



REY NATHANIEL IFURUNG <complianceofficer.pncc@gmail.com>

CGFD_PHIL NATIONAL CONSTRUCTION CORP_IACGR2021_25-26-30 MAY 2021

1 message

REY NATHANIEL IFURUNG <complianceofficer.pncc@gmail.com>

Mon, May 30, 2022 at 10:30 AM

To: ICTD Submission <ictdsubmission@sec.gov.ph>

Bcc: rosedelivios@pncc.ph, Ailyn Saligan <ailynsaligan@gmail.com>, Janna Castillo <jnncstl@gmail.com>, Mike Umali <miguel.umali@gmail.com>

Dear Sir:

Respectfully submitting the IACG 2021 of the Philippine National Construction Corporation, a GOCC.

Thank you.

Very truly yours,

REY NATHANIEL C. IFURUNG

Compliance Officer

Km. 15 East Service Road, Bicutan

1700 Parañaque City

Mobile No. 09178160530



PNCC - IACGR 2021 complete set.pdf

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S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L
C O N S T R U C T I O N C O R P O R A T I O N

(Company's Full Name)

P N C C C O M P L E X K M 1 5 E A S T S E R V I C
E R O A D B I C U T A N P A R A N A Q U E C I T Y

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

MARIANO JESUS S. AVERIA

Contact Person

846-2906

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

2021 IACGR

FORM TYPE

0 3

Month

Annual Meeting

4th
Tuesday

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

LCU

Cashier

File Number

Document ID

STAMPS



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **31 December 2021**
2. SEC Identification Number **30939**. BIR Tax Identification No. **330-058-000**
4. Exact name of issuer as specified in its charter **Philippine National Construction Corporation**
5. **Metro Manila, Philippines**6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **PNCC Complex, KM 15 East Service Road, Bicutan, Parañaque City****1700**
Address of principal office Postal Code
8. **(02) 846-3045**
Issuer's telephone number, including area code
9. **Construction Development Corporation of the Philippines (CDCP)**
Former name, former address, and former fiscal year, if changed since last report.

EXPLANATORY NOTE

There are some principles and recommendations which cannot be complied by the Company as a publicly listed company considering that they are neither applicable or impossible to be complied with because it is also a government-owned and/or controlled corporation (GOCC) governed by RA 10149, the GOCC Governance Act. The appointive members of the Board of Directors to represent the government shares are nominated by the GCG and appointed by the President of the Republic of the Philippines (PRP).

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	http://www.pncc.ph/home_our_company_BOD.htm	
2. Board has an appropriate mix of competence and expertise.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Criteria%20for%20Nomination,%20Election,%20Reelection%20and%20Disqualification%20of%20Directors.pdf	
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT	The President of the Republic of the Philippines nominates the appointive Directors to represent the stockholdings of the government upon the recommendation of the GCG.	
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/COMPOSITION%20OF%20THE%20BOARD.pdf Of 11 members of the BOD only the President/CEO is an executive director.	

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	<p>Article 5.1.c of Manual on Corporate Governance</p> <p>http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf</p> <p>http://www.pncc.ph/LINKS/PDFs/CORPORATE%20GOVERNANCE%20COMMITTEE%20CHARTER.pdf</p>	While there is no Board Charter, the company's Rev. Manual of Corporate Governance provides that the company shall provide the <u>training</u> of directors, including an <u>orientation program</u> for first time directors and <u>relevant annual continuing training</u> for all directors.
2. Company has an orientation program for first time directors.	COMPLIANT	<p>Articles 5.1.c, 5.1.f.8, 5.2.c.5 of Manual on Corporate Governance</p> <p>http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf</p> <p>There were no new members of the board who were appointed in 2021.</p>	
3. Company has relevant annual continuing training for all directors.	NON-COMPLIANT	<p>Article 5.2.c.5 of Manual on Corporate Governance</p> <p>http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf</p>	The members of the Board did not undergo the required continuing training for directors in 2021 due to the pandemic.

Recommendation 1.4			
1. Board has a <u>policy</u> on board diversity.	COMPLIANT	<p>Article 5.1.d of Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf</p> <p>Gender composition of the Board can be viewed at http://www.pncc.ph/LINKS/PDFs/COMPOSITION%20OF%20THE%20BOARD.pdf</p> <p>PNCC being a GOCC, it is the President of the RP who appoints the appointive members of the Board upon the recommendation of the GCG.</p>	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	COMPLIANT	<p>Article 5.1.d of Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf</p> <p>Article 5.1.d of the Rev. Manual of Corp. Governance adopts a policy on board diversity. PNCC being a GOCC, it is the President of the RP who appoints the appointive members of the Board upon the recommendation of the GCG.</p>	
Recommendation 1.5			

1. Board is assisted by a Corporate Secretary.	COMPLIANT	http://www.pncc.ph/cg_seal.htm#CorpSec http://www.pncc.ph/LINKS/PDFs/2017%2011November%2023%20Apointment%20of%20Mr.%20Mariano%20Jesus%20Averia.pdf	
2. Corporate Secretary is a separate individual from the Compliance Officer.	COMPLIANT	<p>PNCC's Corporate Secretary is Atty. Mariano Jesus S. Averia while the Compliance Officer is Atty. Rey Nathaniel C. Ifurung</p> <p>Refer to appointment of Corporate Secretary http://www.pncc.ph/LINKS/PDFs/2017%2011November%2023%20Apointment%20of%20Mr.%20Mariano%20Jesus%20Averia.pdf </p> <p>Refer to appointment of Compliance Officer http://www.pncc.ph/LINKS/PDFs/2018%2003March%2013%20Appointment%20of%20Compliance%20Officer-Rey%20Nathaniel%20Ifurung.pdf </p>	
3. Corporate Secretary is not a member of the Board of Directors.	COMPLIANT	<p>Refer to composition of the Board http://www.pncc.ph/LINKS/PDFs/COMPOSITION%20OF%20THE%20BOARD.pdf </p>	

4. Corporate Secretary attends training/s on corporate governance.	NON-COMPLIANT		Due to the pandemic, the Corporate Secretary was not able to attend an annual training on corporate governance in 2021. He undertakes to attend such training in 2022.
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	http://www.pncc.ph/cg_seal.htm#Access	

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	PNCC's Compliance Officer is Atty. Rey Nathaniel Ifurung http://www.pncc.ph/LINKS/PDFs/2018%2003March%2013%20Appointment%20of%20Compliance%20Officer-Rey%20Nathaniel%20Ifurung.pdf	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT	Article 5.1.f of Manual on Corporate Governance details the duties and functions http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf	While the Compliance Officer has a rank of SVP, his salary is below/not equivalent to the position per of SVP under the Company's Salary Scale. This is subject of appeal with the GCG.
3. Compliance Officer is not a member of the board.	COMPLIANT	Refer to composition of the Board http://www.pncc.ph/LINKS/PDFs/COMPOSITION%20OF%20THE%20BOARD.pdf	

4. Compliance Officer attends training/s on corporate governance.	NON-COMPLIANT		While the compliance officer has not attended training on corporate governance in 2021 due to the pandemic, he attended the Mandatory Continuing Legal Education (MCLE) online in May 2021 (Certificate to follow/in process). He attended the CBGP Certification training/seminar for Compliance Officer (CCO) in March 2022.
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	Refer to composition of the Board http://www.pncc.ph/LINKS/PDFs/2018%20Accomplishment%20of%20Directors.pdf	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	The Board through the Performance Negotiation Agreement Committee (PAN) oversees the development, review, and approval of the company's business objectives. PNCC's objectives are incorporated in the Scorecard as approved by the GCG.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.			
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission, and core values.	COMPLIANT	http://www.pncc.ph/home_our_company_mission.htm	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	COMPLIANT	The PAN Committee Charter provides: "Assist the Board and Management in the development of an effective strategic planning process and planning calendar to realize the vision and accomplish the mission of PNCC." Periodic meeting of the PAN Committee is held to monitor the accomplishment of Management to set strategic measures in the GCG approved Performance Scorecard.	

Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	<p>Refer to the resumes of Chairman Herculano C. Co, Jr.'s and the Vice-Chairman/Pres-CEO Miguel E. Umali.</p> <p>http://www.pncc.ph/LINKS/PDFs/Herculano%20C.%20Co,%20Jr..pdf</p> <p>The term of Chairperson H. Co was not extended in 2021. The is position was assumed by the President/CEO being the Vice-Chairman since 17 August 2021.</p>	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers, and management.	NON-COMPLIANT		<p>While there is no succession planning program for directors, the PRP appoints the appointive directors upon recommendation of the GCG.</p> <p>The Company undertakes to formulate a policy on succession planning program for key officers and management in 2022.</p>
2. Board adopts a policy on the retirement for directors and key officers	NON-COMPLIANT (N/A)	Board of Directors	Being a GOCC, there is no retirement policy for directors under the law.
	COMPLIANT	<p>For Officers</p> <p>The company has a Retirement Plan for employees and key officers.</p>	
Recommendation 2.5			

1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	NON-COMPLIANT		There is no alignment of remuneration of key officers and Board members. EO 24 governs the remunerations of the board members; the Salary Scale, 2011 governs the salary of officers and employees; EO 150, s. 2021, the Compensation and Position Classification System(CPCS) is pending implementation.
2. Board adopts a policy specifying the relationship between remuneration and performance.	NON-COMPLIANT		There is no policy specifying the relationship between remuneration and performance. However, the GCG gave the company the option to adopt the Salary Standardization framework, but it opted to adopt the existing salary scale 2011.
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	The remuneration of Directors is governed by EO 24 and implemented by the GCG.	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	COMPLIANT		The salary of senior executives is indicated in the salary scale 2011 for all employees.
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	NON-COMPLIANT		There are no measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. The remuneration of executive directors (Eds) and senior executives/employees is governed by EOs 24, s. 2011, and 36, s. 2017.
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	NON-COMPLIANT (N/A)	https://www.pncc.ph/LINKS/PDFs/CORPORATE%20GOVERNANCE%20COMMITTEE%20CHARTER.pdf	While there is no board nomination and election policy, being a GOCC, the GCG makes a shortlist of the nominees for members of the appointive directors to represent the shareholdings of the government to be nominated by the PRP based on the fit and proper rule.
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.			

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.			
4. Board nomination and election policy includes how the board shortlists candidates.			
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election, or replacement of a director.			
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.			
Optional: Recommendation to 2.6			
Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	The board adopted a group-wide Material Related Party Transaction (MRPT) policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions. http://www.pncc.ph/cg_company_policies.htm	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.			
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.			

1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	COMPLIANT		
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.			

Recommendation 2

1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).	NON-COMPLIANT	Section 6.01 of PNCC's By-Laws http://www.pncc.ph/LINKS/PDFs/PNCC%20By-Laws.pdf 7.3, Revised Manual of Corporate Governance of 2017.	While the Board is primarily responsible for approving the selection of Management, the PRP appoints the CEO upon the nomination of the GCG. There is no Chief Risk Officer, and Chief Audit Executive/Internal Auditor, however, the company undertakes to hire an internal auditor in 2022.
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).	COMPLIANT	The Board utilizes the GCG's IPED (Internet-based Performance Evaluation of Directors) assessed the performance of the Directors including the President who is an Executive Director of the Company.	

Recommendation 2.9

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	The Board approved the QMS where there is a procedure in monitoring the performance of Management including Objectives and Targets, Management Review.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	The Board approved the QMS where there is a procedure in monitoring the performance of Management including Objectives and Targets, Management Review.	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	The Board adopted an Audit Committee Charter https://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members, and shareholders.	COMPLIANT	https://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf The company adopted a Material Related Party Transaction (MRPT) policy to monitor and manage potential conflict of interest of the Management, members, and shareholders.	
3. Board approves the Internal Audit Charter.	COMPLIANT	Audit Committee Charter.pdf (pncc.ph)	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	The company adopted a QMS to identify key business risks.	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	COMPLIANT	There is a QMS to identify key business risks.	
Recommendation 2.12			

1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary role.	NON-COMPLIANT		There is no Board Charter (in process). However, the Board is governed by the Articles of Incorporation, the By-Laws, the Rev. Manual of Corp. Governance 2017 and the GCG Manual of Corp Governance for GOCCs and the Rev. Corporation Code.
2. Board Charter serves as a guide to the directors in the performance of their functions.			
3. Board Charter is publicly available and posted on the company's website.			
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	NON-COMPLIANT		There is no insider trading policy. However, at present the company is under suspension by the PSE. The company undertakes to formulate an insider trading policy.
Optional Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	COMPLIANT (N/A)		While there is no policy on granting loans to directors, as a GOCC, the company is not allowed to grant loans to directors. The company undertakes to formulate a policy on granting/forbidding granting of loans.
2. Company discloses the types of decision requiring board of directors' approval.	NON-COMPLIANT		There is no disclosure on the types of decision requiring board of directors' approval. However, there is a signing authority issued by the Board. The company undertakes to formulate and disclose the types of decision requiring board of directors' approval.
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	http://www.pncc.ph/cg_board_committees.htm The board combined the functions of some committees in one committee.	
Recommendation 3.2			

1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	COMPLIANT	http://www.pncc.ph/cg_board_committees.htm	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	NON-COMPLIANT		The Chairman of the Audit Committee and majority of the members thereof are not independent Directors. There are no independent directors in the company. The company undertakes to comply with the independent directors in 2022 and will communicate with the GCG on this matter.
3.	COMPLIANT	http://www.pncc.ph/home_our_company_BOD.htm	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	COMPLIANT	Atty. Lamberto Mercado is the Chairman of the Audit Committee. http://www.pncc.ph/home_our_company_BOD.htm#Co	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	COMPLIANT	Article 5.3.b.7 of Revised Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf There were no non-audit services conducted by the COA.	

2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	NON-COMPLIANT		There is no meeting of the Audit Committee with COA without management presence. The Audit Committee undertakes to conduct regular meetings/dialogues with COA without anyone from management present in 2022.
Optional: Recommendation 3.2			
1. Audit Committee meets at least four times during the year.	COMPLIANT	The Audit Committee has 3 single committee meetings plus 8 joint committee meetings in 2021.	
2. Audit Committee approves the appointment and removal of the internal auditor.	COMPLIANT	Article 5.3.b.12 of Revised Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf	
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee .	COMPLIANT	Article 5.3.C of Revised Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf http://www.pncc.ph/cg_board_committees.htm	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	NON-COMPLIANT	http://www.pncc.ph/cg_board_committees.htm	There are no independent directors.
3. Chairman of the Corporate Governance Committee is an independent director.	NON-COMPLIANT		The Chairman is not an independent director.
Optional: Recommendation 3.3.			

1. Corporate Governance Committees meet at least twice during the year.	COMPLIANT	https://www.pncc.ph/LINKS/PDFs/CORPORATE%20GOVERNANCE%20COMMITTEE%20CHARTER.pdf	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	The Audit Committee performs the functions of the BROC (par. 5.3.b.13, Rev. Manual of Corp. Governance 2017).	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	NON-COMPLIANT		There are no independent directors.
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	COMPLIANT	The Chairman of Audit Committee/BROC is not the Chairman of the Board/other committees	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT		The Chairman of the Audit Committee is a CPA
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	NON-COMPLIANT	The company has a MRPT policy,	While there is a MRPT policy, however, there is no Related Party Transactions Committee. The company undertakes to comply with the creation of the RPT Committee.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.			
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources, and other relevant information.	COMPLIANT	Audit Committee Charter http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf Finance Committee Charter http://www.pncc.ph/LINKS/PDFs/Finance%20Committee%20Charter.pdf	

2. Committee Charters provide standards for evaluating the performance of the Committees.	NON-COMPLIANT	20Committee%20Charter.pdf	There are no standards for evaluating the performance of the committees in the Committee charters. However, the company undertakes to provide standards for evaluating its performance.
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	<p>Corporate Governance Charter http://www.pncc.ph/LINKS/PDFs/CORPORATE%20GOVERNANCE%20COMMITTEE%20CHARTER.pdf</p> <p>PAN Committee Charter http://www.pncc.ph/LINKS/PDFs/PAN%20Committee%20Charter.pdf</p> <p>Business Development Committee Charter http://www.pncc.ph/LINKS/PDFs/Business%20Eco%20Dev%20Com%20Charter.pdf</p> <p>Legal and Compliance Committee Charter http://www.pncc.ph/LINKS/PDFs/Legal%20Committee%20Charter.pdf</p>	

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

1. The Directors attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	NON-COMPLIANT		Some directors did not attend all Board (95.63%) and Committee meetings (94.98%). The ASM for 2021 was postponed. While there is no policy on tele-conferencing, the Board conducted teleconference meetings substantially in accordance with SEC rules.
2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT		
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT		

Recommendation 4.2

1. Non-executive directors concurrently serve in a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	COMPLIANT		
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT		
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT		
2. Company schedules board of directors' meetings before the start of the financial year.	NON-COMPLIANT	http://www.pncc.ph/cg_seal.htm	The company inadvertently failed to have schedules board of directors' meetings before the start of the financial year. However, the Board conducted at least one regular/special meetings a month in 2021.
3. Board of directors meet at least six times during the year.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/2018%20Attendance%20of%20Directors.pdf	The Board conducted at least 24 board meetings in 2021.
4. Company requires as minimum quorum of at least 2/3 for board decisions.	NON-COMPLIANT		Per By-Laws, only majority of the members constitutes a quorum (Sec.5.07, By-Laws)
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	NON-COMPLIANT		There are no independent directors. The company will endeavor to have independent directors and will communicate with the GCG on this matter.
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	NON-COMPLIANT		There are no independent directors. The company will endeavor to have independent directors and will communicate with the GCG on this matter.
Supplement to Recommendation 5.2			

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	COMPLIANT	There are no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	There are no independent directors. However, the maximum cumulative term of 9 years is provided in Section 5.5. Rev. Manual of Corp. Governance 2017.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	Section 5.5. Rev. Manual of Corp. Governance 2017.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	COMPLIANT	Section 5.5. Rev. Manual of Corp. Governance 2017.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	NON-COMPLIANT	http://www.pncc.ph/LINKS/PDFs/COMPOSITION%20OF%20THE%20BOARD.pdf	As of 17 August 2021, the Chairman and the PCEO as Acting Chairman being the Vice-Chairman per by laws, are held by the same person upon the expiration of the term of Chairman Co. However, it is the PRP who nominates the Chairman/Member of the Board upon recommendation of the GCG.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Roles%20and%20Deliberables%20of%20Chairman%20&%20President.pdf	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	NON-COMPLIANT		The Chairman of the Board is not an independent director. There are also no independent directors.
Recommendation 5.6			

1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLIANT	There is a MRPT policy. There is no transaction with a director with material interest affecting the corporation.	
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive present.	NON-COMPLIANT		The non-executive directors (NEDs) had no separate periodic meetings with COA and heads of the internal audit, compliance, and risk functions, without any executive present.
2. The meetings are chaired by the lead independent director.	NON-COMPLIANT		There is no such meeting and there is no independent director.
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	NON-COMPLIANT		The President/CEO has been as such since 2019. However, it is the President of the RP who nominates the Pres/CEO upon the recommendation of the GCG.
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	The GCG evaluated the assessments conducted by the Board/directors.	
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT	The GCG evaluated the assessments conducted by the Board/directors.	
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	NON-COMPLIANT		
5. Every three years, the assessments are supported by an external facilitator.	COMPLIANT	The GCG acts as the external facilitator/evaluator	The committees did not conduct self-assessment. However, they undertake to conduct self-assessment of their performance in 2022.
Recommendation 6.2			

1. Board has in place a system that provides, at the minimum, criteria, and process to determine the performance of the Board, individual directors, and committees.	COMPLIANT	The performance of the Board, directors and committees is evaluated by the GCG in accordance with its system.	
2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT	http://www.pncc.ph/feedback/ContactForm.htm	

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	http://www.pncc.ph/cg_cced.htm	
2. The Code is properly disseminated to the Board, senior management, and employees.	COMPLIANT		
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	http://www.pncc.ph/cg_cced.htm	

Supplement to Recommendation 7.1

1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying, and receiving bribes.	NON-COMPLIANT	http://www.pncc.ph/cg_cced.htm	There is no policy on curbing and penalizing company involvement in offering, paying, and receiving bribes. However, being public officials the Revised Penal Code and Anti-Graft and Corrupt Practices act apply. The company undertakes to formulate a policy on this matter.
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Recommendation 7.2

1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics	COMPLIANT	There is a Code of Business Conduct and Ethics published on the website.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.			

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable, and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results, and business operations.	NON-COMPLIANT		There is no Policy on Corporate Disclosures. However, the company discloses timely and material reports to the SEC and PSE as soon as submitted by the COA. The company undertakes to formulate a policy on this matter.
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	COMPLIANT	The company publishes the annual and quarterly consolidated reports, cash flow statements, and special audit revisions on its website. The financial statements are published on the website as soon as audited and submitted by the COA to the company.	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; crossholdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	COMPLIANT	The company discloses in its annual report the identity of its controlling shareholders: the RP; the degree of ownership concentration; crossholdings among company affiliates; and others.	
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	NON-COMPLIANT		There is no policy requiring directors or officers to disclose/report to the company any dealings in the company's shares. There are no deals by directors or officers in the company's shares.
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.			

Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g., share buy-back program).	COMPLIANT		There was no trading of corporation shares as it was suspended by the PSE. There are no trades of the corporation's shares by directors and officers.
Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g., share buy-back program).			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	http://www.pncc.ph/home_our_company_BOD.htm	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	http://www.pncc.ph/home_our_company_MANCOM.htm http://www.pncc.ph/LINKS/PDFs/Public%20Ownership%202018%204Q.pdf	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Remuneration%20Policy%20and%20Structure%20for%20Executive%20and%20Non.pdf The remuneration of the Board is determined by GCG MC 2016-01.	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	NON-COMPLIANT		There is no disclosure policy for setting executive remuneration. However, executive the remuneration is indicated in the Salary Scale 2011 and in E.O 150, s. 2021, which is pending implementation.

3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	NON-COMPLIANT		There is no disclosure on the remuneration on an individual basis, and termination/retirement provisions. However, there is the Salary Scale/EO 150, s. 2021, and retirement plan to be disclosed in the future.
Company discloses the remuneration on an individual basis, including termination and retirement provisions.			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	COMPLIANT	The company has a Material Related Party Transaction (MRPT) policy.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	NON-COMPLIANT		There was no review of RPTs in 2021 due to the pandemic. The company undertakes to review material RPTs in 2022.
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	NON-COMPLIANT	The company has a Material Related Party Transaction (MRPT) policy.	There is no Policy on Disclosure of interests of directors in transactions or other conflict of interests.
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT	There is a MRPT policy.	
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets which could adversely affect the viability or the interest of its shareholders and other stakeholders.	COMPLIANT	The company is bound by PSE and SEC rules on disclosures. All material fact or event that occurred are disclosed in the company website: http://www.pncc.ph/SEC_Filings_Current_2018.htm	There is no disclosure to the public of material fact or event that occur, particularly on the acquisition or disposal of significant assets which could adversely affect the viability or the interest of its shareholders and other stakeholders.

2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	COMPLIANT		<p>The Board appoints independent appraisers to evaluate the fairness of the transaction price on disposal of assets.</p> <p>The acquisition and disposal of assets are conducted pursuant to Purchasing Procedure and Asset Disposal Procedure. (Annex "D" and "E").</p> <p>A management Bids and Awards Committee (BAC) is also appointed to process company transactions in accordance with pertinent laws, rules, and regulations.</p>
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Supplement to Recommendation 8.6

1. Company discloses the existence, justification, and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	COMPLIANT		There is no such agreement.
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Recommendation 8.7

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf	
2. Company's MCG is submitted to the SEC and PSE.			
3. Company's MCG is posted on its company website.			

Supplement to Recommendation 8.7

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf There was no change in the corporate governance policies.	
1. Does the company's Annual Report disclose the following information:	COMPLIANT		
a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of <u>each</u> member of the board of directors	NON-COMPLIANT		The company undertakes to disclose all information required in the future.
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	NON-COMPLIANT		The Annual Report does not contain a statement confirming the company's full compliance with the Code of Corporate Governance. However, the non-compliances are identified and explained in the IACGR.
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	NON-COMPLIANT		While the AR/CGR did not disclose that the board conducted a review of the material controls and risk management systems, the company undertakes to comply in 2022.

4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	NON-COMPLIANT		While the AR/CGR does not contain a statement from the board/Audit Committee on the adequacy of the internal controls/risk management systems, the company undertakes to comply in 2022.
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e., financial, operational including IT, environmental, social, economic).	NON-COMPLIANT		While the company does not disclose in the AR the key risks to which the company is materially exposed to, the company undertakes to comply in 2022.

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf par. 5.3.b.12, Rev. Manual of Corp Governance 2017 Being a GOCC, under the law, the COA is the statutory external counsel of the company.	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board, and ratified by the shareholders.	COMPLIANT	Being a GOCC, under the law, the COA is the statutory external counsel of the company.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT	Being a GOCC, under the law, the COA is the statutory external counsel of the company.	

Supplement to Recommendation 9.1

1. Company has a policy of rotating the lead audit partner every five years.	COMPLIANT	The rotation of the lead auditor is the prerogative of the COA.	
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1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf Under the law, the COA is the external auditor of the company being a GOCC.	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf Under the law, the COA is the statutory external auditor of the company being a GOCC.	
Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf The COA is the statutory external auditor of the company.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf The COA is the statutory external auditor of the company.	
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	COMPLIANT	There were no non-audit services performed by COA in 2021.	

2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf par. 5.3.b.7 Rev. Manual of Corp. Governance 2017 There were no non-audit services performed by COA in 2021.	
Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLIANT		There are no non-audit services performed by COA.
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	Being a GOCC, COA is the company's statutory external auditor which is not subject to SEC accreditation	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	COMPLIANT	COA not being a private auditing firm is not subject to SOAR inspection	
3.			
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	NON-COMPLIANT		There is no Disclosure Policy on the disclosure of non-financial information.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	NON-COMPLIANT		There is no standard/framework in reporting sustainability and non-financial issues.

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders, and other interested users.

Recommendation 11.1

Company has media and analysts briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	NON-COMPLIANT	Page 19 OF FOI MANUAL http://www.pncc.ph/LINKS/PDFs/PNCC%20FOI%20Manual.pdf	There is no media and analysts briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information. The company is under suspension by the PSE.
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Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

1. Company has a website disclosing up-to-date information on the following:	COMPLIANT	www.pncc.ph	
a. Financial statements/reports (latest quarterly)	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/2018%20Audited%20Financial%20Statements.pdf	
b. Materials provided in briefings to analysts and media	COMPLIANT	There is no briefing to analysts/media.	
c. Downloadable annual report	COMPLIANT	As published in the website.	
d. Notice of ASM and/or SSM	COMPLIANT	There is a notice of postponement of the ASM.	
e. Minutes of ASM and/or SSM	COMPLIANT	There is no ASM for 2021. The minutes of the last ASM in 2016 is posted on the website.	
f. Company's Articles of Incorporation and By-Laws	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Amended%20Articles%20of%20Incorporation%2021November2016.pdf	

Additional Recommendation to Principle 11

1. Company complies with SEC-prescribed website template.	COMPLIANT	www.pncc.ph	
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Internal Control System and Risk Management Framework

Principle 12: To ensure the integrity, transparency, and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Audit%20Committee%20Charter.pdf	
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2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT	The company has a QMS.	
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance, and compliance with the said issuances.	COMPLIANT		
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed, and reported to the board.	NON-COMPLIANT		There is no governance process on IT issues, however, the company undertakes to establish the same in 2022..
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT		
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	NON-COMPLIANT		There is no Chief Audit Executive. The Internal Auditor resigned in 2021 and the company is looking for a replacement.
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.	COMPLIANT	The Internal Auditor is responsible for the internal audit activity of the company. There is no outsourced third-party service provider.	

3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	COMPLIANT	There is no outsourced third-party service provider.	
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT		There is no separate risk management function set up by the company. The Audit Committee performs such functions.
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	NON-COMPLIANT		There is no external technical support in risk management.
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	NON-COMPLIANT		There is no Risk Management System, and the company has no Chief Risk Officer (CRO).
2. CRO has adequate authority, stature, resources, and support to fulfill his/her responsibilities.			
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	NON-COMPLIANT		The CEO and Internal Auditor did not attest in writing that a sound internal audit, control and compliance system is in place and working effectively.
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect, and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Article 8 of Revised Manual on Corporate Governance http://www.pncc.ph/LINKS/PDFs/AMENDED%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20MANUAL%202017.pdf	

2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT	Section 4.05 of Amended By-Laws http://www.pncc.ph/LINKS/PDFs/PNCC%20By-Laws.pdf	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	Seventh Article of the Amended Articles of Incorporation http://www.pncc.ph/LINKS/PDFs/Amended%20Articles%20of%20Incorporation%2021November2016.pdf	
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	COMPLIANT	Section 4.05 of Amended By-Laws; Revised Corporation Code http://www.pncc.ph/LINKS/PDFs/PNCC%20By-Laws.pdf	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	COMPLIANT	Section 4.02 of Amended By-Laws http://www.pncc.ph/LINKS/PDFs/PNCC%20By-Laws.pdf	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm	
7. Company has a transparent and specific dividend policy.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm Art XI, By-laws. There has been no declaration of dividends since the COA issued a qualified opinion.	

Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	COMPLIANT	The COA is appointed to count and/or validate the votes at the Annual Shareholders' Meeting.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	COMPLIANT	The By-Laws and the RCC require the board to give sufficient notice of ASM/SSM	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	COMPLIANT	There is no ASM in 2021.	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)			
b. Auditors seeking appointment/re-appointment			
c. Proxy documents			
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	There is no ASM in 2021.	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	There is no ASM in 2021.	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	COMPLIANT	There is no ASM in 2021. In such event, the COA and other relevant individuals shall be notified and invited to attend the ASM/SSM.	

Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm 8.4. Rev Manual of Corp Governance 2017	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	8.4, Rev Manual of Corp. Governance 2017. Sec. 103 of the Rev. Corp. Code provides arbitration in case of deadlock between/among directors/stockholders.	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	http://www.pncc.ph/ir_investor_relations_program.htm	
2. IRO is present at every shareholder's meeting.	COMPLIANT		The President/CEO is the IRO. However, there is no ASM in 2021.
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	NON-COMPLIANT	The RP and GSIS have more than majority shareholdings in the company.	There is no anti-takeover measures or similar devices. However, the shareholdings of the majority shares of the RP and GSIS prevents any take-over.
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	NON-COMPLIANT	http://www.pncc.ph/LINKS/PDFs/Public%20Ownership%202017%204Q.pdf	As of December 31, 2020, the total number of shares owned by the public is 22,902,172 or 13.12%
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLIANT	Shareholders can engage with the company beyond ASM thru Citizen's Charter, FOI procedure, website, and social media account.	

2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	NON-COMPLIANT		There is no ASM in 2021. There is no policy on electronic voting in absentia at the ASM.
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth, and sustainability.	COMPLIANT	GSIS and PMO with representation at Board.	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Section 35, Code of Corporate Governance for GOCC (GCG Memorandum Circular No. 2012-07). Par. 4.5, Principle 14, Revised manual of Corporate Governance of 2017. Website link: Company Policies	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	COMPLIANT	http://www.pncc.ph/contact_us.htm Article 9, Revised Manual of Corporate Governance of 2017. Website link: Contact Us	
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	COMPLIANT	8.4. Rev Manual of Corporate Governance 2017	

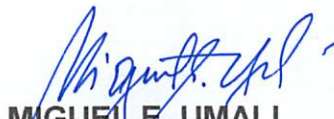
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	COMPLIANT		There are no such exemptions sought by the corporation.
2. Company respects intellectual property rights.	COMPLIANT		There is no reported violation of IPRs.
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	COMPLIANT	Website link: CSR	
2. Company discloses its policies and practices that address supplier/contractor selection procedures	COMPLIANT	The supplier/contractor selection procedures is in the company's QMS.	
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals, and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	COMPLIANT	Sections 36, Code of Corporate Governance for GOCC (GCG Memorandum Circular No. 2012-07). Par. 9.2 Revised Manual of Corporate Governance 2017. Please see QMS	
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	NON-COMPLIANT		There is no reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

2. Company has policies and practices on health, safety, and welfare of its employees.	COMPLIANT	http://www.pncc.ph/cg_company_policies.htm Section 39, Code of Corporate Governance for GOCC (GCG Memorandum Circular No. 2012-07). Website link: Company policies	
3. Company has policies and practices on training and development of its employees.	COMPLIANT	Website link: 2021 Performance Enhancing Mechanism for Employee Participation	
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	COMPLIANT	http://www.pncc.ph/cg_cced.htm	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	Website link: 2021 Performance Enhancing Mechanism for Employee Participation	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying, and receiving bribes.	COMPLIANT	http://www.pncc.ph/cg_cced.htm	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/WHISTLE_BLOWING-POLICY.pdf 9.2.b, Revised Manual of Corporate Governance of 2017.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/WHISTLE_BLOWING-POLICY.pdf	

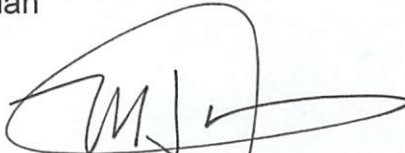
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT	http://www.pncc.ph/LINKS/PDFs/WHISTLE BLOWING-POLICY.pdf	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	COMPLIANT	http://www.pncc.ph/cg_csr.htm Sections 33 to 40, Code of Corporate Governance for GOCC (GCG Memorandum Circular No. 2012-07). 9.3, Revised Manual of Corporate Governance of 2017.	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	http://www.pncc.ph/cg_csr.htm Sections 33 to 40, Code of Corporate Governance for GOCC (GCG Memorandum Circular No. 2012-07).	
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT	Website link: CSR	

Pursuant to the requirements of the Securities and Exchange Commission, the Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Paranaque on _____.

SIGNATURES


MIGUEL E. UMALI
President/Chief Executive Officer
Acting Chairman


REY NATHANIEL C. IFURUNG
Compliance Officer


MARIANO JESUS S. AVERIA
Corporate Secretary

Independent Director


Independent Director

No stockholders meeting was held in 2021 thus no Independent Director had been elected.

SUBSCRIBED AND SWORN to before me this **MAY 26 2022**; at Quezon City, affiant(s) exhibiting to me their government issued ID, as follows:

NAME	GOV'T ID NO.	DATE ISSUED	PLACE ISSUED
MIGUEL E. UMALI	DL#N04-89-117970	09/29/18	QUEZON CITY
REY NATHANIEL C. IFURUNG	DL#N11-81-033432	10/31/19	MANILA
MARIANO JESUS S. AVERIA	DUN02-95-262906	10/19/2018	QUEZON CITY

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Book No. XIV
Series of 2022


ATTY. TOMAS B. BAGA, JR.
NOTARY PUBLIC
EXTENDED JUNE 30, 2022
ADM. NO. NP-017 (2020-2021)
ATTYS. ROLL NO. 13003
IBP NO. 156177/2-5-2021
PTR NO. CP 0624059, 1/19/21 COT.
MCLE NO. VI-0028822
PCMB BLDG. TIMOG COR. PANAY AVE. Q.C.