
- Strategic Risk Forum, May 17, 2016, Singapore
- Project Management Institute – Project Management Fundamentals, June 20-24, 2016
- Certified Knowledge Manager, June 20 – 24, 2016, Virginia USA
- BSI Audit Training, June 20-24, 2016, Singapore
- CINO Summit, June 28-July 1, 2016
- IIA International Conference, July 17-20, 2016, NYC, USA
- CIO Summit, July 24-27, 2016, Bhutan
- ECC International HR Metrics & Analytics, August 2-3, 2016
- SEC Corporate Governance Forum on August 3, 2016
- Harvard Comparative Tax Policy on August 15-26, 2016 at Boston MA, USA
- Tourism Security Conference, August 24-25, 2016, Singapore
- ECC International Crisis Communication Planner, September 1-2, 2016
- Customer Experience Management Summit, September 6-7, 2016, Singapore
- Distinguished Corporate Governance Speaker Series on October 7, 2016
- Corporate Governance Seminar by SGV on December 9, 2016

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

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

Director/Officer			Institution
Jaime Augusto Zobel de Ayala	<u>March 8, 2016</u>	<u>Ayala Group Corporate Governance and Risk Management Summit</u>	<u>Institute of Corporate Directors, Inc.</u>
Fernando Zobel de Ayala			
Yoshio Amano (NED)			
Delfin L. Lazaro (NED)			
Xavier P. Loinaz (ID)			
Ramon R. del Rosario (ID)			
<u>Antonio Jose U. Periquet (ID)</u>	<u>April 11, 2016</u>	<u>Corporate Governance Seminar</u>	<u>SyCip Gorres Velayo & Co.</u>

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) 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	<i>All the Corporation's directors, officers and employees are expected to avoid situations of conflicts of interest or impropriety. Directors, officers and employees who have personal or pecuniary interest on any enterprise with which the Corporation has an existing or intended transaction shall fully disclose the relevant facts of the situation.</i>		
(b) Conduct of Business and Fair Dealings	<i>All directors, officers, and employees shall:</i> 1. <i>Deal fairly with the Corporation's customers, suppliers and business partners, and with the government, competitors and colleagues;</i> 2. <i>Not take undue advantage through misrepresentation of material facts, concealment, manipulation, or any other form of unfair dealing practice; and</i> 3. <i>Treat everyone with respect and act in good faith and with integrity and sense of professionalism at all times.</i>		
(c) Receipt of gifts from third parties	<i>Directors, officers and employees shall not accept gifts or invitations of any form from any supplier, customer or business partner of the Corporation, or from any third person or entity with existing or intended business dealings with the Corporation, except when the gift or invitation is:</i> ▪ <i>directly attributable to purely familial or personal relationships;</i> ▪ <i>only of nominal value;</i> ▪ <i>a simple promotional item or is part of the supplier's public relations program; or</i> ▪ <i>part of business meetings or discussions.</i> <i>However, when the gift does not fall under any of the above-mentioned conditions, the Company encourages the employee to turn over the gift to Strategic Human Resources and Organization Development for inclusion in the Company Christmas party raffle.</i> <i>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</i>		

	<i>Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Strategic Human Resources.</i>
(d) Compliance with Laws & Regulations	<i>Ayala expects its directors, officers and employees to conduct business in accordance with Philippine laws and regulations. Employees are encouraged to consult with Corporate Governance Group and the Office of General Counsel whenever there is any doubt concerning the legality of any matter.</i> <i>Any suspected criminal violations will be reported to the appropriate authorities. Non-criminal violations will be investigated and addressed as appropriate.</i>
(e) Respect for Trade Secrets/Use of Non-public Information	<i>The directors, officers and employees shall strictly observe company rules that provide for restrictions to access to classified information and controls on the release of such information to other companies, agencies, parties or to the general public. The directors, officers and employees shall not release classified information unless authorized by Management. They should shall maintain the integrity of all company documents and records and protect them against unauthorized or improper alteration, forgery, concealment or destruction.</i>
(f) Use of Company Funds, Assets and Information	<i>All directors, officers 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 purposes only.</i>
(g) Employment & Labor Laws & Policies	<i>The Company is consistently compliant with the Philippine labor laws, its implementing rules & regulations, DOLE department orders and circulars. The Ayala Group (AG) networks on Labor and Employee Relations, with oversight provided by the AG Human Resource Council, meet regularly to, among other functions, monitor and share current trends in, including strict observance of, legislation and jurisprudence on laws, proclamations and orders involving employee and labor relations .</i>
(h) Disciplinary action	<i>The Company, in the spirit of its shared and corporate values, holds all its employees in esteem and believes in protecting their rights, implementing discipline with firm but fair actions. At the same time, it expects each of its employees to respect the rights of fellow employees at all times and strive to live out these shared values in conducting personal and business affairs with: integrity; long-term vision; empowering leadership; commitment to national development.</i> <i>All offenses or violations of Company policies and rules shall be dealt with accordingly.</i>
(i) Whistle Blower	<i>As expressly provided in its Code of Conduct and Ethics and the Whistleblower Policy, the Company encourages directors, officers, and employees, and all suppliers, business partners, contractors and sub-contractors to come forward and raise serious concerns about a perceived wrongdoing, malpractice or risk involving the Corporation. The whistleblower may send or communicate a report, formally or anonymously, through a face-to-face meeting with the members of the Disclosure Committee, or email to whistleblower@ayala.com.ph.</i> <i>The Disclosure Committee will forthwith conduct investigations and, applying the rules of due process, make the appropriate recommendations on personnel actions.</i> <i>Should it be determined by the Committee that a whistleblower knowingly (a) submitted a report containing false allegations or (b) presented fabricated evidence, the whistleblower shall be subject to disciplinary or legal action pursuant to the policies and procedures of the Corporation, and any applicable laws.</i>
(j) Conflict Resolution	<i>The Company adheres to the ideals of justice and fairness in its business and in all its dealings with its Employees. The Company provides for an Investigation Committee to look into serious violations of Company policies, rules and regulations.</i>

2) 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 provided with the Code of Conduct and Ethics handbook.

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

The Strategic Human Resources has the specific task of implementing and monitoring compliance with the provisions of the Code. It is responsible for:

- *ensuring that the contents of the Code are communicated to all existing and new directors, officers and employees, and requiring each to sign an acknowledgment receipt that he/she has read and understood the same and agrees to abide with the standards and norms set forth therein;*
- *making the Code available on the company intranet for ease of access;*
- *requiring all directors, officers and employees to declare annually that they have complied with the Code, specifically on the provisions of conflict of interest and insider trading;*
- *investigating reported violations of the Code and impose sanctions for violations determined after investigation;*
- *reviewing and continuously updating the Code; and*
- *drafting and promulgating the Implementing Rules for the effective implementation of the Code, subject to the approval of the President and CEO.*

Management is also responsible for enforcing and monitoring compliance with the Code within their respective area of jurisdiction and taking or implementing disciplinary action after proper investigation.

All directors, officers and employees have the duty to report non-compliance with the Code and its Implementing Rules that may come to their knowledge and attention, in accordance with the relevant company rules and procedures.

Any violation shall be dealt with in accordance with the procedures provided in the Implementing Rules, the Corporation's Human Resources Manual of Policies and Procedures, the Employee Handbook and other existing company policies and proper observance of the requirements of due process. This shall be without prejudice to the filing of any legal action against the party concerned under existing laws.

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 Transactions (RPT) policy was revised, approved and was in effect in December 2014.

It is the policy of Ayala Corporation that related party transactions between the Corporation and 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 Corporation and its shareholders.

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

The policy also defines related party as a person or entity that is related to the entity that is preparing its financial statements, also referred to as the reporting entity.

- *A person or a close member of that person's family is related to a reporting entity if that person has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting*

entity.

- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third party
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person of the reporting entity
 - A person of the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel service to the reporting entity or to the parent of the reporting entity.

Material/significant related party transactions shall be reviewed by the Risk Management and Related Party Transactions Committee, endorsed to the Board of Directors for approval and presented to the stockholders for ratification, the threshold of which is set to whichever is lower of PhP50,000,000.000 or 5% of total assets of either party.

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

The Committee considers the following factors in the review of the RPTs:

- The terms of the transaction;
- The aggregate value of the transaction;
- Whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
- The extent of Related Party's interest in the transaction;
- Purpose and timing of the transaction;
- Whether the transaction would present an improper conflict of interest or special risks or contingencies for the Corporation, or the related party taking into account the size of the transaction and the overall financial position of the Related Party; and
- Any material information or other factors the Committee deems relevant.

The Group Risk Management Unit monitors RPTs for approval of the Risk Management and Related Party Transactions Committee while the Controllership Unit ensures that RPTs are properly disclosed in the Corporation'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.

Related Party Transactions	Policies and Procedures
(1) Parent Company	All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. An assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	Annual disclosure of business interests and adherence to AC's Insider Trading Policy to uphold transparency and practice corporate governance.
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship	

(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	N.A.
Name of Officer/s	N.A.
Name of Significant Shareholders	N.A.

(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>The Company's Human Resources Manual of Policies and Procedures, the Employee Handbook, and the Code of Conduct and Ethics apply to directors, officers and employees. They provide principles, guidelines and standards by which officers are expected to conduct themselves.</i> <i>Directors, employees and officers are required to submit Annual Disclosure of business interests and adherence to the company's Insider Trading Policy to uphold transparency and practice corporate governance.</i> <i>If a director has an interest in a matter under consideration by the board, then the director is not allowed to participate in those discussions and the board should follow any further appropriate processes. Individual directors should be conscious of shareholder and public perceptions and seek to avoid situations where there might be an appearance of a conflict of interest.</i> <i>Independent directors are aware of the shareholders' and public's perceptions and they are guided to avoid situations where there could be an appearance of conflict of interest.</i>
Group	<i>Each company in the Group has its Manual of Policies and Procedures and Code of Conduct which apply to directors, officers and employees.</i>

5) Family, Commercial and Contractual Relations

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

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

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

- (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:

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	<i>The Company has no record of conflicts or differences with its stockholders, regulatory authorities and other third parties.</i> <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>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

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

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

January 19, 2016

March 10, 2016

April 15, 2016

The new members of the Board of Directors, upon their election on the April 15, 2016 Annual Stockholders' Meeting, set the dates of the Board meetings for the ensuing year 2016 to 2017, as follows:

June 24, 2016

September 20, 2016

December 2, 2016

January 19, 2017

March 10, 2017

- 2) Attendance of Directors

Board	Name	Date of	No. of	No. of	%
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		Election	Meetings Held during the year*	Meetings Attended*	
Chairman	Jaime Augusto Zobel de Ayala	<u>April 15, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	Fernando Zobel de Ayala	<u>April 15, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Member	Delfin L. Lazaro	<u>April 15, 2016</u>	<u>6</u>	<u>5</u>	<u>83%</u>
Member	Yoshio Amano	<u>April 15, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Independent	Xavier P. Loinaz	<u>April 15, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>
Independent	Ramon R. Del Rosario, Jr.	<u>April 15, 2016</u>	<u>6</u>	<u>5</u>	<u>83%</u>
Independent	Antonio Jose U. Periquet	<u>April 15, 2016</u>	<u>6</u>	<u>6</u>	<u>100%</u>

*Meetings in 2016 and during the incumbency of the director.

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

The Non-Executive and Independent Directors of the Company held a meeting without the presence of any Executive on April 10, 2015.

- 4) 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 constitute a quorum for the transaction of corporate business.

- 5) Access to Information

- (a) How many days in advance are board papers⁵ 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 of the Corporation has the following functions:

- (a) *Serve as an adviser to the directors on their responsibilities and obligations;*
- (b) *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;*
- (c) *Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;*
- (d) *Have charge of the stock certificate book and such other books and papers as the Board may direct;*

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

- (e) Attend to the giving and serving of notices of Board and shareholder meetings;
- (f) Be fully informed and be part of the scheduling process of other activities of the Board;
- (g) Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
- (h) Oversee the adequate flow of information to the Board prior to meetings;
- (i) Ensure fulfillment of disclosure requirements of the Securities and Exchange Commission and the Philippine Stock Exchange.

Yes, the role of the Corporate Secretary includes assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.

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

Yes. The Corporate Secretary possesses organizational and interpersonal skills, and the legal skills of a chief legal officer. He also has financial and 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	1. The Office of the Corporate Secretary sends the board materials at least five business days before the scheduled meeting. 2. The board materials provide supporting information for matters for approval of the directors during the meeting. 3. The Company meets with the independent directors, non-executive directors and executive directors, individually or in groups, as may be necessary for management to keep the directors informed and to seek guidance.
Audit	
Risk Management and Related Party Transactions	
Nomination	
Remuneration	
Finance	
Inspectors of Proxies and Ballots	

- 6) External Advice

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

The General Counsel and Corporate Secretary of the Company attends to the directors' concerns. When necessary, the General Counsel and Corporate Secretary may recommend to the directors to seek for an advice from third parties.

- 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>Approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.</i>	<i>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 Performance Bonus 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	<u>Same with variable remuneration</u>	<u>Same with variable remuneration</u>
(5) Stock Options and other financial instruments	<i>The Stock Option Plan is used as a guide in the selection of grantees, the size of the grant, the offer price and the discount. The grant is 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>Directors who hold executive or management positions do not receive directors' fees.</i>	<i>Fixed and variable compensation, stock options and other benefits (for the executive position).</i>	<i>Based on the role, responsibility, performance of the company and the individual, contribution to the organization, and market.</i>
Non-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</i>	<i>Retainer fee: P1,200,000; Board meeting fee per meeting attended: P200,000; Audit committee meeting fee per meeting attended: P100,000; Other committee meeting fee per meeting attended: P50,000.</i>	<i>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</i>

	authority to determine the amount, form and structure of the fees and other compensation of the directors. The Compensation Committee shall have the responsibility of recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope.		directors exceed one percent (1%) of the net income before tax of the Corporation during the preceding year.
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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.

Yes. On April 18, 2011, the stockholders of the Corporation approved the increase in the compensation of the non-executive directors. The rationale for such increase in compensation is to recognize the invaluable services rendered by the directors of the Corporation in successfully governing the business of the Corporation.

Remuneration Scheme	Date of Stockholders' Approval
Retainer Fee: P1.2 Million annually	April 18, 2011
Board Meeting Fee: P200,000 for every meeting attended	April 18, 2011
Audit Committee Meeting: P100,000 for every meeting attended	April 18, 2011
Other Committee Meeting: P50,000 for every meeting attended	April 18, 2011

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	The Executive Directors do	P2,400,000.00	P3,600,000.00

(b) Variable Remuneration	<i>not receive remuneration as directors.</i>	<i>none</i>	<i>none</i>
(c) Per diem Allowance		<u>P3,550,000.00</u>	<u>P5,850,000.00</u>
(d) Bonuses		<i>none</i>	<i>none</i>
(e) Stock Options and/or other financial instruments		<i>none</i>	<i>none</i>
(f) Others (Specify)		<i>none</i>	<i>none</i>
Total		<u>P 5,950,000.00</u>	<u>P 9,450,000.00</u>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	<i>The Executive Directors do not receive remuneration as directors.</i>	<i>none</i>	<i>none</i>
(b) Credit granted		<i>none</i>	<i>none</i>
(c) Pension Plan/s Contributions		<i>none</i>	<i>none</i>
(d) Pension Plans, Obligations incurred		<i>none</i>	<i>none</i>
(e) Life Insurance Premium		<i>none</i>	<i>none</i>
(f) Hospitalization Plan		<i>none</i>	<i>none</i>
(g) Car Plan		<i>none</i>	<i>none</i>
(h) Others (Specify)		<i>none</i>	<i>none</i>
Total			

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>Delfin L. Lazaro*</i>	<u>3,060</u>	<i>None</i>	<u>3,060</u>	<u>0.0005%</u>
<i>Fernando Zobel de Ayala</i>	<u>27,633</u>	<i>None</i>	<u>27,633</u>	<u>0.0045%</u>

**Grants given during his employment in the Company.*

No rights and warrants were given to directors with their position as director of the company. Non-executive and Independent Directors do not receive any compensation as director other than the retainer fee and per diem as set forth above.

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
<i>Paolo Maximo F. Borromeo</i>	<u><i>P166M</i></u>
<i>John Eric T. Francia</i>	
<i>Solomon M. Hermosura</i>	
<u><i>Jose Teodoro K. Limcaoco</i></u>	
<i>John Philip S. Orbeta</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	2	1		Yes	<i>The 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 Corporation’s By-Laws, except with respect to:</i> <i>1. Approval of any action for which shareholders’ approval is also required;</i> <i>2. Filling of vacancies on the Board or in the Executive Committee;</i> <i>3. Amendment or repeal of By-Laws or the adoption of new By-Laws;</i> <i>4. Amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;</i> <i>5. Distribution of cash dividends; and</i> <i>6. Exercise of powers delegated by the Board exclusively to other committees, if any.</i>		
Audit	0	1	2	Yes	<i>Assists the Board of Directors in fulfilling its responsibility for oversight of the organization’s corporate governance</i>		

					processes, with the following particular duties: 1. Regularly reports to the Board on the results of the audits conducted by the independent and internal auditors, the integrity of the company's financial statements, the appropriateness and effectiveness of the systems of internal controls, risk management, and governance processes. 2. Recommends the appointment or re-appointment of the independent auditors; reviews and approves all audit, audit-related, and permissible non-audit services provided by the independent auditors to Ayala and the related fees to ensure that their independence is not compromised. 3. Reviews and approves the Internal Audit Charter to ensure the independence and effectiveness of the internal audit function; ensures that the internal audit function is adequately resourced and all its activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing. 4. Reviews and approves the overall scope and plans for the respective audits of the company's internal auditors and independent auditors, and the results of their assessment of the company's internal controls and overall quality of the financial reporting process. 5. Reviews the quarterly and annual financial statements and all related disclosures with Management and the independent auditors. 6. Reviews and assesses the adequacy of the Audit Committee Charter at least annually, requesting Board approval for proposed changes. 7. Conducts self-assessment to evaluate the effectiveness of their performance as against the requirements of its Charter and in accordance with the SEC Memorandum Circular Number 4, Series of 2012. Reports annually to the Board of Directors describing the committee's composition, responsibilities and how they were discharged, and any other information required by law; confirms annually that all responsibilities outlined in its charter have been carried out.
Risk Management	0	1	2	Yes	The Risk Management and Related Party Transactions Committee of the Board of

and Related Party Transactions					<i>Directors is established by the Board to provide assistance in fulfilling the Board's oversight responsibilities in relation to risk governance. The assistance includes ensuring that Management maintains a sound risk management framework and internal control system, and identifies and assesses material risk exposures, In addition, the Committee:</i> <i>1. Promotes an open discussion regarding risks faced by the Corporation, as well as risks faced by its subsidiaries that may have potential impact on the Corporation's operations, and ensures that risk awareness culture is pervasive throughout the organization.</i> <i>2. Reviews and discusses with Management the Corporation's risk governance structure and adequacy of policies and processes for risk identification, assessment and mitigation.</i> <i>3. Reviews and recommends to the Management the Corporation's levels of risk appetite and risk tolerance, and risk exposure allocation for approval by the Board of Directors.</i> <i>4. Reviews the Corporation's risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks.</i> <i>5. Monitors the implementation of the Corporation's risk mitigation plans and other risk management activities with the assistance of the risk management function.</i> <i>6. Reviews and discusses risk management-related reports and issues raised by the Management, internal auditors, external auditors, legal counsel and regulators that impact the Corporation's risk management framework.</i> <i>7. Reviews disclosures regarding risk contained in the Corporation's Annual Report and other publicly-issued statements.</i> <i>8. Reviews the objectivity, effectiveness and efficiency of the Corporation's risk management function in the context of the Corporation's size, scale, complexity and scope of operations.</i> <i>9. Secures independent expert advice on risk management matters where considered necessary or desirable.</i>
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					10. In coordination with the Audit Committee, ensures that the Corporation's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process. 11. Determines the advisability of, and review and evaluate the terms and conditions of any material or significant related party transactions and their required reporting disclosures. 12. Performs other activities related to this Charter as requested by the Board.
Nomination	0	0	<u>3</u>	Yes	1. Review and monitor the structure, size and composition of the Board and make recommendations to ensure compliance with applicable laws, rules and regulations as well as the Corporation's By-laws and Manual of Corporate Governance 2. Encourage the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies; 3. Ensure that all nominations to the Board are fair and transparent, and that all nominees are qualified in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations; 4. Review and evaluate the qualifications of persons nominated to positions which require appointment by the Board, and provide guidance and advice as necessary for appointments by the Chairman or President to positions below Managing Director; 5. Review succession plans for members of the Board and senior executives (from group heads to the Chief Executive Officer); 6. Assess the effectiveness of the Board's processes and procedures in the election or replacement of Board members and in appointing officers or advisors, and develop, update and recommend to the Board policies for considering nominees for directors, officers or advisors; and 7. Perform such other duties and responsibilities that may be delegated to the Committee by the Board from time to time.
Personnel and Compensation	0	2	1	Yes	1. 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; 2. 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; 3. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interest or shareholdings that may directly or indirectly conflict in their performance of duties once hired; 4. Disallow any director to decide his own remuneration during his incumbent term; 5. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuring year; 6. 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; 7. In the absence of a Personnel Handbook, cause the development of such covering the same parameters of governance stated above.
Finance	<u>2</u>	1	1	Yes	1. Responsible for reviewing and evaluating the financial affairs of the Corporation from time to time. 2. Conduct an annual financial review and operations review prior to each annual stockholder's meeting.
Inspectors of Proxies and Ballots	3*	0	0	Yes	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

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings	%	Length of Service in
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				Attended		the Committee
Chairman (ED)	Jaime Augusto Zobel de Ayala	May 10, 1996	None*	N.A.	N.A.	<u>20</u>
Member (ED)	Fernando Zobel de Ayala	May 10, 1996		N.A.	N.A.	<u>20</u>
Member (NED)	Yoshio Amano	April 30, 2012		N.A.	N.A.	<u>4</u>

*The was no actual meeting held in 2016. The actions of the Executive Committee were taken by written consent (electronic or digital format) by majority of the members of the Committee.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended*	%	Length of Service in the Committee
Chairman (ID)	Xavier P. Loinaz	April 3, 2009	4**	<u>4</u>	<u>100%</u>	<u>7</u>
Member (NED)	Yoshio Amano	April 20, 2012		<u>3</u>	75%	<u>4</u>
Member (ID)	Ramon R. Del Rosario, Jr.	April 16, 2010		<u>4</u>	100%	<u>6</u>

* In 2016

** The Audit Committee also had a joint meeting with the Risk and Related Party Transactions Committee on March 3, 2016. It also passed a resolution on the appointment of the audit engagement partner starting calendar year 2016 on March 30, 2016.

Disclose the profile or qualifications of the Audit Committee members.

Xavier P. Loinaz, Filipino, 73, Independent Director of Ayala Corporation since April 2009. He is also an Independent Director of Bank of the Philippine Islands, a publicly listed company. He also holds the following positions: Independent Director of BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation; Trustee of E. Zobel Foundation; and Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.; and Vice Chairman of XPL MTJL Properties, Inc. He was formerly the President of the Bank of the Philippine Islands (BPI) from 1982 to 2004. He was also the President of Bankers Association of the Philippines from 1989 to 1991. He graduated with an AB Economics degree at Ateneo de Manila University in 1963 and took his MBA-Finance at Wharton School, University of Pennsylvania in 1965.

Yoshio Amano, Japanese, 58, Non-Executive Director of Ayala Corporation since April 2012. e is a Senior Vice President of Mitsubishi Corporation and the General Manager of Mitsubishi Corporation-Manila Branch; Chairman of International Elevator & Equipment Inc.; President of MC Diamond Realty Investment Phils., Inc., MC Oranbo Investment, Inc. FMT Kalayaan, Inc., MCCavite Holdings, Inc., and Japanese Chamber of Commerce & Industry of the Philippines (JCCIP); and Director of Isuzu Philippines Corporation, Imasen Philippines Manufacturing Corp., Kepco Ilijan Corporation, Trans World Agro-Products Corp., Philippine Resins Industries, Inc., Portico Land Corporation, Century City Development II Corporation and The Japanese Association Manila, Inc. He is not a director of any publicly listed company. Mr. Amano graduated from the University of Tokyo with a degree from the Faculty Engineering in 1982. He has been with Mitsubishi Corporation for more than 30 years in various leadership positions.

Ramon R. del Rosario, Jr., Filipino, 72, Independent Director of Ayala Corporation since April 2010. He holds the following positions in publicly listed companies: President and Chief Executive Officer of Phinma Corporation; Chairman of Trans-Asia Petroleum Corporation; and Vice Chairman of PHINMA Energy Corp (formerly Trans-Asia Oil and Energy Development Corporation). He is the President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, United Pulp and Paper Co., Inc., Microtel Inns and Suites (Pilipinas), Inc., Microtel Development Corp., Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corp., CIP II Power Corp., One Subic Power Generation Corp., Fuld & Co., Inc., Fuld & Co (Philippines), Inc. and Paramount Building Management & Services Corp.; Vice-Chairman of Phinma Foundation and Phinma

Property Holdings Corp., director of Union Galvasteel Corp. and other PHINMA-managed companies; Chairman of The National Museum of the Philippines, the Makati Business Club, Philippine Business for Education, the Philippines-US Business Council, and the Integrity Initiative; Vice-Chairman of Caritas Manila and Ramon Magsaysay Award Foundation; and Trustee of De La Salle University. Mr. del Rosario graduated from De La Salle College in 1967 with a degree in BSC-Accounting and AB Social Sciences Magna cum Laude and from Harvard Business School in 1969 for his Master in Business Administration. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

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

1. Review the performance and recommend the appointment, retention or discharge of the Independent Auditors, including the fixing of their remuneration to the Board of Directors. In case of resignation or cessation from service of an independent auditor, ensure that there is a process for reporting in the annual and current reports the reason for cessation from service, and the date thereof, of an independent auditor.

A preliminary copy of the said report shall be given by the corporation to the independent auditor before its submission.

2. Ensure the rotation of the lead engagement partner at least once every five (5) years and consider whether there should be a regular rotation of the audit firm itself.
3. Review and pre-approve the Independent Auditor's plans and ascertain 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.

4. Monitor the coordination of efforts between the external and internal auditors. The Committee shall ensure that the internal and external auditors act independently from each other.
5. 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.
6. Conduct 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, the quality of management, financial and accounting controls.
7. 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 year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be 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.
8. Ensure that the independent auditor has unrestricted access to all records, properties and personnel to enable performance of the required audit.
9. Review with the independent auditor any problems or difficulties, including any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded.
10. Review of the independent auditor's evaluation of internal accounting controls. Independent auditors shall provide feedback to the Audit Committee on their observations of internal control weaknesses arising from statutory financial audits. Independent auditors should highlight findings which are disputed by

Management or where Management has not agreed to implement remedial actions that would rectify the identified weaknesses.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended*	%	Length of Service in the Committee
Chairman (ID)	Ramon R. Del Rosario, Jr.	April 18, 2011	<u>4</u>	<u>4</u>	100%	<u>5</u>
Member (ID)	Antonio Jose U. Periquet	April 20, 2012		<u>4</u>	100%	<u>4</u>
Member (ED)	Fernando Zobel de Ayala**	March 26, 2004	<u>2</u>	<u>2</u>	100%	<u>11</u>
Member (ID)	Xavier P. Loinaz***	April 15, 2016		<u>2</u>	100%	<u>0.66</u>

*In 2016

**Until April 2016.

***Elected on April 15, 2016.

(d) Personnel and Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended*	%	Length of Service in the Committee
Chairman (ID)	Ramon R. del Rosario, Jr.	April 16, 2010	<u>3</u>	<u>3</u>	100%	<u>6</u>
Member (NED)	Delfin L. Lazaro	March 30, 2007		<u>3</u>	100%	<u>9</u>
Member (NED)	Yoshio Amano	April 20, 2012		<u>3</u>	100%	<u>4</u>

* In 2016

(e) Others

Provide the same information on all other committees constituted by the Board of Directors:

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 16, 2010	<u>17</u>	<u>16</u>	<u>94.12</u> %	<u>6</u>
Member (ED)	Jaime Augusto Zobel de Ayala	May 29, 2012		<u>16</u>	<u>94.12</u>	<u>4</u>
Member (ID)	Antonio Jose U. Periquet	April 18, 2011		<u>17</u>	100%	<u>5</u>
Member (ED)	Fernando Zobel de Ayala	April 15, 2016	<u>13</u>	<u>10</u>	<u>76.92</u> %	<u>0.66</u>

* Actual meetings in 2016 and during incumbency of the directors.

Note: Nine out of the 17 meetings of the Committee were via electronic/digital means. In 2016, the committee passed 11 resolutions and the corresponding per diem were paid to the non-executive and independent directors.

Committee of Inspectors of Proxies and Ballots

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended*	%	Length of Service in the Committee
Chairman	Solomon M. Hermosura	April 16, 2010	<u>2</u>	<u>2</u>	100%	<u>6</u>
Member	Catherine H. Ang	April 11, 2014		<u>2</u>	100%	<u>2</u>
Member	Josephine G. De Asis	April 19, 2013		<u>2</u>	100%	3

* In 2016

Risk Management and 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)	Antonio Jose U. Periquet	September 1, 2014	<u>4</u>	<u>4</u>	100%	2
Member (ID)	Ramon R. del Rosario, Jr.	September 1, 2014		<u>4</u>	100%	2
Member (NED)	Yoshio Amano	September 1, 2014		<u>4</u>	100%	2

* In 2016

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	<i>None</i>	
Audit	<i>None</i>	
Nomination	<u>Fernando Zobel de Ayala</u> <u>Xavier P. Loinaz</u>	<u>Replaced by Mr. Xavier P. Loinaz.</u> <u>Elected during the Organizational Board Meeting on April 15, 2016.</u>
Remuneration	<i>None</i>	
Finance Committee	<u>Fernando Zobel de Ayala</u>	<u>Elected as additional member of the Committee on April 15, 2016.</u>
Committee of Inspectors of Proxies and Ballots	<i>None</i>	
Risk Management and Related Party Transactions Committee	<i>None</i>	

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	<u>Passed and approved the following resolutions:</u> 1. <u>Incorporation of, and investment of up to PhP500Mn into, a new Philippine company in partnership with Austrian OEM KTM AG ("KTM")</u>	

	2. <u>Delegation of authority and appointment of attorneys-in-fact for CFAM assets</u> 3. <u>Equity Infusion into Ayala education for its capital requirement, 2016</u> 4. <u>Operation expenses and equity contribution into APEC Schools</u> 4. <u>Authorized signatories for FlexBen claims and other employee reimbursement</u> 5. <u>Issuance of Ayala fixed rate bonds</u> 6. <u>Additional equity infusion into Ayala Healthcare Holdings, Inc. to fund its operation expenses and additional pilot clinics</u> 7. <u>PhP200 Million voting preferred shares dividends rate re-pricing</u> 8. <u>Investment in preferred shares and authority to buy voting preferred shares of Ayala Land, Inc.</u> 9. <u>Investment by AC Energy Holdings, Inc. in UPC Renewables Asia III Ltd.</u> 10. <u>Establishment of AC Energy Offshore and equity infusion into AC Energy Holdings, Inc. for initial funding of AC Energy Offshore</u> 11. <u>Infusion of AC International Finance Limited to AC Energy International Holdings Pte. Ltd.</u> 12. <u>Backstop of Sithe Global Power LP's equity commitment for GNPowr Dinginin Ltd. Co.</u> 13. <u>Additional infusion into Ayala Automotive Holdings Corporation for the KTM Business</u> 14. <u>Lease of Amorsolo-Dela Rosa, Makati Lot to Ayala Land, Inc. or any of its Subsidiaries</u> 15. <u>Availment of PhP10Bn Revolver Facility from BDO</u> 16. <u>Sale of up to 100% interest in Ho Chi Minh City Infrastructure Investment Joint Stock Company</u> 17. <u>Authorized signatories for Bureau of Internal Revenue and Home Development Mutual Fund Payments</u> 18. <u>Investment by AC Energy Holdings, Inc. in Monte Solar Energy, Inc.</u> 19. <u>Sale of 100% of the Corporation's interests in Vinaphil Technical Infrastructure Investment Joint Stock Company to Ho Chi Minh City Infrastructure Investment Joint Stock Company</u> 20. <u>Appointment of Mr. Jose Rene Gregorio D. Almendras as Managing Director of the Corporation and President and Chief Executive Officer of AC Infrastructure Holdings Corporation</u> 21. <u>Incorporation of and infusion of equity into HCX Technology Partners, Inc.</u> 22. <u>Investment in BF Jade E-Services Philippines, Inc.</u> 23. <u>Implementation and execution of standard settlement instructions</u> 24. <u>Optional redemption of AC PhP10 Billion 5.45% bonds due 2019</u> 25. <u>Investments in Merlin Solar Technology, Inc. and Qflex</u> 26. <u>Upgrade of money market limit of Security Bank Corporation</u> 27. <u>Lease of land and billboard/advertising space within the Muntinlupa-Cavite Expressway (MCX) Right-of-Way</u> 28. <u>Increase in the limit and tenor of investment in ING Bank, N.V.'s Yield Enhancement Products</u> 29. <u>Additional infusion into AC Energy Holdings, Inc. for the acquisition of Chevron's Geothermal Assets</u> 30. <u>Additional equity infusion into Ayala Healthcare Holdings Inc. for the Funding of Pharm Gen Ventures Corp.</u> 31. <u>Transfer of Ownership of Integrated Micro-Electronics, Inc. within the AC Group of Companies</u> 32. <u>Issuance of PhP10 Billion Ayala Fixed Rate Bonds</u>	
Audit	1. Reviewed and approved the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Ayala	Integrity of the Company's financial statements, the financial reporting process; and the systems of internal controls.

	<i>Corporation and Subsidiaries, and the annual Parent Company Financial Statements, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with management, internal auditors, and external auditors, SGV & Co.;</i> 2. <i>Discussed with external auditors the matters required by applicable Auditing Standard and required communication with the Audit Committee;</i> 3. <i>Discussed and approved the overall scope and plans for the respective audits of the Company's internal auditors and external auditors, and the results of their assessment of the Company's internal controls and overall quality of the financial reporting process;</i> 4. <i>Discussed the reports and updates of the internal auditors to ensure adequacy of its resource and all its activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing;</i> 5. <i>Reviewed and approved all audit, audit-related, and permissible non-audit services provided by the external auditor to Ayala Corporation and the related fees, and concluded that the non-audit fees are not significant to impair their independence;</i> 6. <i>Recommended the appointment of SGV as the Company's external auditor for the year <u>2016, including the new lead Engagement Partner to comply with SEC's 5-year rule</u>, and the approval of the audit fees of SGV based on their performance and qualifications;</i> 7. <i>Recommended the inclusion of the audited consolidated financial statements in the Annual Report for the year ended December 31, <u>2016</u> for filing with the Securities and Exchange Commission and the Philippine Stock Exchange;</i> 8. <i>Reviewed the existing Committee Charter; and</i>	<i>Performance of the Company's internal audit function and independent auditors</i> <i>Independence and performance of external auditors</i> <i>Governance and disclosure</i> <i>Effectiveness and performance of the Committee</i>
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	9. <i>Conducted a self-assessment to evaluate the effectiveness of their performance as against the requirements of its Charter and in accordance with the SEC Memorandum Circular Number 4, Series of 2012.</i>	
Nomination	1. <i>Reviewed the qualifications of all persons nominated to positions requiring appointment by the Board; and</i> 2. <i>Approved the final list of nominees for directors for election at the 2016 annual stockholders' meeting after ensuring that all nominees to the Board have met all the qualifications and none of the disqualifications as set forth in the Corporation's By-Laws, Revised Manual of Corporate Governance and the rules of the SEC.</i>	
Remuneration	1. <i>Approved the performance bonus, merit increase of the employees of the Corporation; and</i> 2. <i>Approved the 2015 and 2016 Employee Stock Ownership Plan (ESOWN).</i>	
Finance Committee	<u>Approved the following:</u> 1. <u>Additional equity infusions and advances to wholly-owned subsidiaries of the Company;</u> 2. <u>Purchase of shares of member companies of the Ayala Group (e.g. Globe and ALI);</u> 3. <u>Participation of AC Infra in the pre-qualification bid for LRT6 and NAIA Project;</u> 4. <u>Funding plan of the Corporation including shelf registration of Php20 Billion Fixed-rate Bonds and execution of loan agreements with BTMU and Mizuho;</u> 5. <u>Lease of Makati lot to ALI for micro-apartment;</u> 6. <u>Backstopping of Sithe Global's equity commitment in GNPowr Dingin by way of loan;</u> 7. <u>Sale of 100% of the Corporation's Interests in Vinaphil Technical Infrastructure Investment Joint Stock Company to Ho Chi Minh City Infrastructure Investment Joint Stock Company;</u> 8. <u>Revision of the Charter of the Finance Committee to give the Committee oversight function over the capital allocation process between the Corporation and its directly-held subsidiaries and affiliates, for endorsement to the Board.</u> 9. <u>Incorporation of and Infusion of Equity into HCX Technology Partners, Inc.;</u> 10. <u>Upgrade of Money Market Limit of Security Bank Corporation;</u> 11. <u>Transfer of ownership of Integrated Micro-electronics, Inc. within the Ayala Group of Companies</u>	
Risk Management and Related Party Transactions Committee	1. <i>Ensured that Management maintained a sound risk management framework and internal control system and identified material risk exposures and their impact to the Company's objectives.</i> 2. <i>Reviewed the objectivity, effectiveness and efficiency of the Company's risk management function as evidenced by:</i> i. <i>The Chief Risk Officer, as supported by the Group Risk Management Unit, led the overall review of the Company's risk management process which focused on the enhancement of the output from the bow-tie analysis and risk interaction mapping performed in the previous year. Furthermore, the Group Risk Management Unit partnered with the Corporate Strategy Unit in the Company's annual risk assessment exercise and mapped the eleven risks to the five vision pillars of the Company to better understand which risks may impact the achievement of business objectives. Risk management was also institutionalized as part of Key Result Areas (KRAs), as each</i>	

	<u>employee was tasked to identify how their specific roles and functions can contribute to the five vision pillars and how risk management can help them guarantee the delivery of their identified contribution. Such exercise promotes collaborative management of important risks and highlights the employees' value in the risk management process.</u> ii. The Management showed a great deal of support, Managing Directors can make themselves available to discuss their respective risk management plans and to answer any question raised by the Committee. 3. <u>Noted the other programs such as the implementation of an ERM dashboard and the establishment of the Corporation's Business Continuity Management System by the Group Risk Management Unit designed to create risk awareness, as well as to strengthen the organizational resiliency of the Organization. On a group-wide scale, a risk tolerance and insurance optimization studies were executed with the facilitation of an external consultant to assess the risk retention capacity and enhance the risk transfer strategy of the Group.</u> 4. <u>Approved the Business Continuity Management Policy.</u> 5. <u>Determined the advisability of, and reviewed and evaluated the terms and conditions of any material or significant related party transaction, the threshold of which is set to whichever is lower of Php50,000,000.00 or 5% of total assets of either party and their required reporting disclosures. The Chief Finance Officer, through the Controllershship or Corporate Finance and Assessment Management Unit, reported and disclosed any related party transactions.</u> 6. <u>Revisited the Risk Management and Related Party Transactions Committee Charter to ensure that proper coordination with Audit Committee existed and that the output of the enterprise risk management process was an input to the annual risk-based planning of the Internal Audit Unit.</u>
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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
Executive	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.	
Audit	a. Review and approve the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Ayala Corporation and Subsidiaries, and the annual Parent Company Financial Statements, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with management, internal auditors, and external auditors, SGV & Co.; b. Discuss with external auditors the matters required by applicable Auditing Standard and required	Integrity of the Company's financial statements, the financial reporting process; and the systems of internal controls.

	communication with the Audit Committee; c. Discuss and approve the overall scope and plans for the respective audits of the Company's internal auditors and external auditors, and the results of their assessment of the Company's internal controls and overall quality of the financial reporting process; d. Discuss the reports and updates of the internal auditors to ensure adequacy of its resource and all its activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing; e. Review and approve all audit, audit-related, and permissible non-audit services provided by the external auditor to Ayala Corporation and the related fees, and concluded that the non-audit fees are not significant to impair their independence; f. Recommend the appointment of the Company's external auditor for <u>2016</u> and the approval of their audit fees based on their performance and qualifications; g. Recommend the inclusion of the audited consolidated financial statements in the Annual Report for the year ended December 31, <u>2016</u> for filing with the Securities and Exchange Commission and the Philippine Stock Exchange; h. Review the existing Committee Charter; and i. Conduct a self-assessment to evaluate the effectiveness of their performance as against the requirements of its Charter and in accordance with the SEC Memorandum Circular Number 4 Series of 2012.	Performance of the Company's internal audit function and independent auditors Independence and performance of external auditors Governance and disclosure Effectiveness and performance of the Committee
Risk Management and Related Party Transactions	To carry out its Board Oversight responsibilities in relation to risk governance and related party transactions approval, the Committee: Promotes an open discussion regarding risks faced by the Corporation, as well as risk faced by its subsidiaries that may have	

	<i>potential impact on the Corporation's operations, and ensures that risk awareness culture is pervasive throughout the organization</i> <i>2. Reviews and discusses with Management the Corporation's risk governance structure and adequacy of policies and processes for risk identification, assessment and mitigation</i> <i>3. Reviews and recommends to the Management the Corporation's level of risk appetite and risk tolerance, and risk exposure allocation for approval by the Board of Directors</i> <i>4. Reviews the Corporation's risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks</i> <i>5. Monitors the implementation of the Corporation's risk mitigation plans and other risk management activities with the assistance of the risk management function</i> <i>6. Reviews and discusses risk management-related reports and issues raised by the Management, internal auditors, external auditors, legal counsel and regulators that impact the Corporation's risk management framework</i> <i>7. Reviews disclosures regarding risk contained in the Corporation's Annual Report and other publicly-issued statements</i> <i>8. Reviews the objectivity, effectiveness and efficiency of the Corporation's risk management function in the context of the Corporation's size, scale, complexity and scope of operations</i> <i>9. Secures independent expert advice on risk management matters where considered necessary or desirable</i> <i>10. In coordination with the Audit Committee, ensures that the Corporation's internal audit work plan is aligned with the risk management activities and that the internal control system considers all risks identified during the risk assessment process.</i> <i>11. Determines the advisability of, and reviews and evaluated the terms and conditions of any material or significant related party transactions and their required reporting disclosures</i> <i>12. Performs other activities related to the Charter as requested by the Board</i> <i>13. Regularly reports to the Board updates in all actions initiated by the Committee</i> <i>14. Reviews the Charter annually</i> <i>15. Conducts annual self-assessment with respect to the fulfillment of its functions and responsibilities as mandated in this Charter.</i>
Nomination	<i>Annually, the Committee oversees the selection and nomination process for the Board of Directors of the Company to ensure that nominees to the Board are qualified for election in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations.</i> <i>The Committee also reviews annually the succession plans for members of the Board and senior executives (from group heads to the CEO).</i> <i>The Committee also provides assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors.</i>
Remuneration	<i>The Committee annually approves the performance bonus, merit increase and stock options of the employees of the Corporation.</i>
Finance	<i>The Committee annually reviews and approves the Corporation's dividend policy and recommends dividend actions to the Board of Directors.</i>

	<i>The Committee will review the financial terms of mergers, acquisitions, or other strategic investments, as well as divestitures of any material operations of the Company for the coming years and make the appropriate recommendations to the Board of Directors.</i> <i>The Committee oversees Corporation's Treasury activities such as but not limited to policies with respect to cash flow management, policies with respect to investment of the company's cash, and policies with respect to financial risk management, including the use of derivatives.</i> <i>The Committee approves Letters of Parental Guarantee and/or Letters of Comfort and Awareness between the Corporation and its subsidiaries except for those issued in the ordinary course of business or in compliance with law and court orders.</i> <i>The Committee reviews and evaluates the financial affairs of the Corporation from time to time and carry out such other duties as may be delegated to it by the Board of Directors from time to time.</i>
Inspectors of Proxies and Ballots	<i>Annually, the committee ensures that only proxy forms received at least seven days before the meeting will be validated for the year's annual stockholders' meeting.</i> <i>Guided by SRC Rule 20 on Proxy Voting, the committee will validate the proxy forms five days before the actual stockholders' meeting.</i> <i>All validated proxies will be tabulated and registered in the system.</i>

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company

Risk Management: An Act of Balancing Risk and Reward

Risk Management at Ayala is all about balancing risk and reward, science and art, process and people. We aim to ensure that our risk management system has the right architecture, strategy, and process. We revisit these three key factors yearly to ensure that we not only minimize downside risks but also seize performance optimization.

Institutionalized in 2002, the Company has adopted an integrated enterprise risk management (ERM) framework that is continuously being enhanced and improved as conventional risk management may not be enough to achieve the Corporation's objectives.

Under the supervision of the Chief Risk Officer (CRO), the Group Risk Management & Sustainability Unit patterns Ayala's risk governance after the concept of a risk intelligent enterprise – an organization where risk governance is at the apex of the system, serving as the unifying factor for all of the organization's risk management efforts and integrating nine fundamental principles related to the responsibilities of the Board, senior management and business unit leaders.

- *Similar to a risk intelligent enterprise, the risk management at Ayala starts from the top. The Board of Directors of Ayala is provided appropriate transparency and visibility into the organization's and the group's risk management practices.*
- *Through the Risk Management and Related Party Transactions Committee, the Board of Directors ensures that an effective risk management process is in place and that its risk appetite remains relevant to achieve its set goals.*
- *The CRO, being the advocate for the company and the group, is charged with the primary responsibility for designing, implementing and maintaining an effective risk program. The Group Risk Management*

& Sustainability Unit supports the CRO by designing activities that enhance the risk intelligent culture within the organization and within the group, formulating risk management strategies, developing tools and techniques for risk assessment, and monitoring and reporting on key and emerging risks. It also convenes the ERM Council, a group comprising the risk officers of all business units across the Ayala Group, for risk framework alignment, continuous risk process improvement, and other group-wide projects. On a semi-annual basis, the ERM Council provides the top risks of their respective organization to the Group Risk Management & Sustainability Unit for the information of the CRO, as well as for reporting to the Risk Management and Related Party Transactions Committee.

- The management committees also provide support to the CRO by ensuring the existence of a structure at the operating level that will communicate and monitor key and emerging risks. They also ensure that risks are discussed during project and investment meetings.

As risk owners, the business unit leaders are responsible for managing the risks they face in the day-to-day operations within the established risk framework. They have the responsibility to identify, measure, monitor, control and report on risks to the management. Finally, the Internal Audit Unit provides an independent assurance on the adequacy, effectiveness, and efficiency of the risk management process.

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

As set forth in its Charter approved by the Board of Directors, the Risk Management and Related Party Transactions Committee has reviewed and assessed the adequacy and the effectiveness of the Corporation's enterprise risk management process.

- *The Committee had reviewed related party transactions policy and the business continuity management policy.*
- *Thru the Chief Risk Officer, as supported by the Group Risk Management Unit, the Committee had ascertained that an effective risk management process was in place. The results of the bow-tie analysis in the previous year were revisited and updated. Moreover, with the objective of embedding a risk-aware culture, the risk universe was mapped to the five vision pillars of the Corporation to better assess how its risk exposures may impact the achievement of business objectives. Risk management has also been institutionalized as a KRA of all employees, emphasizing that everyone has a role in the risk management process.*
- *The Committee had also noted the Management's support as the Managing Directors made themselves available to discuss their risk strategies and to respond to queries raised by the Committee.*

- (c) Period covered by the review;

For the year ended December 31, 2016

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

In addition to the regular reports of the CRO thru the Group Risk Management Unit, the Corporation engaged AON Risk Solutions to execute a group-wide risk management maturity index in 2015. The Aon Risk Maturity Index (RMI) is designed to capture and assess an organization's risk management practices, and provide participants with immediate feedback in the form of a Risk Maturity Rating and actionable steps for improvement. AON has partnered with the Wharton School of the University of Pennsylvania to develop the Index and conduct joint research on the relationships between risk management practices and actual performance. The AON Risk Maturity Index contains questions on risk management processes, corporate governance and risk understanding. The questions are based upon the ten characteristics of advanced risk management maturity:

- Board level understanding of and commitment to risk management as a critical factor for decision making and for driving value;
- A senior level executive who drives and facilitates key risk management processes and development;
- Transparency of risk communication;
- A risk culture that encourages full engagement and accountability at all levels of the

organization:

- Identification of existing and emerging risks using internal and external data and information
- Participation of key stakeholders in risk management strategy development and policy setting
- Formal collection and incorporation of operational and financial risk information into decision making and governance processes;
- Integration of risk management insights into human capital processes to drive sustainable business performance;
- Use of sophisticated quantification methods to understand risk and demonstrate added value through risk management;
- A move from focusing on risk avoidance and mitigation to leveraging risk and risk management options that extract;

Because of this study, the ERM roadmap was revised to address the potential areas for improvement. Hence, in 2016, two major studies, i.e. risk tolerance and insurance optimization studies, were carried out to address gaps in risk transfer strategy and advance the maturity level.

The next RMI will be carried out in 2018.

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

According to best practice, the assessment of the maturity of the risk management process is done every two to three years.

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
<u>Natural and Man-made Disasters</u>	<u>The Corporation does not have the ability to restore normal operations following natural/man-made disasters and/or failure of business contingency processes and systems</u>	<u>To ensure that the Corporation is resilient enough to withstand any disaster, whether natural or man-made, that may result to a significant business disruption.</u>
<u>Brand and Reputation</u>	<u>Inability to anticipate changes in the political and regulatory landscapes may result in the Group being unable to shield our profitability and our brand value.</u>	<u>To ensure that the Corporation's ability to anticipate changes in the political and regulatory landscapes will be enhanced to continue its long-term value creation process for all its stakeholders.</u>
<u>Regulatory and Political</u>	<u>The inability to maintain our stature as a company of choice may result in significant difficulty in creating and/or maximizing value for all stakeholders.</u>	<u>To maintain and improve the strong AYALA brand, identified as its core value.</u>

(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:

Since the Corporation is one of the most diversified conglomerates in the country with leadership positions in

real estate, financial services, telecommunications, and a broad range of investments in water, electronics manufacturing, automotive, business process outsourcing, education, healthcare, power generation and transport infrastructure, the following are the common risks across the Group:

Risk Exposure	Risk Management Policy	Objective
Regulatory and Political	<u>Inability to anticipate changes in the political and regulatory landscapes may result in the Group being unable to shield our profitability and our brand value.</u>	To improve the Group's ability to anticipate regulatory and political changes which may impact the Group's business models.
Brand and Reputation	<u>The inability to maintain our stature as a company of choice may result in significant difficulty in creating and/or maximizing value for all stakeholders.</u>	To continue the long-term value creation for the Group' stakeholders.
Talent	<u>Failure to ensure that we have the right people at all times may result in inability to execute and achieve business objectives.</u>	- To continue our talent management program from recruitment, development, succession planning, and until resignation/retirement of our employees. - To continue to be the employer of choice.

(c) Minority Shareholders

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

Risk to Minority Shareholders
<i>The Company's Related Party Transactions policy that took effect last December 2014 ensures that the rights of the minority shareholders are protected. The Corporation established a mechanism to ensure that related party transactions are at arms-length, the terms are fair, and that they inure to the best interest of the Corporation and all of its shareholders. The Corporation strictly monitored, reported, and disclosed related party transactions as well as inter-company transactions.</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	<u>Track news on possible natural disasters, such as earthquake and typhoon, that may affect the business</u>	<u>Establish AC's business continuity management system that includes IT Disaster Recovery Plan, Crisis Management Plan, and Business Continuity Plan</u> <u>Regularly review adequacy of insurance coverages</u> <u>Run training programs on crisis communication, disaster management, among others</u> <u>Collaborate with government agencies and with other Ayala group members to share</u>

		<u>resources and seek assistance for sooner recovery as necessary</u>
Political and Regulatory	▪ <u>Scanning of regulatory and political landscapes</u>	▪ <u>Establish Public Policy unit to actively monitor potential changes in regulatory policies and frameworks</u> ▪ <u>Establish Ayala Regulatory Council composed of officers involved in regulatory, legal and compliance monitoring for benchmarking and networking purposes</u> ▪ <u>Develop regulatory risk framework to understand its subsidiaries and affiliates' regulatory changes and its impact to the overall objectives of AC</u>
<u>Brand and Reputation</u>	▪ <u>Scanning of local, regional and international news</u> ▪ <u>Include social media in the monitoring of trends</u>	• <u>Conduct regular activities with investors and analysts</u> • <u>Monitor news and trend analysis both in the local and international setting</u> • <u>After a brand health survey which was completed in late 2015, a brand refresh was implemented in 2016 and this will be refreshed regularly</u> • <u>Continue proactive identification of opportunities to collaborate and improve relationships with partners</u> •

(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)
<u>Regulatory and Political</u>	<u>Scanning of regulatory and political landscapes</u>	<u>Establish Ayala Regulatory Council composed of officers involved in regulatory, legal and compliance monitoring for benchmarking and networking purposes</u>
<u>Brand and Reputation</u>	▪ <u>Scanning of local, regional and international news</u> ▪ <u>Include social media in the monitoring of trends</u>	▪ <u>Implement brand refresh across the group and this will continue in the years to come</u> ▪ <u>Monitoring of issues that may impact the brand</u> ▪ <u>Align sponsorships with Group strategy</u> ▪ <u>Continue proactive identification</u>

		<u>of opportunities to collaborate and improve relationships with partners</u>
<u>Talent</u>	- Regular discussions among the Strategic HR Groups on initiatives and staffing needs including timing - Monitoring attrition rates in the group	- Annual talent review process for all subsidiaries - Development of a succession plan - Implementation of service level agreements (SLAs) on hiring - Implementation of employee engagement and retention programs <u>Results of employee satisfaction surveys</u>

(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
Executive Committee (ExCom)	- Corporate governance control and mechanisms - Supports the Board of Directors in the review and approval of resolutions that drive business strategy and operations of the company	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 -- - 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 any resolution of the Board of Directors which by its express terms is not so amendable or repealable; - the distribution of cash dividends; - the exercise of powers delegated by the Board exclusively to other committees, if any.
Nomination Committee	- Corporate governance control and mechanisms - Ensures that all nominees to the Board have all the qualifications and none of	The Nomination Committee of the Board of Directors shall: install and maintain a process to ensure that nominees to the Board for

	<i>the disqualifications under the Company's By-Laws, its Manual of Corporate Governance, and the rules of the SEC.</i> <i>Reviews the qualifications of all persons nominated to positions requiring appointment by the Board.</i>	<i>election by the stockholders or the Board are qualified in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations;</i> <i>(b) encourage the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;</i> <i>(c) review and evaluate the qualifications of persons nominated for Managing Director (Vice President) or higher rank, which shall require appointment by the Board, and provide guidance and advice as necessary for appointments by the Chairman or President to positions below Managing Director (Vice President);</i> <i>(d) review succession plans for members of the Board and senior executives (from group heads to the CEO);</i> <i>(e) provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors; and</i> <i>(f) discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.</i> <i>The Committee shall be guided by the Company's mission and vision in the fulfilment of its functions.</i>
Personnel and Compensation Committee	<i>Corporate governance control and mechanisms</i> <i>Establishes a policy for a formal and transparent procedure for determining the salaries of officers and directors</i> <i>Supports the Board in the determination of executive</i>	<i>The Committee shall have the following powers, duties and responsibilities:</i> <i>1. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers</i>

	<i>compensation and remuneration</i>	<i>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;</i> <i>2. Review, at least annually, the performance of each of the Chairman of the Board, the Chief Executive Officer (CEO), the President and Chief Operating Officer (COO) and measure such performance against each of his or her goals and objectives pursuant to the Corporation's plans and determine his or her compensation for approval of the Board;</i> <i>3. Review the structure and competitiveness of the Corporation's executive officer compensation programs considering the following factors: (i) the attraction and retention of executive officers; (ii) the motivation of executive officers to achieve the Corporation's business objectives, and (iii) the alignment of the interest of executive officers with the long-term interests of the Corporation's shareholders.</i> <i>4. Develop and periodically review a form on Full Business Interest Disclosure, which among others compel all incoming and incumbent 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;</i> <i>5. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year; and</i> <i>6. Periodically review the Human Resources</i>
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		<i>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.</i> <i>No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.</i>
Finance Committee	• <i>Corporate governance control and mechanisms</i> • <i>Oversees the company's financial policy and strategy, including capital structure, dividend policy, acquisitions and divestments, and makes the appropriate recommendations to the Board of Directors</i> • <i>Oversight responsibility over the Company's Treasury activities, and reviews and approves changes in Treasury Policies</i> • <i>Responsible for reviewing and evaluating the financial affairs of the company on a regular basis and carrying out such other duties as may be delegated to it by the Board of Directors.</i>	<i>The Finance Committee shall carry out the following duties, in each case in line with the Board's policies and directives:</i> <i>1. The Committee shall review the company's capital structure strategies. The Committee shall also review and approve the Corporation's dividend policy and recommend dividend actions to the Board of Directors.</i> <i>2. The Committee shall review the financial terms of mergers, acquisitions, or other strategic investments, as well as divestitures of any material operations of the Company, and make the appropriate recommendations to the Board of Directors.</i> <i>3. The Committee shall have general oversight responsibility over the Corporation's Treasury activities. The Committee shall review and approve changes in Treasury Policies, including:</i> <i>a. Policies with respect to cash flow management,</i> <i>b. Policies with respect to investment of the company's cash, and</i> <i>c. Policies with respect to financial risk management, including the use of derivatives.</i> <i>The Committee shall approve Letters of Parental Guarantee and/or Letters of Comfort and Awareness between the</i>

		<i>Corporation and its subsidiaries except for those issued in the ordinary course of business or in compliance with law and court orders.</i>
Audit Committee	• <i>Corporate governance control and mechanisms</i> • <i>Oversees the internal control, internal auditors, external auditors, financial reporting.</i>	<i>The Audit Committee provides assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to:</i> • <i>the integrity of the Company's financial statements and the financial reporting process;</i> • <i>the appointment, remuneration, qualifications, independence and performance of the independent external auditors and the integrity of the audit process as a whole;</i> • <i>the effectiveness of the systems of internal control and the risk management process;</i> • <i>the performance and leadership of the internal audit function;</i> • <i>the company's compliance with applicable legal, regulatory and corporate governance requirements; and</i> • <i>the preparation of year-end report of the Committee for approval of the Board and to be included in the annual report.</i>
Risk Management <u>and Related Party Transactions</u> Committee	• <i>Risk Governance</i> • <i>Related Party Transactions Review</i>	• <i>Ensure that Management maintains a sound risk management framework and internal controls system and identifies material risk exposures and their impact in achieving the Corporation's objectives.</i> • <i>Determine the advisability of, and review and evaluate the terms and conditions of any material/significant related party transactions and their required reporting disclosures.</i>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

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

Internal Control System is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed. To be effective, the internal control system needs to adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. Internal control effected by the company's board of directors, management, and all employees, is designed to provide reasonable assurance regarding the achievement of the company's objectives.

Everyone in the organization has responsibility for internal control. Management owns the internal control system and is responsible for establishing sound internal control policies and procedures. Management is accountable to the Board of Directors who provides governance, guidance, and oversight. Internal auditors play an important role in evaluating the effectiveness of control systems, and contribute to ongoing effectiveness by providing recommendations.

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

The Board of Directors, through the Audit Committee and the Risk Management and Related Party Transactions Committee, has reviewed the internal control system of the Company based on the assessments completed and reported by the internal and external auditors. The Board found the internal control system to be effective.

The statement of the directors on the effectiveness of the company's internal control system is embodied in the Report of the Audit Committee to the Board of Directors which is will be part of the company's 2016 Annual Report which will be distributed during the 2017 Annual Stockholders' Meeting of the Company.

- (c) Period covered by the review;

For the year ended December 31, 2016.

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

Management reviews the adequacy and effectiveness of internal controls continuously throughout the year as part of its day-to-day function. Internal Audit assists management to attain company goals through independent risk-based planned reviews and evaluation of the effectiveness of controls.

The directors' criteria for assessing the effectiveness of the internal control system include:

- 1. Control Environment-the tone of the top and ethical behavior culture in the company.*
- 2. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed and provide reasonable assurance that risks are reduced to an acceptable level.*
- 3. Information and Communication-systems or processes that support the identification, capture, and exchange of accurate and complete information.*
- 4. Control Activities- policies and procedures, international standards and industry best practices to ensure compliance with laws, regulations, supervisory requirements, and relevant internal policies.*
- 5. Monitoring-processes used to regularly assess the continuing quality of internal control and risk management activities.*

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

Not applicable. Review was conducted during the year.

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.

The Internal Audit Group governs its work in adherence to The Institute of Internal Auditors' "Code of Ethics" and the Company's Code of Conduct. The Internal Audit also conducts its activities in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) of The Institute of Internal Auditors and guided by the COSO framework on internal control.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
- Assist the Board and the Audit Committee in discharging its governance responsibility - Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the company's strategy, objectives and goals to be met	The scope of work of the internal audit function is to determine whether Ayala Corporation's risk management, control, and governance processes is adequate and functioning effectively to ensure: - Risks are appropriately identified and managed; - Financial information is accurate, reliable, and timely;	In-house	Catherine H. Ang	To maintain its independence, Internal Audit reports functionally to the Board of Directors, through the Audit Committee, and administratively to the President and Chief Operating Officer or his designate.
Reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations to improve the company's operations, in terms of both efficient and	- Compliance with policies, standards, procedures and applicable laws and regulations is achieved; - Resources are safeguarded; and - Achievement of programs, plans and objectives are reasonably assured.			Reports are issued to management and the Audit Committee upon completion of the audit reviews. Significant findings and issues are taken up in the quarterly meetings of the

<i>effective performance</i> • <i>Evaluates information security and associated risk exposures</i> • <i>Evaluates regulatory compliance program with consultation from legal counsel and other relevant units or external advisors, as necessary</i> • <i>Evaluates the company's readiness in case of business interruption</i> • <i>Maintains open communication with management and the Audit Committee</i> • <i>Teams with other internal and external resources as appropriate for assurance and advisory work</i> • <i>Engages in continuous education and staff development</i> • <i>Provides support to the company's anti-fraud and whistleblower programs.</i>	<i>In carrying out their duties and responsibilities, members of the internal audit function have full, free, and unrestricted access to all organizational activities, records, property and personnel of Ayala Corporation.</i>			<i>Audit Committee.</i>
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

As provided in the Audit Committee Charter and the Internal Audit Charter, the Audit Committee is responsible for the setting up of the Internal Audit Department, including the qualification criteria and appointment of the Chief Audit Executive. The Committee evaluates the performance of the Chief Audit Executive and the Internal Auditors taken as a whole. Moreover, the Committee having appointed the Chief Audit Executive, also approves his/her replacement, re-assignment, or dismissal. The Committee also reviews and approves any outsourcing of the internal audit function.

- (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 Chief Audit Executive reports directly to the Board of Directors through the Audit Committee and has direct access to all members of the Audit Committee. The internal audit function as empowered by the Audit Committee Charter and the Internal Audit Charter has free access 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
<u>None in 2016</u>	

(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	<i>The activities of Internal Audit are guided by the Audit Committee approved, risk-based audit plan. Internal Audit submit periodic reports to the Committee on the status of its activity, accomplishments, key findings and recommendations, as well as management's responses thereto</i>
Issues⁶	<i>There are no significant issues noted based on the results of the audit reviews conducted. Noted issues are on enhancements of and compliance to existing policies and procedures</i>
Findings⁷	<i>There are no significant findings noted based on the results of the audit reviews conducted. Reported findings are primarily on the enhancements and documentation of corporate governance policies and guidelines, and consistent implementation of procedural controls.</i> <i>Report on the results of the audit review is provided to the responsible personnel, department heads, senior management, and the Audit Committee based on the Committee approved Risk Reporting Framework.</i>
Examination Trends	<i>High risk areas are reviewed at least annually. Based on follow-up of audit recommendations, management are addressing reported risk issues, control weaknesses and opportunities for improvement within the audit period and committed timeline.</i>

[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:

- Preparation of an audit plan inclusive of a timeline and milestones;
- Conduct of examination based on the plan;
- Evaluation of the progress in the implementation of the plan;
- Documentation of issues and findings as a result of the examination;
- Determination of the pervasive issues and findings ("examination trends") based on single

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

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

- year result and/or year-to-year results;
f. 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
<i>Finance Manual</i>	<i>Implemented</i>
<i>Treasury Manual</i>	<i>Implemented</i>
<i>Information Technology Manual</i>	<i>Implemented</i>
<i>Human Resources Manual</i>	<i>Implemented</i>
<i>Related Party Transactions Policy</i>	<i>Implemented in 2016</i>
<i>Electronic Disbursement Policy</i>	<i>Implemented in 2016</i>
<i>Social Media Policy</i>	<i>Implemented in 2016</i>
<i>Business Continuity Policy</i>	<i>Implemented in 2016</i>
<i>Crisis Management Policy</i>	<i>Implemented in 2016</i>

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>Rotation of partner-in-charge every five years for external auditors</i>	<i>Equitable access to company representatives by analysts, regardless of their prior research, opinions, recommendations, earnings estimates or research conclusions on the company.</i>	<i>Approval of the Investment Committee and/or the Finance Committee and the Board of Directors prior to any engagement with Investment Banks.</i>	<i>Approval of the Investment Committee and/or the Finance Committee and the Board of Directors prior to engagement of rating agency.</i>
<i>Functional reporting to the Audit Committee by the internal auditors</i>	<i>Equitable release of disclosure/information (i.e. no analyst gets more information than the other) in terms of content and timing (i.e. no one gets ahead of information over another)</i>	<i>Use of different Investment Banks for each deal.</i>	<i>Periodic submission of reports and data to the Rating Agency</i>
<i>Abide by the company's Code of Ethics</i>	<i>Independence and impartiality in the opinions, estimates or forecasts made by analysts on Ayala's performance.</i>	<i>Use of multiple Investment Banks instead of just one or two for bond deals.</i>	<i>Management interview sessions prior to ratings.</i>
<i>Abide by the company's policy on Conflict of interest,</i>	<i>Open flow of communication with analysts without</i>		

<i>Insider Trading Policy</i>	<i>compromising material non-public information.</i>		
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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 16, 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 COO.

On July 1, 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 COO, and two independent directors of the Company.

On January 9, 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 7, 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 3, 2015.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<i>We take innovative approaches to increase customer value and enhance customer experience; empower more customers including those with limited access to essential goods and services.</i> <i>Our product and services are designed in such a way that customers and the general public's health and safety are improved and safeguarded.</i> <i>Our businesses put customers first, providing superior end-to-end customer experience within a corporate culture of genuine service and care. Feedback are regularly analyzed and addressed to continually raise the bar of customer service and engagement.</i> <i>For Water:</i> Our water and wastewater business ensures that water quality always complies with the Philippine National Standard for Drinking	Our stakeholder engagements are designed and implemented to understand our customers well. We offer our customers sustainable lifestyle as we design our products and services. We also provide customer touch points to ensure that their feedback and concerns are monitored and acted upon. We do an annual customer satisfaction survey so we can improve the overall customer experience. <i>For Water:</i> Our water and wastewater business implements a Water Safety Plan developed in 2009 to minimize and/or eliminate contamination at each stage-from source to production, storage and conveyance to customers. It reports no major water contamination since beginning operations in 1997, at testament to its commitment to secure safe and potable water supply for its

	Water.	customers. For Real Estate Our real estate business ensures that its products and services do not pose a risk to health and safety. Moreover, by advancing sustainable design, it restores the environment and improves quality of life.
Supplier/contractor selection practice	<u>We shall establish social and environmental parameters in accrediting suppliers, and shall prefer suppliers that observe sustainability practices. We shall support community development by providing opportunities to community-based entrepreneurs and cooperatives with the use of our buying volume.</u>	<u>Whenever possible, subsidiaries of the Ayala group choose and accredit suppliers that observe sustainability practices. We actively include locally based community enterprises and small businesses in our supply chains to boost inclusive economic growth.</u> <u>We make sure that environmental impacts are always considered when procuring supplies, especially for environmentally sensitive projects. All our suppliers undergo a screening or accreditation process, which includes assessments of their safety, health, and environmental policies.</u> <u>Moreover, our companies ensure that their suppliers are always legally compliant and adhere to stringent quality standards.</u> <u>The Ayala group maintains an updated list of both reliable and delinquent suppliers through Ayala ProcurementNet. This platform, together with the various procurement measures of our subsidiaries, addresses the negative performance of vendors and reports repeatedly erring suppliers. To minimize engaging potentially delinquent suppliers, regular vendor evaluations are conducted across our group.</u>

Environmentally friendly value-chain	<u>We shall establish social and environmental parameters in accrediting suppliers, and shall prefer suppliers that observe sustainability practices. We shall support community development by providing opportunities to community-based entrepreneurs and cooperatives with the use of our buying volume.</u>	<u>Whenever possible, subsidiaries of the Ayala group choose and accredit suppliers that observe sustainability practices. We actively include locally based community enterprises and small businesses in our supply chains to boost inclusive economic growth.</u> <u>We make sure that environmental impacts are always considered when procuring supplies, especially for environmentally sensitive projects. All our suppliers undergo a screening or accreditation process, which includes assessments of their safety, health, and environmental policies.</u> <u>Moreover, our companies ensure that their suppliers are always legally compliant and adhere to stringent quality standards.</u> <u>The Ayala group maintains an updated list of both reliable and delinquent suppliers through Ayala ProcurementNet. This platform, together with the various procurement measures of our subsidiaries, addresses the negative performance of vendors and reports repeatedly erring suppliers. To minimize engaging potentially delinquent suppliers, regular vendor evaluations are conducted across our group.</u>
Community interaction	<u>We promote quality education, gainful micro enterprise, a healthy environment, and cultural development in our communities.</u>	Through Ayala Corporation's social commitment arm, Ayala Foundation Inc.(AFI), the Group actively consults with communities to understand their dreams, needs, aspirations, and even their capacities. AFI's interventions in education, youth leadership, sustainable livelihood, and arts and culture ensure great participation from the members of the communities. Each community member is an active partner, not just a beneficiary or recipient. AFI conducts community insighting and other forms of intensive on-the-ground work and research prior to starting projects. AFI conducts

		program reviews on a periodic basis to ensure the effectiveness of the programs. AFI is a strong believer in public-private partnerships. Every sector in its program communities has a role to play to ensure the effectiveness and sustainability of its programs. In addition, the Foundation is consistently in consultation with its stakeholders (donors, project partners, LGUs/government representatives, etc.) before, during, and after any intervention. <u>Other subsidiaries of Ayala Corporation have programs that engage community and develop activities and programs that will improve the Filipinos quality of life. The Group ensure that we include the broader community in our creation of shared value process.</u>
Anti-corruption programmes and procedures?	Ayala adopts a zero tolerance policy towards bribery and corruption. Thus, all directors, officers and employees of the Corporation are obliged to strictly observe the following guidelines: 1. Directors, officers and employees shall not offer, promise or give bribes to obtain, retain or “facilitate” business or any transactions of the Corporation; 2. Directors, officers and employees shall not request, agree to accept of take bribes from any person or organization. The foregoing applies even if made through another person.	The Anti-Bribery and Anti-Corruption Policy must be strictly observed in all transactions and dealings of the directors, officers and employees of Ayala with the customers, suppliers and business partners of the Corporation as well as with the government, The Offices of the Internal Audit, Controller, SHR, the Finance Group, Compliance Officer and General Counsel, subject to the approval of the President and CEO, shall provide for the Implementing Rules of this Policy. Among the other guidelines on anti-corruption, the Company sets guidelines for dealing with business gifts and gratuities to protect the integrity of its employees and its business interests.
Safeguarding creditors' rights	The Company shall protect the rights of all creditors as an integral stakeholder. The Company shall comply with all positive, affirmative and negative debt covenants for so long as the	The Company shall ensure that all covenants for all obligations are identified, monitored and

	<i>obligations are outstanding.</i> <i>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.</i> <i>The Company shall regularly furnish all creditors information that will enable the lenders to evaluate the Company.</i> <i>The Company shall embed Creditor's protection in its internal Treasury Performance Management Systems.</i>	<i>complied with. The Company regularly tracks and complies with deadlines of reports related to covenants that need to be submitted.</i> <i>The Company shall endeavor that no event of default will occur. All events that are considered events of default are identified, monitored and complied with to prevent any event from occurring. In the unlikely event of a default, the Company will immediately notify all creditors, abide with the provisions pertaining to default, including remedies and pay the penalties if needed.</i> <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> <i>Internally, the Company has a specific section in Treasury tasked with Debt Management. The objectives of the Debt Management Section are:</i> <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?

A write up on sustainable developments and corporate social responsibility are also included in the Annual Report. A section on Sustainability is also available at the company website (www.ayala.com.ph).

The Company did not publish any Sustainability Report in 2016 (covering 2015 Sustainability and ESG performances) because it is transitioning to Integrated Reporting.

3) Performance-enhancing mechanisms for employee participation.

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

The Company maintains a comprehensive medical and wellness program which provides for in-patient and out-patient benefits for employees, dependents and retirees. It is designed to provide payments of the actual, reasonable and customary expenses incurred by an employee and eligible dependents and retirees, subject to a maximum amount limit.

We also encourage employees to undergo annual executive check-up or physical examinations for health maintenance. The company pays for memberships in gym, sports club and interest clubs. We maintain a chapel in the office vicinity for daily masses and spiritual growth.

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

Health programs for periodic medical and dental care and annual medical check-up are available to our employees and their dependents. We also established an annual vaccination program to combat diseases such as flu, hepatitis B, cervical cancer, and pneumonia.

The company maintains on-site medical clinic managed by doctors and nurses supervised by one of the leading hospitals in the country. First-aid and over-the-counter medicines are available when needed. There was no accident-related absences recorded in 2016.

To keep our employees energized and engaged, we organized activities such as annual foundation and summer outing, Halloween Party, and Ayala Olympics are designed to increase and strengthen camaraderie. We have enrolled our employees to a gym membership and also supported our employees' sport and other interests through our annual JZA Cup comprising of golf, badminton, volleyball, bowling, and street dance, among others.

Below are the data relating to employee-related activities for the year 2016:

<u>Items</u>	<u>Employees</u>	<u>Dependents</u>
<u>Annual Executive Check-up</u>	<u>45</u>	
<u>Annual Check-up (Staff)</u>	<u>28</u>	<u>43</u>
<u>Dental Check-up</u>	<u>53</u>	<u>86</u>
<u>Annual Vaccination Program</u>	<u>59</u>	<u>104</u>
<u>Anti-Cervical Cancer</u>	<u>11</u>	<u>18</u>
<u>Flu Vaccine</u>	<u>53</u>	<u>97</u>
<u>Pneumonia</u>	<u>25</u>	<u>46</u>
<u>R-DNA Hepatitis B</u>	<u>17</u>	<u>17</u>
<u>Recorded absence due to accident</u>	<u>0</u>	<u>0</u>
<u>Fundaytion</u>	<u>50</u>	<u>77</u>
<u>Halloween Party</u>	<u>25</u>	<u>47</u>
<u>Ayala Olympics</u>	<u>12,000</u> <u>(across the</u> <u>Ayala</u> <u>Group)</u>	<u>0</u>
<u>Gym Members</u>	<u>40</u>	<u>0</u>

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

All regular employees are given opportunities for advancement through institutionalized training and career growth programs. Strategically targeting areas for improvement and advancement, these programs ensure that our employees are constantly updated with knowledge and skills needed to deliver quality results. Training programs are either held in-house, online, or thru public courses. In 2016, a total of 1,970 training hours were recorded or an average of 13.4 training hours per employee; 1,084 hours and 886 hours for staff and managerial positions, respectively.

Ayala's groupwide Leadership Excellence Acceleration Program (LEAP), developed in collaboration with the Harvard Business School, is offered to its senior leaders and officers. The program covers strategic visioning and execution, customer centricity, innovation and growth, and leading for transformation and engagement. After Ayala LEAP, leadership development focus shifted to the next line of leaders. For the middle managers, Ayala developed the Emerging Ayala Group Leaders Program (EAGLE) which focuses on strategy, innovation, customer centricity, and transformational leadership.

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

The company rewards qualified employees with long-term stock options or stock ownership. The company promotes an ownership culture within the company which aligns the interests of the stock plan participants with those of the shareholders.

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

The Whistleblower Policy provides a formal mechanism and an avenue for directors, officers, employees, suppliers, business partners, contractors and sub-contractors, and other third parties to raise concerns about a perceived wrongdoing, malpractice, or a risk involving the company. The policy likewise provides an assurance that a whistleblower will be protected from reprisals, harassment, or disciplinary action or victimization for whistleblowing.

The whistleblower may submit a written report directly to the Office of the Compliance Officer, or by e-mail to whistleblower@ayala.com.ph, or through a face-to-face meeting with any member of the Disclosure Committee composed of one representative each from the Office of the General Counsel, Strategic Human Resources, Internal Audit, and Enterprise Risk Management.

The company adheres to the ideals of justice and fairness in its business and in all its dealings with its employees. There is an established Investigation Committee and investigation process to look into reported violations of company policies, rules, and regulations. All reports are treated in confidence and discussed with the Audit Committee who monitors the resolution and closure of all reports.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

- (a) Holding 5% shareholding or more (as of December 31, 2016)

Shareholder	Number of Shares	Percent*	Beneficial Owner
Mermac, Inc.	Common-303,689,196 Voting Preferred- 159,577,460	<u>56.49%</u>	Mermac, Inc.
PCD Nominee Corporation (Non-Filipino)	Common- <u>151,493,460</u>	<u>18.47%</u>	PCD Participants acting for themselves or for their customers
PCD Nominee Corporation (Filipino)	Common- <u>79,698,716</u>	<u>9.72%</u>	PCD Participants acting for themselves or for their customers
Mitsubishi Corporation	Common-63,077,540 Voting Preferred- 32,640,492	<u>11.67%</u>	Mitsubishi Corporation

*of outstanding voting shares

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jaime Augusto Zobel de Ayala	Common- <u>96,665</u> Voting Preferred-543,802	Common (through ESOWN subscription)-39,731 Preferred B (lodged with PCD Nominee Corp) – 20,000	<u>0.0807%</u>
Fernando Zobel de Ayala	Common-47,059 Voting Preferred-554,983	Common (through ESOWN subscription)- <u>130,787</u>	<u>0.0845%</u>
Gerardo C. Ablaza, Jr.	Common-270,086	Common (through ESOWN subscription)- <u>222,348</u> Common (lodged with PCD Nominee Corp)-60,023 Preferred B (lodged with PCD Nominee Corp) – 10,000	<u>0.0649%</u>
Cezar P. Consing	None	Common (through ESOWN subscription)- <u>46,609</u>	<u>0.0054%</u>
Bernard Vincent O. Dy	None	None	=
Arthur R. Tan	Common-80,754	Common (through ESOWN subscription)- <u>121,495</u> Common (lodged with PCD Nominee Corp)- <u>54,289</u>	<u>0.0296%</u>
<u>Jose Rene Gregory D. Almendras</u>	Common – 1,800	Common (through ESOWN subscription) – 9,000	<u>0.0012%</u>
Alfredo I. Ayala	Common-25,760	Common (through ESOWN subscription)- <u>126,937</u>	<u>0.0179%</u>
John Eric T. Francia	<u>Common-10,390</u>	Common (through ESOWN subscription)- <u>71,118</u> Common (lodged with PCD Nominee Corp)- <u>8</u>	<u>0.0094%</u>
Solomon M. Hermosura	Voting Preferred Shares – 53,583	Common (through ESOWN subscription)- <u>81,286</u> Common (lodged with PCD Nominee Corp -15,707	<u>0.0174%</u>
Jose Teodoro K. Limcaoco	None	Common (through ESOWN subscription)- <u>145,686</u> Common (lodged with PCD Nominee Corp)- <u>18,002</u>	<u>0.0189%</u>
Ruel T. Maranan	None	Common (through ESOWN subscription)- <u>5,155</u>	<u>0.0006%</u>
John Philip S. Orbeta	None	Common (through ESOWN subscription)- <u>405,974</u> Common (lodged with PCD Nominee Corp) – 65,685	<u>0.0544%</u>
Paolo Maximo F. Borromeo	None	Common (through ESOWN subscription)- <u>25,690</u> Common (lodged with PDC Nominee Corp.) - <u>730</u>	<u>0.0030%</u>
Ma. Cecilia T. Cruzabra	Common-240	Common (through ESOWN subscription)- <u>9,474</u>	<u>0.0011%</u>
Josephine G. De Asis	None	Common (through ESOWN subscription)- <u>9,201</u>	<u>0.0011%</u>
Catherine H. Ang	None	Common (through ESOWN subscription)- <u>10,209</u>	<u>0.0018%</u>

		Voting Preferred Shares – 5,290	
<i>Dodjie D. Lagazo</i>	<i>None</i>	<i>None</i>	-
<i>Joanne M. Lim</i>	<i>None</i>	<i>None</i>	-
TOTAL	<u>1,685,122</u>	<u>1,713,134</u>	<u>0.3919%</u>

All directors and officers from Managing Directors and above, and the Controllers, Chief Internal Auditor, Chief Risk Officer, Treasurer, Corporate Secretary and Assistant Corporate Secretary, shall report their trades to the Office of the Compliance Officer within three (3) business days from dealing with such securities. All other officers and employees shall likewise report to the Office of the Compliance Officer within ten (10) days from the end of each quarter their trades with Ayala securities during such quarter.

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education 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.

Not applicable.

3) External Auditor's fee

Name of auditor	Audit Fee	Audit Related Fee	Non-audit Fee
<i>Sycip, Gorres, Velayo & Co.</i>	<u><i>P5.21million*</i></u>	<u><i>P10.64million*</i></u>	<u><i>P1.19million*</i></u>

**inclusive of VAT*

4) Medium of Communication

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

Ayala employs the following modes of communication for disseminating corporate developments and financial and operational results on a regular basis to its stakeholders:

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

- f. One-on-one meetings between company officers and analysts/institutional investors
- g. Annual report
- h. International and local investor conferences
- i. International non-deal roadshows
- j. Stockholders' meeting
- k. Conference calls
- l. Email alerts

5) Date of release of audited financial report: March 17, 2016

6) Company Website

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

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

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

7) Disclosure of RPT

Below are the details of the Company's Related Party Transactions which formed part of the Company's December 2016 audited financial statements:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.

The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an associate

- i. As of December 31, 2016 and 2015, the Group maintains current and savings account, money market placements and other short-term investments with BPI broken down as follows (amounts in thousands):

	2016	2015
<u>Cash in banks</u>	<u>4,227,508</u>	<u>13,722,080</u>
<u>Cash equivalents</u>	<u>19,751,912</u>	<u>42,852,439</u>
<u>Short-term investments</u>	<u>405,523</u>	<u>1,415,451</u>
<u>Financial assets at FVPL</u>	<u>977,589</u>	<u>288,229</u>

From the Group's placements and short-term investments with BPI, the Group has accrued interest receivable amounting to 23.1 million and 69.2 million as of December 31, 2016 and 2015, respectively. Cash in banks earns interest at 0.01% to 0.75% per annum. Cash equivalents earn interest from 1.2% to 2.8% per annum. Investment in FVPL are UITF which earns interest depending on the duration of time invested in the fund. Interest income earned amounted to 511.8 million in 2016, 650.4 million in 2015 and 586.5 million in 2014.

The Group also has short-term and long-term debt payable to BPI amounting to 33.4 billion and 28.9 billion as of December 31, 2016 and 2015, respectively. These short-term and long-term debts are interest bearing with varying rates ranging from 3.92% to 4.70%, have various maturities starting 2016 and varying schedules of payments for interest. The Group has accrued interest payable pertaining to the outstanding balance of the short-term and long-term debt amounting to 78.3 million and 30.7 million as of December 31, 2016 and 2015, respectively. Interest expense incurred from the debt amounted to 1.0 billion in 2016, 250.3 million in 2015 and 402.7 million in 2014.

b. Outstanding balances of related party transactions follow (amounts in thousands):

	<u>Receivables</u>		<u>Payables</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Associates:</u>				
<u>BPI</u>	<u>653,923</u>	<u>614,607</u>	<u>142,412</u>	<u>97,710</u>
<u>Isuzu Philippines Corporation (IPC)</u>	<u>214,152</u>	<u>75,645</u>	<u>746,752</u>	<u>254,574</u>
<u>Honda Cars Philippines, Inc.(HCP)</u>	<u>94,760</u>	<u>67,586</u>	<u>724,967</u>	<u>346,041</u>
<u>CDPEI</u>	<u>=</u>	<u>114,993</u>	<u>=</u>	<u>=</u>
<u>Milestone Group Pty, Ltd.</u>	<u>=</u>	<u>11,785</u>	<u>=</u>	<u>=</u>
<u>First Gen Northern Energy (FGNEC)</u>	<u>=</u>	<u>5,531</u>	<u>=</u>	<u>=</u>
<u>Bonifacio Land Corp. (BLC)</u>	<u>374</u>	<u>=</u>	<u>211,893</u>	<u>212,696</u>
	<u>963,209</u>	<u>890,147</u>	<u>1,826,024</u>	<u>911,021</u>
<u>Joint ventures:</u>				
<u>Globe</u>	<u>350,666</u>	<u>620,093</u>	<u>38,618</u>	<u>62,202</u>
<u>Integreon</u>	<u>=</u>	<u>694,864</u>	<u>=</u>	<u>=</u>
<u>GNPower Dingin Ltd. Co.</u>	<u>=</u>	<u>206,218</u>	<u>=</u>	<u>=</u>
<u>Lagoon Development Corporation (Lagoon)</u>	<u>5,922</u>	<u>=</u>	<u>=</u>	<u>20,000</u>
	<u>356,588</u>	<u>1,521,175</u>	<u>38,618</u>	<u>82,202</u>
<u>Other related parties:</u>				
<u>FBDC</u>	<u>455,170</u>	<u>38,207</u>	<u>1,141,047</u>	<u>47,403</u>
<u>DGA NLREC B.V.</u>	<u>=</u>	<u>685,900</u>	<u>=</u>	<u>=</u>
<u>Bestridge Investment Limited</u>	<u>=</u>	<u>90,591</u>	<u>=</u>	<u>=</u>
<u>Columbus Holdings, Inc. (Columbus)</u>	<u>=</u>	<u>=</u>	<u>267,355</u>	<u>267,355</u>
<u>Others</u>	<u>564,671</u>	<u>146,404</u>	<u>168,927</u>	<u>64,464</u>
	<u>1,019,841</u>	<u>961,102</u>	<u>1,577,329</u>	<u>379,222</u>
	<u>2,339,638</u>	<u>3,372,424</u>	<u>3,441,971</u>	<u>1,372,445</u>

- Receivable from BPI includes trade receivables on vehicles sold and financing dealer incentives by AIHL group and accrued interest receivables on short-term placements by the Group.
- Receivable from Globe includes trade receivables on vehicles sold and project management and professional fees.
- Receivable from FBDC largely pertains to management fees which are included under "Other income."
- Receivable from DGA NLREC BV in 2015 represents 25% of the US\$58.3 million proceeds from AIHL's sale of Luzon Wind shares, which is non-interest bearing. The Group collected the receivable in 2016.
- Receivable from Integreon in 2015 pertains to convertible promissory notes with interest ranging from 9% to 12%.
- Other outstanding balances of receivable from related parties at year-end pertain mostly to advances, including those for project development, and reimbursement of operating expenses. These also include receivables on sale of vehicles. In addition, these also include a receivable, which is fully provided for with

- allowance, from a company undergoing process of dissolution. All these are unsecured, interest free, will be settled in cash and are due and demandable.
- vii. Payable to Columbus and BLC represent non-interest bearing advances for stock redemption.
 - viii. Payable to IPC and HCP consist of purchased parts and accessories and vehicles that are trade in nature, interest-free, unsecured and are payable within 15 to 30 days.
 - ix. Payable to BPI includes interest payable on Group's borrowings payable at various payments terms like monthly or quarterly and insurance premiums payable which are due in 30-60 days.
 - x. The other outstanding balances of payable to related parties at year-end consist of advances, including those for development costs and land acquisitions, and expenses incurred on utilities, professional services and other miscellaneous services. In addition, these also include a receivable, which is fully provided for with allowance, from a company undergoing process of dissolution. All these are unsecured, interest-free, will be settled in cash and are due and demandable.
 - xi. Allowance for doubtful accounts on amounts due from related parties amounted to 208.1 million and 135.1 million as of December 31, 2016 and 2015, respectively. Provision for doubtful accounts amounted to (0.6 million), 0.3 million and 0.3 million in 2016, 2015 and 2014, respectively.
 - xii. In 2014, Alveo acquired a 6,986 sq. m. property located along Valero St., Salcedo Vill., Makati City from BPI for 1,590.0 million, resulting into a gain of 700.0 million.
- c. Receivables from officers and employees amounting to 1.1 billion and P1.1 billion as of December 31, 2016 and 2015 pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing ranging from 6.0% to 13.5% per annum and have various maturity dates ranging from 2016 to 2026.
- d. The fair value of the Group's total investment in the BPI Fund amounted 1,529.1 million and 282.2 million, as of December 31, 2016 and 2015, respectively.
- e. Revenue and expenses from related parties follow:

	<u>Revenue</u>			<u>Expenses</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>(In Thousands)</u>					
<u>Associates:</u>						
<u>BPI</u>	<u>757,791</u>	<u>852,681</u>	<u>558,814</u>	<u>1,082,322</u>	<u>264,997</u>	<u>427,263</u>
<u>Joint ventures:</u>						
<u>Globe</u>	<u>236,299</u>	<u>82,733</u>	<u>101,381</u>	<u>143,207</u>	<u>120,172</u>	<u>124,563</u>
<u>Integreon</u>	<u>=</u>	<u>45,716</u>	<u>38,973</u>	<u>=</u>	<u>=</u>	<u>=</u>
<u>Asiacom</u>	<u>=</u>	<u>191</u>	<u>613</u>	<u>=</u>	<u>=</u>	<u>=</u>
	<u>994,090</u>	<u>981,321</u>	<u>699,781</u>	<u>1,225,529</u>	<u>385,169</u>	<u>551,826</u>
<u>Other related parties:</u>						
<u>FBDC</u>	<u>=</u>	<u>=</u>	<u>176,194</u>	<u>=</u>	<u>=</u>	<u>155,099</u>
<u>Lagoon</u>	<u>=</u>	<u>=</u>	<u>49,135</u>	<u>=</u>	<u>=</u>	<u>1,315</u>
<u>6750 Ayala Avenue</u>	<u>=</u>	<u>=</u>	<u>17,697</u>	<u>=</u>	<u>=</u>	<u>=</u>
<u>Others</u>	<u>26,936</u>	<u>5,412</u>	<u>25,981</u>	<u>12,135</u>	<u>5,075</u>	<u>=</u>
	<u>26,936</u>	<u>5,412</u>	<u>269,007</u>	<u>12,135</u>	<u>5,075</u>	<u>156,414</u>
	<u>1,021,026</u>	<u>986,733</u>	<u>968,788</u>	<u>1,237,664</u>	<u>390,244</u>	<u>708,240</u>

Revenue recognized from related parties includes:

- i. Leasing and project development and management services rendered by ALI Group.
- ii. Water and sewerage services rendered by MWC.
- iii. Automotive sales and repair services rendered by AITHI Group.
- iv. Interest and miscellaneous income from cash deposits and money market placement as well as financing dealer incentive from BPI and other entities.
- v. Others include various income such as interest and management fees.

Expenses recognized from related parties include:

- i. Interest expense from short-term and long-term debt and credit card and other bank charges payable to BPI.
 - ii. Purchases of communications software and billings for mobile phone charges and internet connections with Globe.
 - iii. Building rental, leased lines, internet connections and ATM connections with Innove, subsidiary of Globe.
 - iv. Others include miscellaneous operating expenses such as professional and management services.
- f. The Group's Compensation of key management personnel by benefit type follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
		<u>(In Thousands)</u>	
<u>Short-term employee benefits</u>	<u>1,709,872</u>	<u>1,652,622</u>	<u>1,369,942</u>
<u>Post-employment benefits (Note 27)</u>	<u>156,923</u>	<u>230,264</u>	<u>69,079</u>
<u>Share-based payments (Note 28)</u>	<u>65,893</u>	<u>125,641</u>	<u>37,957</u>
	<u>1,932,688</u>	<u>2,008,527</u>	<u>1,476,978</u>

Key management personnel of the Group include all officers with position of vice president and up.

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>One-half of the outstanding stock 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	<i>Straight and cumulative voting.</i> <i>In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one vote.</i> <i>In the case of the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, 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> <i>Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. Nonetheless, each stockholder may vote viva voce or by other means of communicating his approval or objection.</i>

	<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>
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(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 not in The Corporation Code
<i>Voting Right</i>	<i>None</i>
<i>Pre-emptive Right</i>	
<i>Right of Inspection</i>	
<i>Right to Information</i>	
<i>Right to Dividends</i>	
<i>Appraisal Right</i>	

Dividends

Cash Dividend on Common Shares

Declaration Date	Record Date	Payment Date
<i>June 26, 2014</i>	<i>July 10, 2014</i>	<i>July 25, 2014</i>
<i>December 4, 2014</i>	<i>December 18, 2014</i>	<i>January 3, 2015</i>
<i>June 25, 2015</i>	<i>July 9, 2015</i>	<i>July 24, 2015</i>
<i>December 3, 2015</i>	<i>December 17, 2015</i>	<i>January 2, 2016</i>
<i>June 24, 2016</i>	<i>July 11, 2016</i>	<i>July 24, 2016</i>
<i>December 2, 2016</i>	<i>December 16, 2016</i>	<i>January 1, 2016</i>

Cash Dividend on Preferred B Series 1 Shares

Declaration Date	Record Date	Payment Date
<i>December 4, 2014</i>	<i>January 21, 2015</i>	<i>February 15, 2015</i>
<i>December 4, 2014</i>	<i>April 20, 2015</i>	<i>May 15, 2015</i>
<i>December 4, 2014</i>	<i>July 22, 2015</i>	<i>August 15, 2015</i>
<i>December 4, 2014</i>	<i>October 21, 2015</i>	<i>November 15, 2015</i>

Declaration Date	Record Date	Payment Date
<i>December 3, 2015</i>	<i>January 19, 2016</i>	<i>February 15, 2016</i>
<i>December 3, 2015</i>	<i>April 19, 2016</i>	<i>May 15, 2016</i>
<i>December 3, 2015</i>	<i>July 20, 2016</i>	<i>August 15, 2016</i>
<i>December 3, 2015</i>	<i>October 21, 2016</i>	<i>November 15, 2016</i>

Declaration Date	Record Date	Payment Date
<u><i>December 2, 2016</i></u>	<u><i>January 20, 2017</i></u>	<u><i>February 15, 2017</i></u>
<u><i>December 2, 2016</i></u>	<u><i>April 18, 2017</i></u>	<u><i>May 15, 2017</i></u>

<u>December 2, 2016</u>	<u>July 20, 2017</u>	<u>August 15, 2017</u>
<u>December 2, 2016</u>	<u>October 18, 2017</u>	<u>November 15, 2017</u>

Cash Dividend on Preferred B Series 2 Shares

Declaration Date	Record Date	Payment Date
<i>December 4, 2014</i>	<i>January 12, 2015</i>	<i>February 5, 2015</i>
<i>December 4, 2014</i>	<i>April 7, 2015</i>	<i>May 5, 2015</i>
<i>December 4, 2014</i>	<i>July 10, 2015</i>	<i>August 5, 2015</i>
<i>December 4, 2014</i>	<i>October 12, 2015</i>	<i>November 5, 2015</i>

Declaration Date	Record Date	Payment Date
<i>December 3, 2015</i>	<i>January 12, 2016</i>	<i>February 5, 2016</i>
<i>December 3, 2015</i>	<i>April 11, 2016</i>	<i>May 5, 2016</i>
<i>December 3, 2015</i>	<i>July 12, 2016</i>	<i>August 5, 2016</i>
<i>December 3, 2015</i>	<i>October 10, 2016</i>	<i>November 5, 2016</i>

Declaration Date	Record Date	Payment Date
<u>December 2, 2016</u>	<u>January 11, 2017</u>	<u>February 5, 2017</u>
<u>December 2, 2016</u>	<u>April 6, 2017</u>	<u>May 5, 2017</u>
<u>December 2, 2016</u>	<u>July 12, 2017</u>	<u>August 5, 2017</u>
<u>December 2, 2016</u>	<u>October 9, 2017</u>	<u>November 5, 2017</u>

Cash Dividend on Voting Preferred Shares

Declaration Date	Record Date	Payment Date
<i>December 4, 2015</i>	<i>April 23, 2015</i>	<i>May 20, 2015</i>
<i>December 3, 2015</i>	<i>April 26, 2016</i>	<i>May 20, 2016</i>
<i>December 2, 2016</i>	<i>April 25, 2017</i>	<i>May 20, 2017</i>

(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:

On March 3, 2016, 29 business days from date of meeting, the Company distributed copies of detailed agenda of the Annual Stockholders' Meeting to stockholders on record.

On March 18, 2016, 28 days from date of meeting, the Company distributed copies of detailed agenda, Definitive Information Statement and the unbundled proxy form of the Annual Stockholders' Meeting to stockholders on record.

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

April 15, 2016

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

Below is the list of questions and answers during the 2016 Annual Stockholders' Meeting:

Q & A No. 1

Question: A stockholder asked for the reason for the decision of certain directors of the Corporation to sell or dispose off part of their common equity despite the good performance of the Corporation.

Answer: The Chairman responded that the decision to sell are personal to the directors given their individual needs and plans.

Q & A No. 2

Question: As a follow on Question No. 1, likewise inquired on the dividend policy of the Corporation.

Answer: Chairman explained that there are two ways by which stockholders realize a return on their investments: first is through dividends, and second is through the expansion of the value of stocks. He noted that the Corporation has been focusing on the appreciation of stocks as part of total shareholders' return, and the total shareholders' earnings for the past 5 years has been compounded to 18.8 per cent, which shows that the Corporation made the right call in allocating capital to many business opportunities in the country. He added that although on the yield basis, the stockholders' earnings may be small as compared to other countries, the stockholders will better see the value of their stocks and equity as the Corporation's businesses continue to grow.

Q & A No. 3

Question: A stockholder commented that other wind producers in the Philippines have negotiated for 20-year contracts to sell electricity for a fixed price per kilowatt hour. He then inquired on the terms of the contracts entered into by AC Energy.

Answer: Upon the request of the Chairman, Mr. Patrice Clause answered the query and explained that AC Energy's wind farms have been awarded Feed-in-Tariff that guarantees the purchase of generated electricity and the price for such electricity on a long term basis, which is for 20 years.

Q & A No. 4

Question: As a follow on Question No. 3, the stockholder also inquired on how the Corporation perceives the possible recession in China and the rest of the world which might affect the performance of Integrated Micro-Electronics, Inc., being in the electronics industry.

Answer: The Chairman explained that the Corporation, seeing the shift taking place globally, is making adjustments and re-adjustments in its business based on trends. He noted that 40% of the business of IMI has been positioned to respond to the new shifts that are taking place across the world, and given the ASEAN integration, the country is increasingly being looked at as a potential manufacturing hub and hence the Corporation's partnership with OEM KTM AG for motorcycle manufacturing and distribution. The Chairman then requested Mr. Arthur R. Tan, the President of IMI, to further provide details. Mr. Tan stated that the dynamics of automotive industry shows that in 2010, 20 percent of the value of vehicle was attributed to electronics, but four years later, in 2014, 35 percent of the value was attributed to automotive electronics. IMI is now the second largest automotive electronics manufacturer in the world. By 2030, the percentage is expected to move up to 70%. He added that the amount of growth in electronics is expected to double every year and the capacity of IMI does not evolve in just a single region but rather its capabilities spread on a global basis. Thus, despite the weakness of the market in China, IMI still has a large available market.

Q& A No. 5

Question: As a follow on Question No. 4, the stockholder then sought clarification on the Corporation's plan to export motorcycles to China.

Answer: The Chairman explained that OEM KTM AG wants to use their ASEAN platform in studying all the elements, together with the Corporation, and the plan is to export vehicles to China, which will be the first in the Philippines.

Q& A No. 6

Question: As a follow up for question no. 5, asked whether there are plans to put up solar and windmill power plants in other areas of the Philippines.

Answer: The Chairman responded that a solar power plant project has just been launched in Negros and the Corporation is continuously looking for opportunities for expansion. He noted the power plants are already established in Paqudpud, Ilocos Norte, in Batangas, and in Mindanao.

Q& A No. 7

Question: The stockholder also inquired about the plans of the Corporation to open up branches of FamilyDoc in Makati.

Answer: Upon the request of the Chairman, Mr. Paolo Maximo F. Borromeo, President and CEO of Ayala Healthcare Holdings, Inc., explained that FamilyDoc now currently has two pilot clinics located in Cavite and Las Piñas City. If the pilot clinics prove to be successful, FamilyDOC plans to expand first in the southern areas of the metropolis then nationwide.

Q& A No. 8

Question: A stockholder asked if the Corporation has plans in the next five (5) years to do an initial public offering for its infrastructure and energy business.

Answer: The Chairman answered that the Corporation is always looking for various ways of financing its projects and that these kinds of projects require large amount of capital upfront before returns on investments are realized. The Chairman then stressed that the Corporation must find the right time as investors would want some predictability in earnings. Today, the Corporation is focused on building up the assets.

Q& A No. 9

Question: Another stockholder asked on whether ASEAN integration helps the investments of Globe in Indonesia.

Answer: The Chairman answered that the Corporation doesn't have a telecom investment in Indonesia but it has joint partnerships and corresponding relationships with other telecommunication companies.

Q& A No. 10

Question: A stockholder inquired regarding the appraisal right of stockholders in case any of them is not in favor of extending the corporate term of the Corporation.

Answer: Upon the Chairman's request, the Secretary explained that in case a stockholder dissents to the proposal to extend the corporate term, he may exercise his appraisal right by giving notice to the Corporation within 30 days from the date of the meeting in which the proposal was presented for approval of the stockholders and the vote was taken thereon.

Q& A No. 11

Question: A stockholder commented that the Board of Directors is composed of only one gender. She then asked if there is a possibility of changing the composition of the Board to make it more gender balanced.

Answer: The Chairman answered that in the parent company there is relatively few seats in the Board but across the Ayala Group, gender balance is certainly observed.

Q& A No. 12

Question: A stockholder inquired as to why other Ayala companies such as Generika and APEC Schools do not operate publicly.

Answer: The Chairman answered that some of the unlisted companies could be made public at the right time, once they are large enough and have delivered consistently to better ensure their success.

Q& A No. 13

Question: A stockholder inquired on the length of time the Corporation has engaged the services of SGV as its external auditor.

Answer: Upon the request of the Chairman, Mr. Loinaz answered that the Corporation has engaged the services of SGV for a long time. He noted that in choosing the external auditor of the Corporation, the Audit Committee conducts evaluation using an extensive matrix, and in relation to this, SGV's performance has been found to be consistent and satisfactory. Moreover, the Corporation values the continuity of working with and the broad experience of SGV as an auditing firm. He also noted that the Corporation is strictly complying with the requirements of the SEC regarding the need to change the handling partner every five years.

Q& A No. 14

Question: The stockholder asked on whether the Corporation also evaluates other audit firms in the process of choosing its external auditor.

Answer: The Chairman answered that other listed companies in the Ayala Group engage other audit firms as external auditor. He also stressed that it is unfair to penalize an institution that is doing a good job and renders a good service for the sake of change, and that the most important thing to consider on this point is whether the stockholders are comfortable that they are getting independent opinion on the financials of the Corporation.

Q& A No. 15

Question: A stockholder inquired on the arrangement of business with Puregold Price Club, Inc.

Answer: The Chairman requested Mr. Bernard Vincent O. Dy, the President of ALI, to answer the query. Mr. Dy explained that ALI has a 50-50 joint venture with Puregold to develop a supermarket called Merkado which currently has one operating store located in UP Town Center.

Q& A No. 16

Question: As a follow on Question No. 15, a stockholder commented that there may be a conflict as Puregold has partnered with Lawson, a competitor of FamilyMart.

Answer: Mr. Dy then clarified that there is no direct conflict as the business formats involved in the two partnerships are different.

Q&A No. 17

Question: Finally, the stockholder suggested for Ayala properties to put on a signage that says “Lesbian Gay Bisexual and Transgender (LGBT) friendly”.

Answer: The Chairman responded that there is no need for such signage as Ayala does not discriminate.

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

Resolution	Approving	Dissenting	Abstaining
<u>Resolution No. S-01-16: “RESOLVED, to approve the minutes of the annual stockholders’ meeting held on April 11, 2014.” Resolution No. S-01-16: “RESOLVED, to approve the minutes of the annual stockholders’ meeting held on April 10, 2015.”</u>	<u>671,422,973 shares or 96.47% of the total represented shares</u>	<u>0</u>	<u>0</u>
<u>Resolution No. S-02-16: “RESOLVED, to note the Corporation’s Annual Report, which consists of the Chairman’s Message, the President’s Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2015, as audited by the Corporation’s external auditor Sycip Gorres Velayo & Co.”</u>	<u>671,254,543 shares or 96.44% of the total represented shares</u>	<u>0</u>	<u>167,630 shares or 0.02% of the total represented shares</u>
<u>Resolution No. S-03-16: “RESOLVED, as recommended by the Board of Directors in Resolution No. B-05-16, to approve the amendment to the Fourth Article of the Articles of Incorporation to extend the Corporation’s corporate term for another fifty (50) years from January 23, 2018, so that, as amended, the Fourth Article shall henceforth read as follows:</u> <u>FOURTH. That the term for which the Corporation is to exist is fifty (50) years from January 23, 2018 (As amended on April 15, 2016).”</u>	<u>671,421,956 shares or 77.48% of the total outstanding shares</u>	<u>1,007 shares or 0.0001% of the total outstanding shares</u>	<u>=</u>
<u>Resolution No. S-04-16: “RESOLVED, to elect the following as directors of the Corporation to serve as such</u>			

<u>beginning today until their successors are elected and qualified:</u>			
<u>Jaime Augusto Zobel de Ayala</u>	<u>664,623,244 shares or 95.49% of the total represented shares</u>	<u>6,399,498 shares or 0.92% of the total represented shares</u>	-
<u>Fernando Zobel de Ayala</u>	<u>665,381,643 shares or 95.60% of the total represented shares</u>	<u>5,632,602 shares or 0.81% of the total represented shares</u>	-
<u>Delfin L. Lazaro</u>	<u>665,306,184 shares or 95.59% of the total represented shares</u>	<u>5,708,038 shares or 0.82% of the total represented shares</u>	-
<u>Xavier P. Loinaz</u>	<u>670,978,579 shares or 96.40% of the total represented shares</u>	<u>34,150 shares or 0.005% of the total represented shares</u>	<u>1,510 shares or 0.002% of the total represented shares</u>
<u>Ramon R. Del Rosario, Jr.</u>	<u>664,773,640 shares or 95.51% of the total represented shares</u>	<u>6,240,599 shares or 0.90% of the total represented shares</u>	-
<u>Yoshio Amano</u>	<u>660,706,593 shares or 94.93% of the total represented shares</u>	<u>10,307,629 shares or 1.48% of the total represented shares</u>	-
<u>Antonio Jose U. Periquet</u>	<u>664,437,962 shares or 95.46% of the total represented shares</u>	<u>6,085,931 shares or 0.87% of the total represented shares</u>	<u>490,346 shares or 0.07% of the total represented shares</u>
<u>Resolution No. S-05-16: "RESOLVED, as endorsed by the Board of Directors, to approve the re-election of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2016 for an audit fee of PhP5.2 million, inclusive of value-added tax."</u>	<u>669,576,113 shares or 96.20% of the total represented shares</u>	<u>1,845,800 shares or 0.27% of the total represented shares</u>	-

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

April 15, 2016

(a) 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	

(b) 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	Jaime Augusto Zobel de Ayala, Fernando Zobel de Ayala, Yoshio Amano, Xavier P. Loinaz, Antonio Jose U. Periquet and Ramon R. Del Rosario, Jr., and all other members of the Senior Leadership Team	<u>April 15, 2016</u>	By poll	<u>67.81%</u>	<u>12.50%</u>	<u>80.31%</u>
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.

One vote per share for common and voting preferred shares. One vote per share for preferred "B" on matters where holders of non-voting shares are entitled to vote under Section 6 of the Corporation Code.

(c) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	<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> <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> <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>
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</i>

	<i>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	<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> <i>Any reasonable doubt about the validity of the proxy shall be resolved in favor of the stockholder.</i>
Proxies executed abroad	<i>Proxies executed abroad should be 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 person other than the customer, without the express written authorization of such customer.</i>

(d) Sending of Notices

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

Policies	Procedure
<i>In accordance with the company's By-laws and applicable rules, written notice of the time, date, place, and purposes of the meeting shall be sent to all stockholders as of the record date for the annual/special stockholders' meeting.</i>	<i>The Company abides by its policies in sending out of notices of Annual/Special Stockholders' Meeting.</i>
<i>The notice of the annual/special stockholders' meeting shall be sent to the stockholders at least 15 business days before the meeting.</i>	
<i>The notice of the meeting shall be deemed to have been given at the time when delivered personally</i>	

<i>or deposited in the post office, or sent electronically or by e-mail.</i>	
<i>The Corporation shall give the notice and provide electronically only to stockholders who have consented to receive notices by e-mail or electronic transmission.</i>	

(e) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<u>7,809</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<u>March 18, 2016</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<u>March 18, 2016</u>
State whether CD format or hard copies were distributed	<i>CD format, hard copies and electronic mail</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes, stockholders who wished to receive paper copies of the Definitive Information Statement were provided with paper copies.</i>

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<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>	<i>The Company strictly adheres with its policies with respect to the treatment of minority stockholders.</i>
<i>The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</i>	

<i>The 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 matters in the agenda of the meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.</i>	
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- (b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, the company's Board Charter and the Charter of the Nomination Committee allows any stockholder, including minority stockholders, to nominate candidates for board of directors.

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.

Ayala's external and internal communications programs are handled by both the Corporate Communications and Investor Relations units. Major company announcements are reviewed and approved by the Chairman and Chief Executive Officer, President and Chief Operating Officer, Audit Committee, Chief Finance Officer and Group Head of Corporate Strategy and Development, as applicable.

The company's communication policies are reviewed in conjunction with enterprise risk management reviews or as needed or required.

- 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>The company's investor communications program is aimed at promoting greater understanding among the investing public of the company's investment proposition, its performance targets and strategies, and its long-term value creation objectives.</i> <i>Through its Investor Relations Unit under Corporate Strategy and Development, information requirements of the investing public and minority shareholders are fully disclosed to the Philippine Stock Exchange on time, as well as through quarterly briefings, annual reports, stockholders' meetings, one-on-one meetings, conference calls, roadshows, investor conferences, website, <u>mobile application</u>, email alerts and conference calls.</i> <i>The Investor Relations Unit also provides feedback to company management of perspectives and views of the investing public on the company and its stated goals/strategies.</i>
(2) Principles	<i>Ayala's investor relations program is guided by the principles of full disclosure, transparency and fairness. The company also implements uniform disclosure standards across all stakeholders (whether minority, retail, institutional, local or foreign shareholders). Ayala also practices proper internal checks across all communications and ensures these do not compromise competitive information.</i>
(3) Modes of Communications	<i>Ayala employs the following modes of communications for its stakeholders:</i>

	1. <i>Structured and unstructured corporate disclosures</i> 2. <i>Company website</i> 3. <i>Analysts' briefings</i> 4. <u><i>Mobile application</i></u> 5. <i>Press releases</i> 6. <i>Press briefings</i> 7. <i>One-on-one meetings between company officers and analysts/institutional investors</i> 8. <i>Annual report</i> 9. <i>International and local investor conferences</i> 10. <i>International non-deal roadshows</i> 11. <i>Stockholders' meeting</i> 12. <i>Conference calls</i> 13. <i>Email alerts</i>
(4) Investors Relations Officer	Ms. Celeste M. Jovenir Investor Relations Head Tel: +632 908 3394 Email: jovenir.cm@ayala.com.ph Fax: +632 848 5846

- 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?

Company's Rules and Procedures for Mergers and Acquisitions:

1. *Starts with Strategy and Planning where a potential transaction is assessed in the context of strategic goals of the Company, its subsidiaries and affiliates;*
2. *Once this is pre-cleared through the Investment Committee (IC), the transaction then goes to the second stage of evaluation and screening for a more detailed due diligence procedure. In this stage, a project lead, team members (from financial, technical, legal, commercial, environmental, etc.), steering committee members (preferably composed of business unit, finance and legal representatives) and external advisors are formed and engaged;*
3. *An inventory of risks with various risk levels / probability of occurrence and suggested risk mitigants are reported to the Steering Committee for evaluation, recommendation and discussion of risk levels, tolerance and mitigation strategies;*
4. *The key transaction risks and mitigation strategies identified along with the proposed offer, structure and authorized signatories are then subject to IC approval;*
5. *When necessary, the proposal will also pass through the Finance Committee, Executive Committee and the Board of Directors;*
6. *Once approved, the final bid or offer is prepared and the binding terms of the definitive agreements are negotiated and discussed.*
7. *After signing, the transaction is then disclosed to the public.*

Company's Rules and Procedures for Divestments:

1. *Starts with strategy and planning on the account of the portfolio review or business unit initiative in the context of strategic goals of Company, its subsidiaries and affiliates;*
2. *Approval of the Investment Committee is needed in order to determine initial position of whether to hold or sell;*
3. *Once pre-cleared, a project lead, team members (from financial, technical, legal, commercial, environmental, etc.), steering committee members (preferably composed of business unit, finance and legal representatives) and external advisors are formed and engaged;*
4. *Divestment plans (with identification of potential buyers and target selling price) are prepared;*
5. *Investment teaser is provided to the interested buyers and they are asked to sign an Non-Disclosure Agreement (NDA);*
6. *After signing the NDA/exclusivity agreement, buyers can then perform its own due diligence;*
7. *Offers are evaluated by the team and steering committee and presented to the IC (then Finance Committee/Executive Committee/Board of Directors, if necessary) for approval;*
8. *Once approved, the final bid or offer is prepared and the binding terms of the definitive agreements are*

negotiated and discussed;

9. *After signing, the transaction is then disclosed to the public.*

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, acquisitions of assets and divestment transactions.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

The Group's Corporate Social Responsibility is evolving. Just like any other corporation or organization, it all started in philanthropy and realized that the impact was not significant. Then it evolved to Corporate Social Responsibility where employees were encouraged to volunteer and reached more communities. However, the impact is still not significant. To create a material and relevant impact, the Group has embraced the creation of shared value process, two years ago. The Group use its resources and capabilities to innovate products, services and processes to address a societal challenges and create a socially-relevant business model and bring it to a scale. The Group has recently invested in education and healthcare, two areas where we can introduce innovative solutions in addressing the broader communities' social challenges.

Below are some of the group's initiatives:

Initiative	Beneficiary
<u>REFORESTATION / FOREST PROTECTION</u> <u><i>The Sustainability Council, through the leadership of AC, embarked on a nationwide reforestation / forest protection program with a current target of covering 13,000 hectares. This initiative is called "Project Kasibulan".</i></u>	<u><i>This project primarily benefits the environment and our companies who are in need to off-set their carbon emission. This further benefits the employees from the Ayala Group who take part in the initiative as it drives a change in their mindset to care more for the environment.</i></u> <u><i>Since the inception of the project in September 2016, two batches of volunteers have planted a total of 700 trees in NLR, Pagudpud. The project has gained traction as well and is attracting bigger batches of volunteers.</i></u>
<u>HEALTH</u> <u>(AC Health) Medical missions for various places.</u>	<u><i>A total of 4,607 patients benefited from the medical missions across all sites. The patients received free consultations from doctors and free medicines for cough, colds, fever, pain, and maintenance medicines for diabetes, high blood pressure, and many more. Majority of the patients were senior citizens, women and children.</i></u>
<u>YOUTH LEADERSHIP</u> <i>Ayala Young Leaders Congress (AYLC), the flagship youth leadership program of the Ayala group of companies.</i>	<i>Top student leaders from universities and colleges nationwide.</i>

YOUTH LEADERSHIP <i>Leadership Communities, empowers youth organizations to help address pressing needs and issues in their local community through projects they themselves propose, plan, and implement.</i>	<i>Community-based young leaders committed to bringing positive change in their respective communities.</i>
SUSTAINABLE LIVELIHOOD <i>Iraya-Mangyan Project, implemented with the support of the Ayala group of companies and the Sisters of Charity of St. Anne</i>	<i>Members of the indigenous Iraya-Mangyan community in Talipanan, Oriental Mindoro.</i> <i>Traditional woven goods made by Iraya-Mangyans are now carried by three stores. Aside from this, Ayala Foundation provides educational assistance for <u>64</u> Iraya-Mangyan students, a feeding program for <u>130</u> Mangyan children. <u>The Iraya-Mangyan weaving enterprise has gross earnings of P4.3 million.</u></i>
SUSTAINABLE LIVELIHOOD <i>Calauan, Laguna Project focuses on Southville 7 in Calauan, Laguna, a 107 hectare relocation site for families displaced by Typhoon Ondoy and the Pasig River rehabilitation. AFI is implementing sustainable livelihood projects for the families in the area in partnership with the Municipal Government of Calauan, Salesians of Don Bosco, Franciscan Sisters of Sacred Heart, and the Ayala Group of Companies.</i>	<i>Residents of Southville 7, Calauan, Laguna.</i> <i>Through various livelihood and employment programs, Ayala Foundation <u>assisted 111 individuals find employment. Twenty residents were engaged in AFI-established enterprises.</u></i>
SUSTAINABLE LIVELIHOOD <i>El Nido Project works closely with the local communities in their efforts towards gaining employment or diversified sources of income and developing and strengthening local industries such as <u>weaving, local tourism and others.</u></i>	<i>Residents of barangay Sibaltan in El Nido, Palawan</i> <i><u>The weaving enterprise has 184 participants, who had an average increase in income of 41.28 percent.</u></i>
ARTS AND CULTURE <i>Ayala Museum</i>	<i>Filipinos and foreigners interested in Filipino art, history, and culture.</i>
ARTS AND CULTURE <i>Filipinas Heritage Library (FHL)</i>	<i>Students and researchers interested in Philippine art, history, and culture</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.

The annual performance assessments of the Board of the Directors, Board Committees, Individual Directors and

CEO/President were conducted for the year 2016 using the following process and criteria.

	Process	Criteria
Board of Directors	<i>The directors are requested annually to answer a performance assessment survey form where they will evaluate their performance as a director and the performance of the Board. The Corporate Secretary summarizes the result of the survey and are reported at the board meeting immediately following the completion of the survey. An outside consultant may be employed to conduct simultaneous evaluation of the Board's performance.</i>	<i>The self-assessment tool will cover the following:</i> <u>1. structure of the Board;</u> <u>2. shareholder benefits;</u> <u>3. fulfillment of the Board's key responsibilities;</u> <u>4. oversight function;</u> <u>5. effectiveness of the Board's processes and meetings;</u> <u>6. quality of the Board-Management relationship;</u> <u>7. corporate ethics, and</u> <u>8. performance evaluation.</u>
Board Committees	<i>The Committees conduct an annual assessment to evaluate the effectiveness of their performance against the requirements of their Charter. The Chairman of the Committee will lead the discussion on the results of the assessment, focusing on areas which need improvement or where there is great variation in answers. The results and any action plans arising from the discussion will be reported to the Board.</i> <i>Audit Committee fills out a self-assessment questionnaire that shall benchmark its practices against the expectations set forth in the Audit Committee Charter.</i>	1. Committee Organization – 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; 2. Committee Meetings – Whether the Committee had adequate number of meetings to sufficiently focus on significant matters of concern; and 3. Committee Processes and Procedures – Whether the Committee adopted processes and procedures to ensure timely resolution of matters before it.
Individual Directors	<i>The directors are requested annually to answer a performance assessment survey form where they will evaluate their performance as a director and the performance of the Board. The Corporate Secretary summarizes the result of the survey.</i>	<u>1. Has understanding of the mission, values and strategies of the Company;</u> <u>2. Is abreast of the latest best practices in corporate governance;</u> <u>3. Attends the Board and Committee meetings on time, prepared and knowledgeable about the issues to be discussed;</u> <u>4. Avoids entering into situations where he may be placed in a conflict of interest with that of the Company and promptly discloses any conflict which might occur;</u> <u>5. Has a good record of Board and Committee meeting attendance;</u>

		<u>6. Participates actively in Board discussions with a sense of independence and objectivity, and encourage other Board members to express different opinions as much as possible;</u> <u>7. Promotes the work and the mission of the Company in the community whenever he has the chance to do so;</u> <u>8. Has awareness on the Company's by-laws and governing principles and policies and keeps himself updated on the latest best practices in corporate governance;</u> <u>9. Has added significant value to the Board.</u>
CEO/President	<i>The performance of the Senior Management Group, including the Chairman and the President, are regularly evaluated. The Company uses an Evaluation System which includes self-assessment and discussions.</i>	<i>The company's Performance Evaluation System includes metrics, deliverables, accomplishments and development plan.</i>

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

After due notice and hearing, a director, officer or employee who violates the Manual of Corporate Governance of the company will be subjected to the following penalties:

Violations	Sanctions
<i>First Violation</i>	<i>Reprimand.</i>
<i>Second Violation</i>	<i>Suspension from office. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation.</i>
<i>Third Violation</i>	<i>Removal from office.</i>

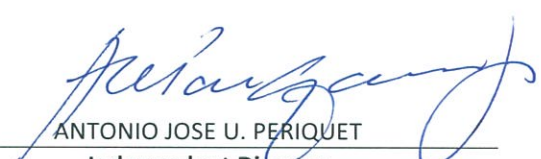
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on MAR 10 2017.

SIGNATURES


JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board and Chief Executive Officer


FERNANDO ZOBEL DE AYALA
President and Chief Operating Officer


RAMON R. DEL ROSARIO, JR.
Independent Director


ANTONIO JOSE U. PERIQUET
Independent Director


SOLOMON M. HERMOSURA
Compliance Officer

SUBSCRIBED AND SWORN to before me this MAR 10 2017, affiants exhibiting to me their competent evidence of identity, as follows:

Name	ID/Passport No.	Date of Issue	Place of Issue
Jaime Augusto Zobel de Ayala	EC4856934	August 4, 2015	DFA Manila
Fernando Zobel de Ayala	EC6148225	December 8, 2015	DFA Manila
Ramon R. del Rosario, Jr.	EB9971711	January 13, 2014	DFA NCR Central
Antonio Jose U. Periquet	EB8951527	June 25, 2014	DFA Manila
Solomon M. Hermosura	EC5542302	September 30, 2015	DFA Manila

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Series of 2017.

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


JOANNE M. LIM
Notary Public – Makati City
Appt. No. 461 until December 31, 2017
Attorney's Roll No. 55362
PTR No. 5913556MD; 01/04/2017; Makati City
IBP No. 1060733; 01/09/2017; Quezon City Chapter
MCLE Compliance No. V – 0014302; 02/16/2016
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Ayala Triangle, Ayala Avenue
Makati City
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