

# COVER SHEET

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SEC. 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)

ATTY. HENRY B. SALAZAR

Contact Person

822-57-25

Company Telephone Number

Month Day  
Fiscal Year

A C G R  
FORM TYPE

Month Day  
Annual Meeting

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

File Number

LCU

Document ID

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STAMPS



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## A. BOARD MATTERS

### 1) Board of Directors

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

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Elpidio C. Jamora, Jr.	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	0
Luis F. Sison	ED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	3
Tomas C. Alvarez	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	3
Rosendo T. Capco	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	3
Antonio C. Pido	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	3
Nora O. Vinluan	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	3
Rosanna E. Velasco	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	0
Cristino L. Panlilio	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	0
Tomas C. Falgui II	NED	OP*	OP*	10/08/2013	10/08/2013	Special Meeting	0
Elisea G. Gozun	NED	GSIS	GSIS	10/14/2013	10/14/2013	Special Meeting	0
Robert G. Vergara	NED	GSIS	GSIS	10/14/2013	10/14/2013	Special Meeting	0
<b>Resigned/Replaced:</b>							
Thomas G. Aquino <sup>a</sup>	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	2
Jose Vicente A. Bengzon <sup>b</sup>	NED	GSIS	GSIS	01/21/2011	01/21/2011	Special Meeting	2
Elmer C. Hernandez <sup>a</sup>	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	2
Rodolfo C. Naguit <sup>a</sup>	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	2
Roman Felipe S. Reyes <sup>c</sup>	NED	GSIS	OP*	01/11/2011	01/11/2011	Special Meeting	2

#### Legend:

\*OP – Office of the President of the Philippines

<sup>a</sup> – Resigned effective June 30, 2013

<sup>b</sup> – Resigned effective October 14, 2013

<sup>c</sup> – Resigned effective September 30, 2013

#### (b) Brief Summary of the Corporate Governance Policy that the Board of Directors Adopted

##### BOARD RESPONSIBILITIES.

##### *As provided for in the company's Revised Manual on Corporate Governance:*

It is the Board's responsibility 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 best interests of its stockholders.

1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures.
3. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation.

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

5. Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
6. Adopt a system of check and balance within the Board.
7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
8. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
9. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
10. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
11. Meet at such times or frequency as may be needed.
12. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
13. Appoint a Compliance Officer who shall have the rank of at least vice president.

***The PNCC Board of Directors shall incorporate / harmonize the following provisions found in Section 8 of Code of Corporate Governance for GOCCs issued per GCG Memorandum Circular No. 2012-07, in its PNCC Revised Manual of Corporate Governance:***

1. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings be properly documented or minuted;
2. Determine the GOCC's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the GOCC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
3. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
4. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the GOCC have the necessary motivation, integrity, competence and professionalism;
5. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
6. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
7. Ensure the integrity of the GOCC's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
8. Identify and monitor and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;

**STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST.**

***As provided for in the company's Revised Manual on Corporate Governance:***

The Board respects the rights of the stockholders as provided for in the Corporation Code such as voting right, pre-emptive right, power of inspection, right to information, right to dividends and appraisal right.

1. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts, cumulative voting shall be used in the election of directors.
2. All stockholders have pre-emptive rights as provided for in the Articles of Incorporation of the Corporation.

3. All stockholders are allowed to inspect books and records of the Corporation in accordance with the Corporation Code.
4. The stockholders have access to any and all information relating to matters for which the management is accountable for.
5. Stockholders have the right to receive dividends when its retained earnings is in excess of 100% of its paid-in capital stock except : a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited declaring dividends under loan agreement with any financial institution or creditor without its consent or c) when it can be clearly shown that such retention is necessary when there is a need for special reserve for probable contingencies.
6. The stockholders have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code.

**DISCLOSURE AND TRANSPARENCY.**

***As provided for in the company's Revised Manual on Corporate Governance:***

The Board is committed to fully disclose at all times material information dealings.

***The PNCC Board of Directors shall incorporate / harmonize the following provisions found in Section 41 of Code of Corporate Governance for GOCCs issued per GCG Memorandum Circular No. 2012-07, in its PNCC Revised Manual of Corporate Governance:***

The essence of corporate governance is transparency; the more transparent the internal workings of the GOCC are, the more difficult it will be for the Board and/or Management to mismanage the GOCC or to misappropriate its assets. It is therefore imperative that GOCCs disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

**(c) The Company's vision and mission statement is under review and will be approved as required.**

(d) Directorship in Other Companies

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose Vicente C. Bengzon III <i>(resigned effective September 30, 2013)</i>	CDCP Farms Corp. AlabangSto. Tomas Devt. Inc. Traffic Control Products Corp. DISC Contractors, Builders & Gen. Services Inc. Manila North Tollway Corp.	Acting Chairman Acting Chairman Acting Chairman Acting Chairman NED
Luis F. Sison	CDCP Farms Corp. AlabangSto. Tomas Devt. Inc. Traffic Control Products Corp. DISC Contractors, Builders & Gen. Services Inc. Tollways Management Corp.	ED ED ED ED NED
Tomas C. Alvarez	Traffic Control Products Corp. DISC Contractors, Builders & Gen. Services Inc.	NED NED
Thomas G. Aquino <i>(resigned effective June 30, 2013)</i>	DISC Contractors, Builders & Gen. Services Inc.	NED
Rosendo T. Capco	Traffic Control Products Corp.	NED
Elmer C. Hernandez <i>(resigned effective June 30, 2013)</i>	DISC Contractors, Builders & Gen. Services Inc. CDCP Farms Corp. Traffic Control Products Corp. Tollways Management Corp.	NED NED NED NED
Rodolfo C. Naguit <i>(resigned effective June 30, 2013)</i>	DISC Contractors, Builders & Gen. Services Inc. CDCP Farms Corp. Traffic Control Products Corp.	NED NED NED
Antonio C. Pido	DISC Contractors, Builders & Gen. Services Inc. AlabangSto. Tomas Devt. Inc. Tollways Management Corp.	NED NED NED
Roman Felipe S. Reyes <i>(resigned effective October 14, 2013)</i>	Traffic Control Products Corp. Manila Toll Expressway System Inc.	NED NED
Nora O. Vinluan	Traffic Control Products Corp.	NED

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

(ii) Directorship in Other Listed Companies

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Elpidio C. Jamora, Jr.	JTH Davies Holdings, Inc. (now STI Education Systems Holdings, Inc.)	ID
Robert G. Vergara	Philippine Stock Exchange, Inc. National Reinsurance Corporation of the Philippines	NED NED

(iii) Relationship within the Company and its Group

**No known relationship 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
N/A	N/A	N/A

(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:

**NO, the company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously. The Governance Commission for GOCCs (GCG) itself, per Memorandum Circular No 2012-07, has ruled that the capacity of Appointive Directors to serve with diligence shall not be compromised. Pursuant thereto, GCG has ruled that no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.**

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Section 11 of Code of Corporate Governance for GOCCs (GCG Memorandum Circular No. 2012-07)	2
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Elpidio C. Jamora, Jr.	1		00.00%
Luis F. Sison	2001		00.00%
Tomas C. Alvarez	101		00.00%
Rosendo T. Capco	10		00.00%
Rodolfo C. Naguit*	2		00.00%
Antonio C. Pido	50		00.00%
Roman Felipe S. Reyes	100		00.00%
Nora O. Vinluan	2		00.00%
Rosanna E. Velasco	50		00.00%
Cristino L. Panlilio	1456		00.00%
Robert G. Vergara	50		00.00%
Elisea G. Gozun	50		00.00%
Tomas C. Falgui II	100		00.00%

\* Resigned effective June 30, 2013. However, he has not been replaced. Hence, the direct shares assigned to him still bears Mr. Naguit's name.

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	Elpidio C. Jamora, Jr.
CEO/President	Luis F. Sison

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<ul style="list-style-type: none"> <li>Presides at all meetings of the stockholders and of the Board of Directors. He presides and/or attends meetings of standing committees created by the Board.</li> <li>Informs the Board of Directors and the stockholders on matters of interest to them at their respective meetings</li> <li>Represents and votes shares of the Company in other corporations.</li> </ul>	<ul style="list-style-type: none"> <li>Has overall responsibility for the successful administration of the affairs and business of the Corporation</li> <li>Presides at all meetings of the stockholders and of the directors, in the absence, inability or default of the Chairman</li> <li>Exercises general supervision over all the other officers of the Corporation</li> <li>Represent and vote the shares owned by the Corporation in other corporations</li> </ul>
Accountabilities	<ul style="list-style-type: none"> <li>Ensures that policies enunciated by the Board are implemented.</li> <li>Ensures that the meetings of the Board and shareholders are held in accordance with the by-laws</li> </ul>	<ul style="list-style-type: none"> <li>Negotiates, enters into and executes on behalf of the Corporation all contracts and agreements</li> <li>Signs, endorses and delivers all checks, drafts, bills of exchange, promissory notes and orders of payment of sums of money</li> </ul>

	Chairman	Chief Executive Officer
Accountabilities (continued)		<ul style="list-style-type: none"> <li>Submits an annual report of the operations of the company to the Board and as such other times as the latter may request, annual report to the stockholders at the annual meeting</li> <li>Appoints, removes or suspends all of the agents, employees, and other subordinate personnel of the company</li> </ul>
Deliverables	<ul style="list-style-type: none"> <li>Supervises the preparation of agenda of the meeting in coordination with the Corporate Secretary taking into consideration the suggestions of CEO, Management and directors</li> <li>Maintains qualitative and timely lines of communication and information between the Board and Management</li> </ul>	<ul style="list-style-type: none"> <li>Determines, promulgate and enforces the general operating and administrative policies required to implement basic policy established by the Board</li> </ul>

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

**Members of the Board of Directors in GOCCs and their Subsidiaries are appointed by the President of the Philippines from a shortlist prepared by the GCG per Section 15 of R.A. 10149. Generally, top key management positions are retained by current position holders.**

- 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.

**Article 2.2.2 of the Revised Manual on Corporate Governance provides that:**

**The Board may likewise provide for the following additional qualifications for membership in the Board 1) practical understanding of the business of the corporation, 2) membership in good standing in relevant industry, business or professional organizations; and 3) previous business experience.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

**The Directors of the Board as constituted are experts or have broad experience in the industry the company belongs to. The appointment of Directors by the Office of the President of the Philippines is mindful of these qualifications.**

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

	Executive	Non-Executive	Independent Director
Role	Design, develop and implement strategic plans for the organization in a cost-effective & time efficient manner. The Board of Directors grants the Executive Director to run the organization.	Participates in governing the organization by establishing broad policies and organizational objectives	Promotes independent judgment in carrying out his responsibilities in the establishment of policies and objectives. Protects the voice / interests of minority shareholders.

	Executive	Non-Executive	Independent Director
Accountabilities	Accountable to the Board of Directors for his management of the organization	Accountable to the shareholders / stakeholders for the organization's performance	Accountable to minority shareholders for representing their interests
Deliverables	Business Plan Operational Budget	Inputs to policy formulation consistent with organizational goals	Contribution to policy formulation that speaks for minority concerns

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

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.

**Not applicable. As a GOCC, no independent directors have as yet been nominated/elected in the Company. Consequently, no term limit has as yet been set for independent director(s).**

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Rodolfo C. Naguit	Director	June 30, 2013	Resignation
Thomas G. Aquino	Director	June 30, 2013	
Elmer C. Hernandez	Director	June 30, 2013	
Jose Vicente C. Bengzon	Acting Chairman	September 30, 2013	Replaced by President of the Philippines
Roman Felipe S. Reyes	Driector	October 14, 2013	Replaced by GSIS

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors (ii) Non-Executive Directors	Every GOCC and Subsidiary, through the Compliance Officer, or the Corporate Secretary, if there is no Compliance Officer appointed, shall submit to the GCG within thirty (30) days from the start of each calendar year a certificate stating and attesting to the qualifications and disqualifications rules applicable to their Appointive Directors and CEO, as found in	<i>Minimum Qualifications of Appointive Directors and CEOs</i> - Without prejudice to the qualifications set out in the Charter or By-laws of the GOCC, every Appointive Director and CEO, must : (a) Be a Filipino citizen; (b) Be at least thirty (30) years of age at the time of appointment to the Governing Board, except when the Charter or By-laws requires a higher minimum age, which requirement shall prevail;

Procedure	Processes Adopted	Criteria
<b>a. Selection/Appointment</b> <i>(continued)</i>		
(i) Executive Directors (ii) Non-Executive Directors	their Charter or By-laws and the provisions of laws, rules and regulations applicable to the particular GOCC. <i>(Art. 4 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)</i>	(c) Be of good moral character, of unquestionable integrity, and of known probity; (d) Have a college degree, with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a <i>bona fide</i> member of the indicated sector or the association being represented as provided for in the Charter or By-laws; (e) Possess management skills and competence preferably relating to the operations of the GOCC to which he/she is appointed; and (f) Have attended, or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.  <i>(Art. 5 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)</i>
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	
<b>b. Re-appointment</b>		
(i) Executive Directors (ii) Non-Executive Directors	Unless removed by the President of the Republic of the Philippines, Executive Director and Non-Executive Director are automatically reappointed.	
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	
<b>c. Permanent Disqualification</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Apply Article 2.3 of Revised Manual on Corporate Governance provides	Grounds for the permanent disqualification of a director: <ul style="list-style-type: none"> <li>Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that involves the purchase or sale of securities, as defined in SRC; arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them</li> <li>Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final</li> </ul>

Procedure	Process Adopted	Criteria
<b>c. Permanent Disqualification</b> <i>(continued)</i>		
		<p>judgment or order of the SEC or any court or administrative body of competent jurisdiction from (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (b) acting a director or officer of a bank, quasi-bank, trust company; (c) engaging or in continuing any conduct or practice in any of the capabilities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities</p> <ul style="list-style-type: none"> <li>• If a person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the Commission or BangkoSentral ng Pilipinas (BSP), or as otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization</li> <li>• Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts</li> <li>• Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the Commission or BSP, or any of its rule, regulation or order</li> <li>• Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation</li> </ul>

Procedure	Process Adopted	Criteria
<b>c. Permanent Disqualification</b> <i>(continued)</i>		
		<ul style="list-style-type: none"> <li>• Any person judicially declared as insolvent</li> <li>• Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct</li> </ul>
	<p>Article 6 of the GCG Memorandum Circular No. 2012-05 entitled <b>Fit and Proper Rule for Appointive Directors and CEOs of GOCCs</b> provides the criteria for permanent disqualification of a Director</p>	<p>The following individuals are permanently disqualified from appointment or re-appointment, or to continue holding the position of Appointive Directors or CEO in any GOCC:</p> <ul style="list-style-type: none"> <li>• Persons who have been convicted by final judgement of a court or tribunal of: <ol style="list-style-type: none"> <li>1. <i>A crime or offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery; violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards For Public Officials and Employees, violation of banking laws, rules and regulations; Provided, however, that when the penalty imposed in the final judgment of conviction is censure or reprimand, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification;</i></li> <li>2. <i>A crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or</i></li> <li>3. <i>A violation of the laws, rules and regulations particularly applicable to the sector under which the GOCC is classified, and in other related sectors;</i></li> </ol> </li> <li>• Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</li> <li>• Directors, CEO and Officers of GOCCs who have been: <ol style="list-style-type: none"> <li>1. <i>Found by a competent administrative body as administratively liable for violation</i></li> </ol> </li> </ul>

Procedure	Process Adopted	Criteria
<b>c. Permanent Disqualification</b> <i>(continued)</i>		
		<p><i>of laws, rules and regulations particularly applicable to the sector of the GOCC concerned, as well as those covered by related sectors, and where a penalty of removal from office is imposed, which finding of the administrative body has become final and executory;</i></p> <p>2. <i>Determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using rights, options or properties of the GOCC for their own benefit, receiving commission on contracts from the GOCC's assets, or taking advantage of Corporate opportunities of the GOCC's, or</i></p> <p>3. <i>Found to be culpable for a GOCC's insolvency, closure, or ceasure of operations, as determined by the GCG in consultation with the Appropriate Government Agency;</i></p> <ul style="list-style-type: none"> <li>• Directors and Officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for; <ol style="list-style-type: none"> <li>1. <i>A violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or</i></li> <li>2. <i>Any offense/violation involving dishonesty or breach of trust; and which finding of such Government Agency has become final and executory.</i></li> </ol> </li> </ul>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	As provided for in Article 2.3.2 of Revised Manual on Corporate Governance	<ul style="list-style-type: none"> <li>• Refusal to comply with the disclosure requirements of SRC and its Implementing Rules and Regulations</li> <li>• Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is</li> </ul>

Procedure	Process Adopted	Criteria
<b>d. Temporary Disqualification</b>		
	<p>Article 6 of the GCG Memorandum Circular No. 2012-05 entitled <b>Fit and Proper Rule for Appointive Directors and CEOs of GOCCs</b> provides the criteria for temporary disqualification of a Director</p>	<p>due to illness, death in the immediate family or serious accident</p> <ul style="list-style-type: none"> <li>• Dismissal or termination for cause as director of any corporation covered by SEC</li> <li>• If the beneficial equity ownership of an independent director or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock</li> <li>• If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final</li> </ul> <p>The following individuals are temporarily disqualified from appointment or re-appointment, or to continue holding the position of Appointive Director in any GOCC:</p> <ul style="list-style-type: none"> <li>• Persons who refused or failed to fully disclose the extent of their business interest or any Material Information to the GCG, the appropriate Government Agency or the GOCC concerned, when required pursuant to the requirements of the Securities Regulation Code, the Corporation Code of the Philippines, or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions; and such disqualification shall be in effect as long as the refusal or failure persists;</li> <li>• Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty-five percent (25%) of all board meetings in any year; Provided, however, that such temporary disqualification applies only for purposes of the immediately succeeding appointment process for a new Term of Office;</li> <li>• Persons who are delinquent in the payment of their obligations as defined under: <ol style="list-style-type: none"> <li>1. <i>Delinquency or Officer for his/her own account or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such institutions,</i></li> </ol> </li> </ul>

Procedure	Process Adopted	Criteria
<b>d. Temporary Disqualification</b>		
		<p>2. <i>The spouse or child under parental authority of the Director or Officer,</i></p> <p>3. <i>Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer,</i></p> <p>4. <i>A partnership in which a Director or Officer, of his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and</i></p> <p>5. <i>A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned above.</i></p> <ul style="list-style-type: none"> <li>• <i>Persons who have been convicted in the first instance as long as the delinquency persists:</i> <ol style="list-style-type: none"> <li>1. <i>Any offense involving dishonesty or breach of trust as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery:</i></li> <li>2. <i>A violation of the Bouncing Checks Law, the Anti Graft and Corrupt Practices Act, prohibited acts and transactions under Section 7 of the Code of Conduct and Ethical Standards for Public Officials and Employees,</i></li> <li>3. <i>A violation of banking laws, rules and regulations; or</i></li> <li>4. <i>An offense where the penalty imposed is to serve a maximum term of imprisonment of more than six (6) years;</i></li> </ol> <p><i>but whose conviction has not yet become final and executory; Provided, however, that such temporary disqualification shall automatically cease upon receipt by the GCG of a certified true copy of a judgment amounting to an acquittal;</i></p> </li> <li>• <i>Directors and Officers of private corporations which have been officially declared insolvent, dissolved or closed, pending their clearance by the GCG in consultation with the appropriate Government Agency;</i></li> <li>• <i>Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under the Ownership and Operations Manual Governing the GOCC Sector, the Code of Corporate Governance for GOCCs, their</i></li> </ul>

Procedure	Process Adopted	Criteria
<b>d. Temporary Disqualification</b>		
		<p>respective manuals of corporate governance adopted by the GOCCs, or existing rules and regulations of the GCG; and such temporary disqualification applies until the lapse of the specific period of disqualification or upon approval by the GCG of such Director's appointment/reappointment;</p> <ul style="list-style-type: none"> <li>• Directors who have failed to attend within three (3) months from their appointment and assumption of office the public corporate governance seminar for Directors conducted by GCG or any individual/entity accredited by the GCG; Provided, however, that such disqualification shall cease when the Director concerned has submitted to the GOCC an official certification that he/she has attended such seminar;</li> <li>• Persons dismissed/terminated from employment for just cause; Provided, however, that such temporary disqualification will cease when they have cleared themselves of involvement in the alleged irregularity;</li> <li>• Persons who are under preventive suspension, whether it be in the government service or in private sector service; Provided, however, that GCG shall determine from the cause for the preventive suspension whether it shall constitute a ground for temporary disqualification;</li> <li>• Persons with derogatory records as certified by, or on the official files of, the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, <i>quasi</i>-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries, for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the Director, CEO or Officer, or the ability to effectively discharge his/her duties; and his disqualification applies until they have cleared themselves of the alleged irregularities/violations, or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record whether it shall constitute a ground for temporary disqualification;</li> </ul>

Procedure	Process Adopted	Criteria
<b>d. Temporary Disqualification</b>		
		<ul style="list-style-type: none"> <li>• Directors and Officers of private corporations or GOCCs found by the appropriate Government Agency as administratively liable for violation of laws, rules and regulations relevant to the sector of the GOCC, as well as in related sectors, where a penalty of suspension from office or fine is imposed, regardless whether the finding of the appropriate Government Agency is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and such disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid; or</li> <li>• Persons with conflict or interest as defined under the Code of Conduct and Ethical Standards for Public Officials and Employees, and its implementing Rules and Regulations, and this disqualification applies until the conflict of interest is resolved.</li> </ul>
<b>e. Removal</b>		
(i) Executive Directors	Exeutive Directors and Non-Executive Directors representing the equity interest of the Government in the Company serve at the pleasure of and may be removed by the President of the Republic of the Philippines anytime.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	The President of the Republic of the Philippines has the discretion to re-instate any Director to the PNCC Board representing equity interest of the government in the Company.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	The Company has not adopted a rule on suspension of Directors.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting **NO MEETING HELD IN 2013**

Name of Director	Votes Received
N/A	N/A
N/A	N/A

6) Orientation and Education Program

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

**The Company does not have a formal orientation program for new directors. However, the President/CEO made a presentation to the new director/s to give an overview of the historical background of the Company, its business operations and projects. Further, new directors are provided with reference reading materials to assist them in understanding better the business and operations of the Company. Among the reading materials provided are (1) Revised Manual of Corporate Governance, (2) Amended Articles of Incorporation, (3) Amended By-laws, (4) Audited Financial Statements, (5) 2012 Annual Corporate Governance Report, (6) Other relevant documents / references.**

(b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years: 2010 to 2012

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Luis F. Sison Rosendo T. Capco Nora O. Vinluan Rodolfo C. Naguit Tomas C. Alvarez Elmer C. Hernandez	May 25, 2011	Corporate Governance	Center for Continuing Education of the Ateneo De Manila University
Thomas G. Aquino	May 18-19, 2012	Corporate Governance	Center for Professional Development in Business and Economics – De La Salle University
Luis F. Sison Rosendo T. Capco Nora O. Vinluan Rodolfo C. Naguit Tomas C. Alvarez Elmer C. Hernandez	June 28, 2011	Risk Management	Center for Continuing Education of the Ateneo De Manila University
Jose Vicente C. Benzon III	November 15-16, 2010	Corporate Governance and Risk Management for Rural Bank Directors	Rural Bankers Association of the Philippines – Rural Bankers Research and Development Foundation

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (2013 and current)

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Tomas S. Falgui II	November 28 – 29, 2013	Corporate Governance & Risk Management	Institute of Corporate Directors
Elpidio C. Jamora, Jr. Rosanna E. Velasco	March 6-7, 2014	Corporate Governance & Risk Management	Institute of Corporate Directors

## B. CODE OF BUSINESS CONDUCT & ETHICS

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><i>As provided for in the Company's Revised Manual on Corporate Governance:</i></p> <ul style="list-style-type: none"> <li>• A Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interest.</li> <li>• If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.</li> </ul> <p><i>As provided for in Section 27.1 of Code of Corporate Governance for GOCCs, GCG Circular Memorandum No. 2012-07:</i></p> <ul style="list-style-type: none"> <li>• Directors and Officers shall at all times avoid any actual or potential conflict of interest with the GOCC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest</li> </ul> <p>Any question about a Director's or Officer's actual or potential conflict of interest with the GOCC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.</p>		<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <p>All employees shall not directly or indirectly participate for their personal gain in any business transaction or contact entered into by the company and shall strictly avoid conflict of interest in the performance of their functions.</p>
(b) Conduct of Business and Fair Dealings	<p><i>As provided for in the Company's Revised Manual on Corporate Governance:</i></p> <ul style="list-style-type: none"> <li>• He should avoid situations that may compromise his impartiality.</li> <li>• A director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</li> </ul>		<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <ul style="list-style-type: none"> <li>• All employees shall remain truthful in dealing with their clients, superiors or subordinates at all times. They must act with justice and sincerity and shall not discriminate anyone. They shall act at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.</li> </ul>

Business Conduct & Ethics	Directors	Senior Management	Employees
(b) Conduct of Business and Fair Dealings	<p><i>As provided for in Section 26 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:</i></p> <p>The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC, includes the obligation to:</p> <ul style="list-style-type: none"> <li>• Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the GOCC, using the utmost diligence of a very cautious person with due regard to all the circumstances;</li> <li>• Apply sound business principles to ensure the financial soundness of the GOCC; and</li> <li>• Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity</li> </ul>	<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <ul style="list-style-type: none"> <li>• Officers and employees shall extend prompt, courteous and adequate service to the company's clients.</li> <li>• The Employee must make truthful representations regarding his rank/position at all times in all his official transactions and must perform any act pertaining to any person in authority in the Company only if he is being officially authorized to do so.</li> <li>• The Employee must observe proper conduct and courtesy and show respect towards his fellow employees, Company visitors, patrons/clients at any time within Company premises.</li> </ul>	
(c) Receipt of gifts from third parties	<p><i>As provided for in Section 26 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:</i></p> <p><i>No Gift Policy.</i> A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift:</p> <ul style="list-style-type: none"> <li>• Would be illegal or in violation of law;</li> <li>• Is part of an attempt or agreement to do anything in return;</li> <li>• Has a value beyond what is normal and customary in the GOCC's business;</li> <li>• Is being made to influence the matter of Board's, or Officer's actions as such, or</li> <li>• Could create the appearance of a conflict of interest</li> </ul>	<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <p>The Company prohibits all Employees of the following:</p> <ul style="list-style-type: none"> <li>• Soliciting or receiving money, gift or anything of value, from any person, personally or through the mediation of another, to perform an act prejudicial to the Company or as a condition for the performance of one's duty.</li> <li>• Bribing, or offering money, gift or anything of value to any employee, personally or through mediation of another, to seek or qualify for preference, benefit or favorable condition of employment.</li> </ul> <p>Extorting/accepting bribes in cash or in kind from clients for personal gain.</p>	

Business Conduct & Ethics	Directors	Senior Management	Employees
(d) Compliance with Laws & Regulations	<p><i>As provided for in the Company's Revised Manual on Corporate Governance:</i></p> <ul style="list-style-type: none"> <li>• A director shall have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.</li> </ul> <p><i>As provided for in Section 25 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:</i></p> <p><i>Respect for and Obedience to the Constitution and the law. – As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the GOCC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the GOCC in which they serve, and to act within the bounds of their Charter, Articles of Incorporation and By-laws.</i></p>	<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <p>All employees shall at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.</p>	
(e) Respect for Trade Secrets/Use of Non-public Information	<p><i>As provided for in the Company's Revised Manual on Corporate Governance:</i></p> <ul style="list-style-type: none"> <li>• A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.</li> <li>• He should not reveal confidential information to unauthorized persons without the authority of the Board.</li> </ul> <p><i>As provided for in Section 30 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07: Duty of Confidentiality.</i> Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) To further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.</p>	<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <p>The Company prohibits all employees from:</p> <ul style="list-style-type: none"> <li>• Losing or misplacing Company records or any other documents which cause prejudice to the Company</li> <li>• Knowingly submitting false, misleading or grossly inaccurate data or information about the work assigned to him as a result of neglect or failure to make proper research or inquiry causing prejudice to Company interest.</li> </ul>	

Business Conduct & Ethics	Directors	Senior Management	Employees
(f) Use of Company Funds, Assets and Information	<p><i>As provided for in Section 27 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:</i></p> <p>The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC, includes the obligation to:</p> <p>(a) Act with utmost and undivided loyalty to the GOCC;</p> <p>(b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and</p> <p>Avoid (1) taking for themselves opportunities related to the GOCC's business; (2) using the GOCC's property, information or position for personal gain; or (3) competing with the GOCC's business opportunities.</p>	<p><i>As provided for in the company's Codes of Conduct and Employee Discipline:</i></p> <p>The Employee who is accountable for or is entrusted with the custody, control, handling of company funds must use or appropriate said funds for legal or authorized purposes only.</p>	
(g) Employment & Labor Laws & Policies	Not Applicable – No employee – employer relationship	All employees are expected to at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.	
(h) Disciplinary action	The GCG Code of Governance provides for the bases for disqualification, either permanent or temporary, of directors. It provides for the the bases for removal from office and for suspension. The President of the Philippines, upon the recommendation of the GCG, appoints, re-appoints, suspends and removes directors of the company.	The company prescribes a Code of Ethical Conduct and Personnel Discipline (CCED) to govern ethical behavior and commendable performance of its employees. Any infraction to the CCED will be subjected to thorough investigation by Local Board, Administrative Board, Special Administrative Board or the Safety Committee depending on the committed infraction. The same shall be meted with the appropriate penalty/ies in accordance with the company's Code of Discipline.	
(i) Whistle Blower	Any employee or non-employee can file a complaint against anybody in the Company whom he deems to have committed an infraction against himself or the company.		
(j) Conflict Resolution	The current system is to discuss/evaluate issues at the Board level. Failing resolution within the Board, seek opinion of OGCC/DOJ.		

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

**Yes, the PNCC Code of Conduct and Employee Discipline has been disseminated to all employees as this applies to them. On the other hand, the Revised Manual on Corporate Governance and Code of Corporate Governance for GOCCs – GCG Memorandum Circular No. 2012-07 have been disseminated to all Directors, as these are applicable to them.**

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

The Code of Conduct and Employee Discipline provides for mechanisms to monitor adherence to the provisions thereof. These include not only the declaration of company principles on expected behavior and conduct on all aspects of corporate activities, but also the clearly defined disciplinary measures on any infraction thereon. The following are also provided for: Jurisdiction of various Administrative Boards, the Procedure to be followed in Prosecuting Administrative Cases, Provisions on Preventive Suspension and in the Imposition of Penalties. All these have promoted the implementation of the provisions of the Code of Conduct in the company.

3) 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.

It is an avowed policy of the Company that all transactions between the Company and Related parties are carried out with integrity and transparency .

Related Party Transactions	Policies and Procedures
(1) Parent Company	The company does not have any parent company, and is in fact the parent company of its various subsidiaries.
(2) Joint Ventures	<p>All joint venture agreements in relation to tollways franchise under P.D. 1894 is approved by the Board of Directors. Any supplemental agreement and/or amendments, or restatements of the existing Joint Venture Agreements are likewise approved by the Board of Directors.</p> <p>The Negotiating Committees created by the Board negotiate the terms of the joint venture agreement, which are then submitted to the Board for approval and ratification.</p> <p>Before the agreement is signed by PNCC, this is first referred for review by the Office of Government Corporate Counsel (OGCC), its statutory counsel, prior to signing thereof.</p> <p>The Board of Directors then designates the President and/or the Chairman of the Board to sign, execute and deliver the said agreements and/or amendments, supplements or restatements.</p> <p>All such agreements stipulate that the approval of the President of the Philippines is required to be valid and binding.</p>
(3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents (8) Interlocking director relationship of Board of Directors	<p>All other bidded contracts/agreements for projects:</p> <ul style="list-style-type: none"> <li>- Below ₱50M, shall be recommended by Business Development Head for approval of the President/CEO</li> <li>- ₱50M to ₱300M shall be recommended by President/CEO for approval of the Executive Committee</li> <li>- Above ₱300M shall be recommended by President/CEO for approval of the Board</li> <li>- All agreements shall be signed by the President/CEO</li> </ul>

Related Party Transactions	Policies and Procedures
	All other negotiated contracts/agreements for projects: <ul style="list-style-type: none"> <li>- Below ₱10M, shall be recommended by Business Development Head for approval of the President/CEO</li> <li>- ₱10M to ₱50M shall be recommended by President/CEO for approval of the Executive Committee</li> <li>- Over ₱50M shall be recommended by President/CEO for approval of the Board</li> </ul> All agreements shall be signed by the President/CEO

(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.

Related Party Transactions	Details of Conflict of Interest (Actual or Probable)
<b>Name of Director/s</b>	
1. Elpidio C. Jamora, Jr.	<b>No related party transaction with /among subject directors</b>
2. Luis F. Sison	
3. Antonio C. Pido	
4. Rosendo T. Capco	
5. Nora O. Vinluan	
6. Cristino L. Panlilio	
7. Rosanna E. Velasco	
8. Elisea G. Gozun	
9. Robert G. Vergara	
10. Tomas C. Alvarez	
11. Tomas C. Falgui II	
<b>Name of Officer/s</b>	
1. Janice Day E. Alejandrino	<b>No related party transaction with subject officers</b>
2. Miriam M. Pasetes	
3. Yolanda C. Mortel	
4. Susan R. Vales	
5. Felix M. Erece, Jr.	
6. Henry B. Salazar	
<b>Name of Significant Shareholders</b>	<b>No known related party transaction with significant shareholders</b>

(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	<b>Regular discussion/resolution of issues that are coming up; Office of Government Corporate Counsel (OGCC), the company's statutory legal counsel and Department of Justice (DOJ) are consulted on issues. However, in cases of unsettled issues, the same are elevated to the DOJ, OGCC, Office of the Solicitor General (OSG) and regular courts as the case may be.</b>
Group <i>(This pertains to Directors, officers and significant shareholders)</i>	

<b>Directors/Officers/Significant Shareholders</b>	
Company Group <i>(This pertains to Directors, officers and significant shareholders)</i>	<b>In compliance with disclosure requirements of related accounting standards and the Securities Regulation Code reporting requirements, we properly disclose to the public all material information, through detailed disclosures provided in the related Notes to financial statements (Note 30. Related Party Transactions) and Sec Form 17-A, Annual Report.</b>

4) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>3</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<b>There is nothing to report.</b>		

- (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
<b>There is nothing to report.</b>		

- (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
<b>The Company is not aware of any person holding more than 5% of the shares of the Company under a voting trust or similar agreement which may result in a change in control of the Company.</b>		

5) Alternative Dispute Resolution

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

<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	The Board of Directors shall establish an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities. <i>Article 2.4.2.10 of Revised Manual on Corporation Governance</i>
<b>Corporation &amp; Third Parties</b>	
<b>Corporation &amp; Regulatory Authorities</b>	

<sup>3</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

### C. BOARD MEETINGS & ATTENDANCE

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

**YES**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Elpidio C. Jamora, Jr.	09/30/2013	20	7	100%
Member	Luis F. Sison	01/11/2011	20	20	100%
Member	Tomas C. Alvarez	01/11/2011	20	16	80%
Member	Rosendo T. Capco	01/11/2011	20	20	100%
Member	Tomas C. Falgui, II	10/08/2013	20	5	83.33%
Member	Elisea G. Gozun	10/14/2013	20	4	80%
Member	Cristino L. Panlilio	09/30/2013	20	7	100%
Member	Antonio C. Pido	01/11/2011	20	19	95%
Member	Rosanna E. Velasco	09/30/2013	20	7	100%
Member	Robert G. Vergara	10/14/2013	20	3	60%
Member	Nora O. Vinluan	01/11/2011	20	20	100%
<b>Resigned:</b>					
Acting Chairman	Jose Vicente C. Bengzon III *	01/21/2011	20	13	86.66%
Member	Thomas G. Aquino **	01/11/2011	20	7	77.77%
Member	Elmer C. Hernandez **	01/11/2011	20	9	100%
Member	Rodolfo C. Naguit **	01/11/2011	20	7	77.77%
Member	Roman Felipe S. Reyes ***	01/11/2011	20	14	93.33%
<b>Legend:</b>					
* - resigned effective September 30, 2013					
** - resigned effective June 30, 2013					
*** - resigned effective October 14, 2013					

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **NONE**

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

**No. As provided for in Section 5.07 of Corporation's By-Laws, "A majority of the Directors shall constitute a quorum at any meeting but less number may adjourn any meeting from time to time, and the meeting may be continued as adjourned without further notice; unless there be quorum at the meeting no business may be transacted."**

5) Access to Information

(a) How many days in advance are board papers<sup>4</sup> for board of directors meetings provided to the board?  
**At least 3 days before the actual meeting**

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

(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?

<sup>4</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

As stated in Section 7.08 of the Corporation's By-Laws, the Corporate Secretary shall have the following powers and duties:

- 1) He shall keep accurate minutes of all meetings of the stockholders of the Board, and of the Executive Committee, and shall attend to the giving of all notices required by the By-Laws to be given.
- 2) He shall be the custodian of the corporate seal, stock certificate books, stock and transfer books, records, documents, and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up-to-date list of the stockholders and their addresses

The Revised Manual on Corporate Governance enumerates the following responsibilities of the Corporate Secretary:

- 1) Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation
- 2) Be loyal to the mission, vision and objectives of the corporation
- 3) Work fairly and objectively with the Board, Management and stockholders
- 4) Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities
- 5) Inform members of the Board of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval

The Code of Corporate Governance for GOCCs provides the following responsibilities of the Corporate Secretary:

- 1) Serve as an adviser to the Board Members on their responsibilities and obligations;
- 2) Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;
- 3) Keep in safe custody the seal of the GOCC and affix it to any instrument requiring the same;
- 4) For stock GOCCs, have charge of the stock certificate book and such other books and papers as the Board may direct;
- 5) Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;
- 6) Be fully informed and be part of the scheduling process of other activities of the Board;
- 7) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- 8) Oversee the adequate flow of information to the Board prior to meetings; and
- 9) Ensure fulfillment of disclosure requirements to regulatory bodies.

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

**YES**

(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. For information that may require preparation for such, a Director may directly write the concerned personnel through the President; 2. Request for a copy of documents, a Director may fill-out the Document Request Form for the release of needed documents.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

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

**Generally, the members, either individually or as a Board, in furtherance of their duties and responsibilities, may access independent professional advice at the company's expense, subject to the approval of the Board of Directors.**

Procedures	Details
Seek legal advice/opinion	Refer to the Office of the Government Corporate Counsel for advice and guidance on possible legality or implications
Seek independent opinion on financial matters and related regulatory concerns	Refer to the external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements

Change/s in existing policies

Existing Policies	Changes	Reason
NONE	NONE	NONE

**D. REMUNERATION MATTERS**

1) Remuneration Process

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<b>Board Approval</b>	
(2) Variable remuneration		
(3) Per diem allowance	N/A	N/A
(4) Bonus	<b>Board Approval</b>	
(5) Stock Options and other financial instruments		
(6) Others (specify)		

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Follows Company's salary structure and benefit packages	Compensation / salary package is composed of basic salary pay plus allowances.	Directors who assume executive positions follow the salary structure in place for corresponding positions.
Executive Directors, Non-Executive Directors	The Board adopts and complies with Executive (E.O.) 24, series of 2011, prescribing rules to govern the compensation of members of the board of directors.	PNCC is under classification "C" with the following per diems for board meetings and committee meetings as follows: <u>Board Meetings:</u> <b>₱15,000.00</b> per meeting but not to exceed the maximum annual amount of <b>₱360,000.00</b> <u>Committee meetings:</u> <b>₱9,000.00</b> per meeting but not to exceed the maximum annual amount of <b>₱216,000.00</b>	
		Effective 01 June 2013, the Governance Commission for Government Owned or Controlled Corporation (GOCC), in its letter dated 27 May 2013 determined PNCC to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows: <u>Board Meetings:</u> <b>₱10,000.00</b> per meeting but not to exceed the maximum annual amount of <b>₱240,000.00</b> <u>Committee meetings:</u> <b>₱6,000.00</b> per meeting but not to exceed the maximum annual amount of <b>₱144,000.00</b>	
		The Directors furthermore are each entitled to the following: <u>Transportation &amp; Gasoline Allowance</u> <b>₱20,000.00</b> per month subject to submission of receipts, including normal/ordinary vehicle maintenance costs and gasoline expenses but not to exceed <b>₱240,000.00</b> per annum <u>Meals and Representation Allowance</u> <b>₱20,000.00</b> per month subject to submission of receipts, but not to exceed <b>₱240,000.00</b> per annum	

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.

**NO. The Company has not held any stockholders' meeting for the last three years. Executive Order # 24, series of 2011 has been adopted by the Board as to govern the directors' compensation.**

Remuneration Scheme	Date of Stockholders' Approval
NO	No stockholder's meeting was held for the last three years

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	₱ 4,504,356.00	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	₱ 429,000.00	₱ 2,662,000.00	N/A
(d) Bonuses	₱ 385,363.00	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify) Gas & Driver Allowance	₱ 240,000.00	N/A	N/A
<b>Total</b>	<b>₱ 5,558,719.00</b>	<b>₱ 2,662,000.00</b>	<b>N/A</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	N/A	N/A	N/A
(b) Credit granted	N/A	N/A	N/A
(c) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Accident / Life Insurance Premium	₱ 1,000.00	₱ 11,753.60	N/A
(f) Hospitalization Plan (HMO)	₱ 104,113.09	₱ 889,087.08	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify) Reimbursables: Representation Transportation Communication Rice Subsidy Clothing Allowance	₱115,508.99.00 ₱293,719.46 ₱ 89,376.26 ₱ 9,000.00 ₱ 4,000.00	₱ 99,523.03 ₱ 577,661.72 ₱ 42,767.80	N/A
<b>Total</b>	<b>₱ 616,717.80</b>	<b>₱ 1,620,793.23</b>	

(d) Stock Rights, Options and Warrants

(a) Board of Directors

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

(e) 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
Senior Management as a group (Senior Vice President, Vice President and Assistant Vice President)*	₱ 9,854,656.68

*\*includes the following officers:*

1. Janice Day E. Alejandrino
2. Miriam M. Pasetes
3. Yolanda C. Mortel
4. Susan R. Vales
5. Felix M. Erece, Jr.

## 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: **Refer to Annex "A"**

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	The Company has not set up an Executive Committee starting 2011. Specific board committees are already in place with their respective oversight role on key business areas and each reporting to the Board on significant matters arising from their respective areas of responsibility.					
Member (ED)						
Member						

(b) Audit & Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Rosanna E. Velasco <sup>a</sup>	09/30/2013	8	1	100%	1 mo.
Member (NED)	Tomas C. Alvarez	01/11/2011	8	8	100%	2 yrs.
	Cristino L. Panlilio <sup>b</sup>	09/30/2013	8	1	100%	1 mo.
	Rodolfo C. Naguit <sup>c</sup>	01/11/2011	8	6	85.7%	2 yrs.
	Roman Felipe S. Reyes <sup>d</sup>	01/11/2011	8	7	100%	2 yrs.
	Nora O. Vinluan	01/11/2011	8	7	87.5%	2 yrs.
Member (Ex-officio)	Luis F. Sison	01/11/2011	8	7	87.5%	2 yrs.
	Jose Vicente C. Bengzon III <sup>e</sup>	01/21/2011	8	6	85.7%	2 yrs.
	Elpidio E. Jamora <sup>b</sup>	09/30/2013	-	-	-	1 mo.
<b>Legend:</b> <sup>a</sup> Elected as member & chairman of the committee on November 20, 2013 <sup>b</sup> Elected as member of the committee on November 20, 2013 <sup>c</sup> Resigned as member of the committee on June 30, 2013 <sup>d</sup> Resigned as member of the committee on October 8, 2013 <sup>e</sup> Resigned as member of the committee on September 30, 2013						

**PROFILE OF THE AUDIT COMMITTEE MEMBERS**

**ROSANNA E. VELASCO**

*Director since September 30, 2013 and Chairman of Audit Committee since November 20, 2013*

Ms. Velasco served as the Academics and Programs Director of the center for Autism and Related Disorders Phils. – Professionals for Autism Foundation, Inc. from May 2005 – May 2007 and November 2012 until today, respectively. Ms. Velasco is the owner of RME Publishing since September 12, 2012, and is serving as Director of Intelexconsult Corp. starting June 2011. She was engaged as Senior Consultant in the Corporate Achievers Institute from May 2010 until November 2012. She completed the degree of Bachelor of Science in Commerce, Major in Accounting, Minor in Management of Financial Institutions in 1979 and is a candidate for the degree of Masters in Education – Special Education at the De La Salle University.

**TOMAS C. ALVAREZ**

*Director since January 2011 to present, Chairman of Audit Committee since January 2011 until November 2013 and remains as member of the Audit Committee until present*

Mr. Alvarez has been the Chief Financial Officer of Seafont Resources Corp. from 1992-94. He served in various capacities in the SGV & Co. starting in 1958 as a member of an audit team. He then served as the Branch Manager of SGV Iloilo starting 1964, was assigned to SGV Bangkok from 1970-1980 & retired in 1989 as head of the SGV Philippine Branches. He served as a Consultant to the Columbian Motors Group of Companies from 1995-2009. He earned his Bachelor of Science degree, major in Accounting from the University of San Jose–Recoletos in 1957 & passed the CPA Board in 1958.

**RODOLFO C. NAGUIT**

*Director, since January 2011 until June 30, 2013*

Mr. Naguit served as a Project Consultant of Pilipinas Shell Petroleum Corporation (PSPC) from March 2006 until today, except in 2008. From June 2002 to September 2003, he was Deputy Chairman of the Shell Companies in the Philippines. He served as VP-Finance & Director from July 2001-February 2006, not only of the PSPC but also of its various affiliate corporations such as the Shell Gas Easter Petroleum, Inc., the Shell Gas Trading Asia Pacific, Inc., & the Shell Chemicals Co. (Phils.) Inc. He earned his Bachelor of Science degree in Business Administration from the Lyceum of the Philippines in 1971 & passed the CPA Board in 1972.

**ROMAN FELIPE S. REYES**

*Director, since November 2010 until October 14, 2013*

Mr. Reyes is a Trustee of the Government Service Insurance System from September 2010 until today. He is a member of the Board of Directors of the Bank of Commerce, RPN 9, Pasudeco & Victory Liner, among others. He served as Senior Partner & Vice-Chairman of the Client Service & Accounts of SGV and Co. from 1984 until 2009. In 2009, he served as Chairman of the Advisory Group on Vocational Training of the SGV Foundation. He earned his Bachelor of Commerce degree, major in Accounting from San Beda College in 1972 & his Master of Business Administration, major in Finance, from the University of Detroit in 1975.

**NORA S. VINLUAN**

*Director, January 2011 to present*

Ms. Vinluan is a Trustee of the Multi-Saving and Loan Association, the Vice-Chairman of the Schuylkill Assets Strategists, the Executive Vice-President of the Asset Custody & Resolution Managers, Inc. She was Consultant to the Philippine Bank of Communications (2003-2005), Eastern Telecommunications Philippines, Inc. (1999-2002), & Hydro-Resources Contractors, Inc. (1985-1986) & was the Treasurer & Vice President for Finance of the Construction & Development Corp. of the Philippines (now PNCC) from 1980-1986. She obtained her degree in Bachelor of Science in Business Administration, *Cum Laude*, from the University of the Philippines in 1961 & her Master of Arts (Economics) from Syracuse University in 1965.

**CRISTINO L. PANLILIO**

*Director since September 30, 2013 and member of Audit Committee since November 20, 2013*

Mr. Panlilio served as Undersecretary of the Department of Trade and Industry until January 30, 2013, handling the Board of Investments, Bureau of Export Trade Promotion, Center for International Trade Expositions and Missions, Foreign Trade Service Corps., Garments & Textile Industry Development Office, Philippine International Trading Corporation and the Philippine Trade Training Center. He earned his AB Economics & Master in Business Administration degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He also completed in 1984 the Advance Management Program from the Wharton School of Finance.

**JOSE VICENTE C. BENGZON III**

*Acting Chairman - December 2011 until September 30, 2013*

Mr. Bengzon is the President of the Jose P. Laurel Rural Bank since 2010. He is the President & Chief Operating Officer of the Duma Group of Companies. He is also a Director of Vitarich Corporation since 2007, the UCPB Holdings Corporation since 2006, & the Philippine Business Leaders Forum, Inc. since 2005. He has served as a Trustee of the Philippine Quality Awards Foundation since 1998. He earned his Bachelor of Arts degree, major in economics & Bachelor of Science in Commerce degree, major in accounting in 1980 from the De La Salle University. He is a Certified Public Accountant.

**LUIS F. SISON**

*President/Director, January 2011 to present*

Mr. Sison was the Chairman of the Philippine Retirement Authority from August 1992 up to June 10, 1998. He served as Presidential Assistant for Legal & Judicial Affairs, with the rank of Undersecretary, in the Office of the President from July 15, 1992 until June 30, 1998. He served as Chairman & President of PNCC from March 2001 until June 2002 & as its President from June 2002 until October 2002, and again, from January 11, 2011 until today. He earned his B.S. Political Science degree in 1963 & his Bachelor of Laws degree from the Ateneo de Manila University in 1967. He passed the Philippine Bar in the same year.

**ELPIDIO C. JAMORA, JR.**

*Chairman of the Board of Directors since September 30, 2013 to present*

MR. Jamora is the President of Epsilon Maritime Services, Inc., Camnorte Ezone Realty, Inc., Impress Land, Inc. and Bandera Realty, Inc. He serves as Director of Himawari International Promotion, Inc., Indo Phil Acrylic Mfg. Corp., Indo Pil Cotton Mills, Inc., Mahaveer Philippine Foundation, Inc. and Exquisite Focus, Inc. He is a Managing partner and Founding Member of Carag, Jamora, Somera & Villareal Law Officer. He earned his Bachelor of Arts, major in Political Science degree, from the Lyceum of the Philippines in 1977. He earned his Bachelor of Laws degree from the University of the Philippines in 1982.

### Audit Committee's responsibility relative to the external auditors

The Audit Committee shall endorse to the Board the financial statements audited by COA.

#### (c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Tomas G. Aquino <sup>a</sup>	01/11/2011	2	2	100%	2 yrs
Member (NED)	Elmer C. Hernandez <sup>a</sup>	01/11/2011	2	2	100%	2 yrs
	Jose Vicente C. Bengzon III <sup>b</sup>	01/21/2011	2	2	100%	2 yrs
<b>Legend:</b> <sup>a</sup> Resigned as member of the committee on June 30, 2013 <sup>b</sup> Resigned as member of the committee on September 30, 2013						

#### (d) Remuneration/Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Tomas G. Aquino <sup>a</sup>	01/11/2011	2	2	100%	2 yrs.
Member (NED)	Elmer C. Hernandez <sup>a</sup>	01/11/2011	2	2	100%	2 yrs.
	Jose Vicente C. Bengzon III <sup>b</sup>	01/21/2011	2	2	100%	2 yrs.
<b>Legend:</b> <sup>a</sup> Resigned as member of the committee on June 30, 2013 <sup>b</sup> Resigned as member of the committee on September 30, 2013						

#### (e) Others – Legal Committee

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Antonio C. Pido	01/11/2011	7	6	85.71%	2 yrs
Member (NED)	Rosendo T. Capco	01/11/2011	7	7	100%	2 yrs
Member (Ex-Officio)	Luis F. Sison	01/11/2011	7	7	100%	2 yrs
	Elpidio C. Jamora, Jr.	09/30/2013	7	-	N/A	0 yrs

#### 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	N/A	N/A
Audit	Rosanna E. Velasco	Replaced Dir. Tomas C. Alvarez as Chairman
	Cristino L. Panlilio	Replaced Dir. Rodolfo C. Naguit as member
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (specify)		

#### 4) Work Done and Issues Addressed

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

**REFER TO ANNEX "B"**

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.

**REFER TO ANNEX "C"**

**F. RISK MANAGEMENT SYSTEM**

1) **The incumbent Board does not have a Risk Management Committee. However, the Audit Committee's function already includes the assessment and management of enterprise risks. As provided for in Section 16.3 of Code of Corporate Governance for the GOCC sector, it does not preclude the Governing Board of the GOCC from combining the functions of the committees into such combinations that will best serve the interest of the GOCC.**

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:

**The main risk arising from the Company's financial instruments is liquidity risk. The Board of Directors and management review and approve the policies for managing this risk.**

<b>Risk Exposure</b>	<b>Risk Management Policy &amp; Objectives</b>
<b>Liquidity Risk</b>	<b>The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.</b>

(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:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<b>This is not applicable since the Company has no identified Group.</b>		

(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
<b>There is nothing to report.</b>

3) Control System Set Up

a. Company

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Liquidity Risk	Monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information	Coordinates with appropriate Board Committee should any matter relating to this be referred to them by Management for policy formulation and implementation by Management.

b. Group

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
There is nothing to report.		

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanism, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Finance Committee	Assists the Board in the development and oversight of the company's risk management program	Generally oversees the risk management process to be an integral part of planning and operations of the Company to meet corporate goals and objectives
	Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process	Responsible for recommending the report of external auditors to the Board; monitor the system of internal controls

## G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

- (a) While policies are set by the Board, Management is primarily responsible for the implementation and maintenance of the internal control system of the Company. The Board through its Audit Committee oversees the actions of Management and monitors the effectiveness of the Internal Control System put in place. Recommendations are provided by Management and/or the Board, and in some cases by the External Auditor – Commission on Audit (COA) to address certain issues and concerns of the Company.
- (b) The Board established an internal audit system that can reasonably assure the Board, Management and stockholders that the company's key organizational and operational controls are faithfully complied with, effective and adequate.
- (c) Period covered by the review – year 2013;
- (d) The Board reviews the internal controls on a yearly basis.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Provides reliable and timely analysis, appraisals, recommendations and pertinent comments on the conformance / compliance of financial and business operations to established laws, norms, controls, rules and regulations to determine their integrity, effectivity and efficiency	<ul style="list-style-type: none"> <li>Compliance with established prevailing government policies, plans, procedures, rules and regulations</li> <li>Corporate assets and other resources</li> <li>Reliability and integrity of the financial and operating information</li> </ul>	No Internal Auditor has been appointed to date		Submits report to the Audit Committee for their review and recommends resolution

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

(c) **The Board has established and identified the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.**

(d) Resignation, Re-assignment and Reasons

Name of Audit Staff	Reason
N/A	N/A

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

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

<b>Progress Against Plans</b>	<b>Whenever applicable, the company adopts audit recommendations on issues and findings by the Commission on Audit, since no Internal Auditor has been appointed to date.</b>
<b>Issues<sup>5</sup></b>	
<b>Findings<sup>6</sup></b>	
<b>Examination Trends</b>	

<sup>5</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>6</sup> “Findings” are those with concrete basis under the company’s policies and rules.

(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
Manages activities to ascertain the extent of compliance with established prevailing government policies, plans, procedures, rules and regulations	<b>Whenever applicable, the company adopts audit recommendations on issues and findings by the Commission on Audit, since no Internal Auditor has been appointed to date.</b>
Ascertain the extent to which assets and other resources of the company are properly accounted for and safeguarded from loss or abuse	
Reviews the degree of reliability and integrity of the financial and operating information developed within the company	
Appraising the economy and efficiency with which company resources are employed and develops / recommend effective controls at reasonable costs	
Reviewing the operations and programs to ascertain whether results consistent with established management objectives and whether the operations or programs are being carried out as planned	

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<b>As a GOCC, the financial statement of PNCC is statutorily mandated to be audited by COA. PNCC does not engage the service of Financial Analysts and Investment Banks. Trading of the Company's shares in the Philippine Stock Exchange has been suspended since May 2008.</b>			

(h) Chairman Elpidio C. Jamora, Jr. and President Luis F. Sison are the officers who will have to attest to the company's full compliance with the SEC Code of Corporate Governance.

## H. ROLE OF STAKEHOLDERS

### 1) Company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The PHILIPPINE NATIONAL CONSTRUCTION CORPORATION is committed to provide full client satisfaction through quality, safe and timely completion of infrastructure projects, delivery of products and services, and to operate its tollway system by providing safe and convenient travel for its users.	Continuously adopt an effective and efficient quality management system.
	<p><i>Section 37 of Code of Corporate Governance for GOCCs – GCG Memorandum Circular 2012-07 provides:</i></p> <p>Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. Every GOCC should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. GOCCs should operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.</p>	Strong lines of communication with customers through email, comments/suggestions link in the company's website
Supplier/contractor selection practice	The selection/accreditation of supplier/contractors/sub-contractors is necessary to ensure the development of a pool of competent supplier/contractors/ sub-contractors for all types of work that may be undertaken / subcontracted by the company.	Periodic revalidation of previously accredited contractors/ subcontractors to ensure the maintenance of the contractors/ subcontractors' pool.
	<p><i>Section 38 of Code of Corporate Governance for GOCCs – GCG Memorandum Circular 2012-07 provides:</i></p> <p>As with other relationships with the Stakeholders, GOCCs should aim to develop relationships and improve networking with business partners and suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.</p>	

	Policy	Activities
Environmentally friendly value-chain	The company's efforts are focused on its assistance with other government agencies and local government unit programs	The company participates in other government agencies and local government units related projects undertaken from time to time through donations, sponsorship.
Community interaction		
Anti-corruption programmes and procedures?	<p>The Company does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority.</p> <p>It is the responsibility of each employee to report legitimate concerns so that issues can be properly investigated or resolved and corrective measures can be instituted.</p> <p>These concerns may involve commission of fraud, theft or corruption, unauthorized use of Company funds and properties.</p>	<p>Concerns may be raised in writing to the Human Resource and Administration Division while concerns involving HRAD head should be raised to the President and CEO while complaints concerning the President and CEO shall be raised to the Chairman of the Board of Directors.</p> <p>Management shall maintain the confidentiality of the all the concerns or complaints raised and the anonymity of the person making the complaint to the fullest extent.</p>
Safeguarding creditors' rights	The company manages its cash and investment position to meet its obligations arising from its operations and other financial liabilities.	<p>The company's excess cash is invested in high yield savings account and special savings account.</p> <p>All valid claims are settled judiciously as apt of the company's commitment to its clients.</p>

- 2) **The company has no separate corporate responsibility (CR) report/section or sustainability report/section since the suspension of operations of PNCC Foundation, Inc., the corporate responsibility arm of the company.**
- 3) Performance-enhancing mechanisms for employee participation.
  - (a) Company's policy for its employees' safety, health, and welfare

**PNCC commits to safeguard the safety and health of its employees, contractors and the general public and to preserve the environment in undertaking its operations and activities.**

- (b) Data relating to health, safety and welfare of its employees

ACTIVITIES		INCLUSIVE DATES
1.	Yearly formation of Corporate Safety, Health and Environment Committee	January 10, 2013
2.	Periodic SHE meeting	January 9, 2013 February 28, 2013 June 4, 2013 October 29, 2013
3.	Formation of Fire/Emergency Teams	October 31, 2013
4.	Orientation of newly hired employees	On-going
5.	Earthquake Emergency Preparedness and Reminder (Circular)	November 12, 2013
6.	Incident Report	January 14, 2013
7.	Accident Report	May 6, 2013 May 15, 2013

ACTIVITIES		INCLUSIVE DATES
8.	Fire Hazard Report	April 18, 2013
9.	Christmas Season Safety and Security Reminders	December 9, 2013

(c) The company has no provision in the Corporate Operating Budget for the year 2013 for training.

(d) The company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures has been put on hold.

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.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Republic of the Philippines thru PMO*	126,256,145	55.33%	Record owner is also beneficial owner
Government Service Insurance System	47,490,383	20.79%	Record owner is also beneficial owner
Universal Holdings Corp.	24,780,746	10.85%	Record owner is also beneficial owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
N/A	N/A	N/A	

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 programme 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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Commission on Audit	₱ 2,487,475.00 annually	N/A

4) Medium of Communication

The company utilizes the following modes of communication for dissemination information : memoranda, email, telephone (mobile & landline), corporate website, print ad.

5) The Commission on Audit has not released yet the audited financial report for 2013.

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

7) Disclosure of RPT entered into by the Company in the past three (5) years

RPT	Relationship	Nature	Value
Alabang Sto. Tomas Development, Inc.	Stockholder	Subscription Agreement	
DISC Contractors, Bulders, & Gen. Services, Inc.	Subsidiary	Janitorial Services	₱3.334M (as of December 31, 2012)
		Contract for Driver/mechanic	₱1.896M (as of December 31, 2012)

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

***All related party transactions are fully disclosed to the Board of Directors. Contracts and agreements are done in the regular course of business and conducted on an arm's length basis, negotiated based on prevailing commercial terms and approved by the Board of Directors. None of the Company's shareholders are granted special privileges or concessions.***

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

<b>Quorum Required</b>	A majority of the outstanding capital stock, represented in person, or by proxy, shall constitute a quorum at any meeting of shareholders
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	By voting during stockholders meeting
<b>Description</b>	Majority rule

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
NONE	NONE

Dividends

**The company has not declared any dividend for the year 2013.**

Declaration Date	Record Date	Payment Date
N/A	N/A	N/A

(d) Stockholders' Participation

1. The Annual Stockholders' Meeting (ASM) for 2013 was scheduled on March 26, 2013 and was disclosed to SEC and PSE on December 12, 2012. However, the said meeting was postponed to May 22, 2013 due to the unavailability of 2012 Audited Financial Statements (AFS). The May 22, 2013 meeting was then postponed to July 9, 2013 for the reason that the 2012 AFS were not yet released by Commission on Audit (COA). The July 9, 2013 meeting was postponed to July 30, 2013 for the same reason. The July 30, 2013 meeting was postponed to September 24, 2013 to be able to complete the Company's comments on the findings of COA on the AFS. The September 24, 2013 meeting was then again postponed to a later date to address the going concern issues cited by COA on the 2012 AFS. Since then, no new date was scheduled for the ASM.

Measures Adopted	Communication Procedure
<b>Sending out of SEC Form 20 – IS</b>	<b>Via courier</b>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution **N/A**
- b. Authorization of additional shares **N/A**
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company **N/A**

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? **Yes**

- a. Date of sending out notices: **July 18, 2013**
- b. Date of the Annual/Special Stockholders' Meeting: **No meeting was held in 2013, as explained earlier.**
3. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
4. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
N/A	N/A	N/A	N/A

4. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: **N/A**

(e) Modifications

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

Modifications	Reason for Modification
N/A	N/A

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	N/A	N/A	N/A	N/A	N/A	N/A
Special	N/A	N/A	N/A	N/A	N/A	N/A

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

(g) Proxy Voting Policies

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

Company's Policies	
<p>Execution and acceptance of proxies                      Notary                      Submission of Proxy                      Several Proxies                      Validity of Proxy                      Proxies executed abroad                      Invalidated Proxy                      Validation of Proxy                      Violation of Proxy</p>	<p><b>At all meetings of the stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, only on forms prescribed by the Board of Directors and sealed with the Corporate seal that, at his request, shall be furnished to him by the Secretary of the Corporation, who shall keep a record of all stockholders to whom proxy forms have been issued. Such proxies should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.</b></p> <p>Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the By-Laws of such provision, as the Board of Directors of such Corporation may, by resolution determine. A certificate of the Secretary of such corporation attesting to the vote authority of the officer, agent or proxy to vote the stock standing in its name shall be conclusive on the right to vote said shares.</p> <p>Shares held by an administrator, executor, guardian or judicial trustee may be voted by him, either in person or by proxy, without a transfer of such shares in his name, upon presentation to the Secretary of the certified true copy of the letters of administration, testamentary guardianship or trusteeship duly issued to him. Share standing in the name of the voting trust or trustee may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares in his name.</p>

(h) Sending of Notices

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

Policies / Procedure
<p>Notice of the annual or any special meeting of the stockholders shall be given by registered mail, and shall be considered complete upon deposit in the Post Office at least five (5) days before such meeting postage prepaid, addressed to each stockholder at his last known place of residence appearing on the books of the Corporation, in a sealed envelope containing written or printed notice stating the date, hour and place of such meeting; and is a special meeting also the purpose or purposes for which it is called. Failure of or defect in the notice shall not invalidate any annual meeting of the stockholders or any of the proceedings had thereat, if the business transacted at such meeting is within the powers of the corporation and all the stockholders of the Corporation are present or represented at the meeting; and any defect in the notice or failure to state the purpose or purposes for which a special meeting is called shall not invalidate the same except when so provided by law, and all statements of purposes shall not be deemed exclusive, but any matter may be taken up in such meetings, unless otherwise required by law.</p>

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	4,812 (As of December 31, 2013)
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	N/A
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	N/A
<b>State whether CD format or hard copies were distributed</b>	N/A
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	N/A

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

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

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

2) Treatment of Minority Stockholders

(a) **Company's policies with respect to the treatment of minority stockholders**

<b>Policies</b>	<b>Implementation</b>
<b>Voting Right</b> – Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.	Cumulative voting shall be used in the election of directors
<b>Pre-emptive Right</b> – All stockholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.	

Policies	Implementation
<p><b>Power of Inspection</b> – all stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.</p>	
<p><b>Right to information</b> – The stockholders shall be provided, upon request, with specific reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation’s share, dealings with the corporation, relationship among directors and key officers and the aggregate compensation of directors and officers.</p> <p>The minority stockholder shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders’ meeting, being within the definition of “legitimate purposes” and in accordance with law, jurisprudence and best practice.</p>	
<p><b>Right to Dividends</b> – stockholders shall have the right to receive dividends subject to the discretion of the Board</p>	<ul style="list-style-type: none"> <li>• The corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-up capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured: or c) when it can be clearly shown that such retention is necessary under special circumstances</li> </ul>
<p><b>Right to Dividends</b> – stockholders shall have the right to receive dividends subject to the discretion of the Board</p>	
<p><b>Appraisal Right</b> – Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:</p> <ol style="list-style-type: none"> <li>(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;</li> <li>(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property</li> </ol>	<p>The appraisal right when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the</p>

Policies	Implementation
<p>and assets;</p> <p>(2) In case of merger or consolidation; and</p> <p>(3) In case of investments in another corporation, business or purpose.</p>	<p>date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.</p> <p>If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.</p>

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

**K. INVESTORS RELATIONS PROGRAM**

- 1) **The company establish a standard procedure for internal communication at various levels and functions within the organization 1) to receive, document, respond and control the relevant communication issues from and for external interested parties and 2) ensure prompt and appropriate delivery of information and attendant action. The Office of the President reviews major company announcements and disclosure and submitted for approval of the Board.**
- 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	<ul style="list-style-type: none"> <li>• To establish a standard procedure for internal communication at various levels and functions within the organization</li> <li>• To provide procedure in receiving, documenting, responding and controlling of relevant communication issues from and for external interested parties</li> <li>• Ensure prompt and appropriate delivery of information and attendant action</li> </ul>
(2) Principles	
(3) Modes of Communications	Email, letter, print ad, telephone
(4) Investors Relations Officer	<p>Luis F. Sison, President &amp; CEO</p> <p>Email Address : <a href="mailto:president@pncc.ph/pncc@pncc.ph">president@pncc.ph/pncc@pncc.ph</a></p> <p>Office Address : PNCC Complex, KM 15 East Service Rd., Bicutan, Paranaque City</p> <p>Telephone No.: 8460209 / 8463045</p>

- 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?  
N/A

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

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Since the suspension of operations of PNCC Foundation, Inc. which is responsible for addressing the Corporate Social Responsibility of the company, community involvement and environment-related programs have been put on hold. However, the Company has maintained corporate social responsibility initiatives, although not in the level previously undertaken. The company has sponsored some government projects, as follows:

Initiative	Beneficiary
Educational Welfare Program	Armed Forces of the Philippines Retired Veterans Association, Inc.
Publication of White Paper	Philippine Association of Government Corporate Lawyers

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

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

	Process	Criteria
Board of Directors	Adherence to Corporate Governance guidelines and best practices	Guidelines set by Phil. Stocks Exchange Guidelines set by Governance Commission for Government Owned and Controlled Corporation
Board Committees		
Individual Directors		
CEO/President		

**INTERNAL BREACHES AND SANCTIONS**

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

Violations	Sanctions
Violation of any of the provision of the Revised Manual on Corporate Governance	<ul style="list-style-type: none"> <li>• First violation, subject person shall be reprimanded</li> <li>• Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation</li> <li>• For a third violation, the maximum penalty of removal from office shall be imposed. The commission of a third violation by any member of the Board of the Corporation or its subsidiaries and affiliates shall be sufficient cause for removal from directorship, subject to the provisions of the Corporation Code.</li> </ul>

## ANNEX "A" - Number of Members, Functions and Responsibilities

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A	N/A	N/A	N/A	N/A		
Audit		3		RMCG	<ul style="list-style-type: none"> <li>Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations</li> <li>Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation; shall include regular receipt from Management of information on risk exposures and risk management activities</li> <li>Perform oversight functions over corporation's internal and external auditors; ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions</li> <li>Review the annual internal audit plan to ensure its conformity with the objectives of the corporation</li> <li>Discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts</li> <li>Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and condition of its engagement and removal</li> <li>Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security</li> <li>Review the reports submitted by the internal and external auditors</li> <li>Review the quarterly, half-year and annual financial statements before their submission to the Board</li> <li>Coordinate, monitor and facilitate compliance with laws, rules and regulations</li> </ul>	Recommendatory for the approval of the Board	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit		3		RMCG	<ul style="list-style-type: none"> <li>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditors in relation to their significance to the total annual income of the external auditor against the corporation's overall consultancy expenses.</li> <li>Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities</li> </ul>		
Nomination		3		RMCG	<ul style="list-style-type: none"> <li>Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval</li> <li>Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors</li> </ul>		
Remuneration		3		RMCG	<ul style="list-style-type: none"> <li>Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates</li> <li>Designate the amount of remuneration which shall be in sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board</li> <li>Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired</li> <li>Disallow any director to decide his or her own remuneration</li> <li>Provide in the Corporation's annual reports the information and proxy statement disclosure of all fixed and variable compensation that may be paid, directly or indirectly to its directors and top four (4) management officers during the preceding fiscal year</li> </ul> <p>Review of existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement</p>		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Legal Committee		2		RMCG	<ul style="list-style-type: none"> <li>• Review legal issues that affect the company</li> <li>• Review with Management and/or company's Legal counsel any legal matters (including status of pending litigation) that could have a material impact on the company's financials operation</li> <li>• Review compliance with applicable laws and regulations and any material reports or inquiries from regulatory or government agencies</li> </ul>		

\*RMCG – Revised Manual on Corporate Governance

## ANNEX "B" - Work Done and Issues Addressed

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit / Finance	<ul style="list-style-type: none"> <li>• Reviewed the 2013 Financial Statements and authorized the release thereof for the review of COA</li> <li>• Review of Corporate Operation Budget</li> <li>• Recommended to authorize a delegation to the Office of the COA Chairperson in relation to the unpaid balance of Alabang Sto-Tomas Development, Inc. obligation to the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the management cost saving measures pursuant to the COB</li> <li>• Early resolution of the said issue and settlement of the account</li> </ul>
Nomination	N/A	N/A
Remuneration	<ul style="list-style-type: none"> <li>• Recommended to maintain the maximum monthly and annual limits for the per diem of the Board of Directors in the attendance of Board meetings and Committee meetings; as well as the maximum reimbursable expenses pursuant to previous resolutions in 2011 &amp; 2012, pending the issuance of the GCG's guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and benefits of incumbent members of the Board</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Recommended the approval of payment of the quoted premium by GSIS for the Directors' and Officers' Liability Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Indemnity coverage for the Directors and Officers in case they are sued or included as parties to any action or proceeding brought against the government agency or instrumentality pursuant to a provision of law, executive order or regulation by reason of their being Directors or Officers</li> </ul>
	<ul style="list-style-type: none"> <li>• Recommended to authorized the Office of the Government Corporate Counsel (OGCC) to represent the Company in a civil case filed by Forum Holdings Corp.</li> <li>• Reviewed the OGCC Opinion relative to the issue of a tenant in the company's property in Macapagal, and recommended to revoke its offer to lease a portion of said property</li> </ul>	<ul style="list-style-type: none"> <li>• To oppose the application of temporary restraining order and to protect the previous action of the Board</li> <li>• Come up with a proposal that is most beneficial to the company</li> </ul>
Negotiation Committee for Skyway Stage 3 Project	<ul style="list-style-type: none"> <li>• Recommended to enter into a Supplemental Toll Operation Agreement with Republic of the Philippines through TRB, Citra Central Expressway Corporation and Central Metro Manila Skyway Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Come up with a proposal that is most beneficial to the company</li> </ul>

Name of Committee	Work Done	Issues Addressed
Negotiation Committee for NLEX Segment 10.2 Project	<ul style="list-style-type: none"> <li>• Recommended the approval of commercial terms for the Joint Venture of the project</li> </ul>	<ul style="list-style-type: none"> <li>• Come up with a proposal that is most beneficial to the company</li> </ul>
Negotiation Committee for Skyway Stage 4 or C6 Project	<ul style="list-style-type: none"> <li>• Recommended the approval of commercial terms for the Joint Venture of the project</li> </ul>	<ul style="list-style-type: none"> <li>• Come up with a proposal that is most beneficial to the company</li> </ul>

## ANNEX "C" – Committee Programs

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit / Finance	<ul style="list-style-type: none"> <li>• Review of Corporate Operations Budget and Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with SEC, PSE and BIR</li> </ul>
Nomination	<ul style="list-style-type: none"> <li>• Review of qualifications of Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with PSE &amp; SEC</li> </ul>
Remuneration		
Legal	<ul style="list-style-type: none"> <li>• Review of legal issues on matters for Board deliberation before presentation to the Board</li> </ul>	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Parañaque City on June 28, 2013.

**SIGNATURES**

**ELPIDIO C. JAMORA, JR.**  
(Signature over Printed Name)  
**Chairman of the Board**

**LUIS F. SISON**  
(Signature over Printed Name)  
**President / Chief Executive Officer**

\*\*\*

(Signature over Printed Name)  
**Independent Director**

\*\*\*

(Signature over Printed Name)  
**Independent Director**

**JANICE DAY E. ALEJANDRINO**  
(Signature over Printed Name)  
**Compliance Officer**

\*\*\* No stockholders' meeting was held in 2013 thus no Independent Director had been elected.

MAR 31 2014

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	GOVT ID NO	DATE OF ISSUE	PLACE OF ISSUE
ELPIDIO C. JAMORA, JR	DL#3-88-06378	01-25-2012	MANILA
LUIS F. SISON/	SC ID No. 3926	05-29-2009	MUNTINLUPA CITY
JANICE DAY E. ALEJANDRINO	SSS # 03-3911310-5	-	-

**NOTARY PUBLIC**

**ATTY. REYNAN G. RETAZO**  
NOTARY PUBLIC FOR MUNTINLUPA CITY  
APPT. NO. NC 13-021, UNTIL DECEMBER 31, 2014  
EMERALD II BLDG. MONTILLANO ST., ALABANG MUNT. CITY  
PTR NO. 1479776 / 01-07-14 / MUNT. CITY  
IBP NO. 952393 / 01-07-14 / PPLM  
ROLL NO. 53985 / MCLE COMPLIANCE NO. IV-0014942  
TEL. NO. 994-0939 / retazolawoffices@yahoo.com

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