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SECURITIES AND EXCHANGE COMMISSION

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3 5 T H F L O O R O N E C O R P O R A T E C E N T E R

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A V E . , O R T I G A S C E N T E R , P A S I G C I T Y

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CORPORATE GOVERNANCE DISCLOSURE SURVEY

1 2

3 1

Fiscal Year

FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Amended Articles Number/Section

S E C

Dept. Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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THE PHILIPPINE STOCK EXCHANGE, INC.

Corporate Governance Guidelines For Listed Companies

**Disclosure Template for the Year 2016 – Philippine Estates
Corp.**

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
 Company Name: **PHILIPPINE ESTATES CORP.**

Date: **March 17, 2017**

	APPLY	EXPLAIN
Guidelines No.1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
1.1 Have a clearly defined vision, mission and core values.	✓	The Company's vision, mission and core values are stated in its website. Source: http://www.phes.com.ph/about/
1.2 Have a well-developed business strategy.	✓	The Company's business strategy is included in its website, Annual Corporate Governance Report (ACGR) and * Annual Report (SEC Form 17-A) Source: http://www.phes.com.ph/corporate-governance/annual-corporate-governance-report/ http://www.phes.com.ph/company-disclosure/sec-filings/ *2016 Company Annual Report information are being updated according to the cover period of submission. Appropriate submission deadline shall be followed. Please refer to http://www.phes.com.ph/company-disclosure/sec-filings/ for the latest Annual Report



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<p>2.3 Have at least three (3) or thirty percent (30%), whichever is higher, of its directors as independent directors.</p>	<p>PHES currently has 11-seat Board with two (2) Independent Directors. The number of independent director is in accordance with the requirements of the Securities Regulation Code.</p> <p>PHES is directed to replace a regular director with an independent director to have at least four independent directors in 2017 to comply with the new Code of Corporate Governance issued under SEC Memorandum Circular No. 19 series of 2016.</p> <p><i>Source Document:</i> <i>Revised Manual of Corporate Governance</i></p> <p>Article 3: Board Governance; Section (A) Composition of the Board. The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).</p>
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<p>2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.</p>	<p>✓</p>	<p>Manuals, guidelines and issuances are accessible for reading and reference by its officers and employees on the Company's website under Corporate Governance Manual, ACGR and Code of Ethics.</p> <p>Source: http://www.phes.com.ph/corporate-governance/code-business-conduct-ethics/ http://www.phes.com.ph/corporate-governance/annual-corporate-governance-report/ http://www.phes.com.ph/corporate-governance/company-policies/</p>
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	<p>Have Audit and Nomination Committee. The Company does not have separate Risk and Governance Committees. The Audit Committee's mandate includes the assessment and management of enterprise risks. The Compliance Officer and Corporate Secretary are responsible for governance matters, which are extensively and regularly discussed at the Board level.</p> <p>PHES website section: Board Committees under Corporate Governance section</p> <p>✓</p> <p>Source: http://www.phes.com.ph/corporate-governance/board-committees/ Audit Committee Charter http://www.phes.com.ph/ckfinder/userfiles/files/audit-committee.pdf Nomination Committee Charter http://www.phes.com.ph/ckfinder/userfiles/files/nominations-committee.pdf Compensation Committee Charter http://www.phes.com.ph/ckfinder/userfiles/files/nominations-committee.pdf</p>
<p>2.5 Have Audit, Risk, Governance and Nomination and Election Committees.</p>	<p>✓</p> <p>PHES website section of Home>About US under Board of Directors and Management section. PHES Chairman, Mr. Arthur Lopez, is not related to the President/CFO/Director Ms Elvira A. Ting.</p> <p>Source: http://www.phes.com.ph/about/</p>
<p>2.6 Have its Chairman and CEO positions held separately by individuals who are not related to each other.</p>	<p>✓</p> <p>PHES website section of Home>About US under Board of Directors and Management section. PHES Chairman, Mr. Arthur Lopez, is not related to the President/CFO/Director Ms Elvira A. Ting.</p> <p>Source: http://www.phes.com.ph/about/</p>

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<p>2.7 Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.</p>	<p>✓</p>	
<p>2.8 Have in place a formal board and director development program.</p>	<p>--</p>	<p>The members of the Company's Board are seasoned directors with extensive business experience. A "formal" board and director development program is not seen as necessary, but directors are often suggested to attend CG seminars for updates and development. New directors are briefed and oriented regarding Company's operations and particular concerns of the Company.</p> <p>In compliance with SEC Memorandum Circular No. 20 series of 2013, the Company required all its directors and key officers to attend at least one (1) corporate governance seminar per year.</p>
<p>2.9 Have a corporate secretary.</p>	<p>✓</p>	<p>Appointed Atty. Joaquin P. Obieta Refer to Company website under Company Disclosure section "Results of Organizational Meeting of the Board of Directors" last October 14, 2016 Source: <u>Board Meeting - October 14, 2016</u></p>
<p>2.10 Have no shareholder agreement, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.</p>	<p>✓</p>	<p>None to PHEs' knowledge.</p>
<p>Guidelines No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</p>		



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<p>3.1 Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.</p>	<p>✓</p>	
<p>3.2 Have a comprehensive enterprise-wide compliance program that is annually reviewed.</p>	<p>✓</p>	
<p>3.3 Institutionalize quality service programs for the internal audit function.</p>	<p>✓</p>	
<p>3.4 Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.</p>	<p>✓</p>	<p>Please refer to the Company's whistle blowing policy under Corporate Governance section on its website. The Company also accepts email for any suggestions, queries and issues that employees, suppliers and other stakeholders would like to raise.</p> <p>Source: http://www.phes.com.ph/corporate-governance/company-policies/</p>



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<p>3.5 Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</p>	<p>✓</p>	<p>The Audit Committee submits to the Board of Directors (BOD) an annual Committee Report signed by the Chairman and all Committee members. The report contains the Committee's performance in assisting the BOD in fulfilling its oversight responsibility to the shareholders relating to a) financial statements and financial reporting processes; b) system of internal controls; c) risk management; d) performance of internal and independent auditors; and e) compliance with the legal and regulatory matters. The Audit Committee Chairman is reporting functionally to the Audit Committee.</p> <p>Both the Company President and Audit Committee Chairman attest and duly execute the Audit Committee Report.</p>
<p>Guidelines No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</p> <p>4.1 Have its Board oversee the company's risk management function.</p>	<p>✓</p>	<p>Manual on Corporate Governance. Duties and Responsibilities of the Board of Directors and Board Committees. Source: http://www.phes.com.ph/corporate-governance/board-committees/</p>
<p>4.2 Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.</p>	<p>--</p>	<p>No formal Risk Management Policies</p>



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<p>4.3 Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.</p>	<p>--</p>	<p>No Enterprise Risk Management activities.</p>
<p>4.4 Have a unit at the management level, headed by Risk Management Officer (RMO).</p>	<p>--</p>	<p>The Audit Committee has oversight responsibility for risk management as part of its scope in auditing the Company's operations. However, no one particular officer is formally designated as over-all "Risk Management Officer".</p>
<p>4.5 Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.</p>	<p>✓</p>	
<p>4.6 Seek external technical support in risk management when such competence is not available internally.</p>	<p>✓</p>	
<p>Guidelines # 5</p>		
<p>5.1 Have the Board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.</p>	<p>✓</p>	<p>All External Audit Reports are subject to Audit Committee approval. Source:</p>
<p>5.2 Ensure that the external auditor is credible, competent and should have the ability to understand complex related party transactions, its counterparties and valuations of such transactions.</p>	<p>✓</p>	

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5.3 Ensure that the external auditor has adequate quality control procedures.	✓	Considered during the evaluation of external auditor. In 2015, Diaz Murillo Dalupan & Company (DMDC) was evaluated and upon finding that the quality control procedures are found adequate, DMDC was re-appointed upon endorsement by the Audit Committee.
5.4 Disclose relevant information on the external auditors	✓	

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5.5 Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	✓	Auditor is selected by Audit Committee and approved by the stockholders during ASM.
5.6 Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present	✓	
5.7 Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	✓	Please refer to the "Statement of Management Responsibility" in the 2015 Annual Report (<u>SEC FORM 17-A</u>)
5.8 Have a policy of rotating the lead audit partner every five years.	✓	Please refer to the "Statement of Management Responsibility" in the 2015 Annual Report (<u>SEC Form 2015 page15</u>)
Guidelines No. 6 RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP		
6.1 Adopt the principle of "one share, one vote."	✓	
6.2 Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	✓	
6.3 Have an effective, secure and efficient voting system.	✓	
6.4 Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	✓	The Company recognizes and respects the rights of all shareholders, as provided in the relevant laws, rules and jurisprudence, including the right of cumulative voting.
6.5 Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	✓	

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6.6 Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	✓	
6.7 Ensure that all relevant questions during the AGM are answered.	✓	
6.8 Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	✓	
6.9 Avoid anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group.	✓	
6.10 Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	✓	
6.11 Have a communication strategy to promote effective communication with shareholders.	✓	
6.12 Have at least thirty percent (30%) public float to increase liquidity in the market.	✓	
6.13 Have a transparent dividend policy.	✓	
Guidelines No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME		
7.1 Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	✓	

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<p>7.2 Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</p>	<p>✓</p>	
<p>7.3 Disclose its director and executive compensation policy.</p>	<p>✓</p>	
<p>7.4 Disclose names of groups of individuals who hold five percent (5%) or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.</p>	<p>✓</p>	
<p>7.5 Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within ninety (90) days from the end of the financial year, while interim reports shall be published within forty-five (45) days from the end of the reporting period.</p>	<p>✓</p>	
<p>7.6 Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.</p>	<p>✓</p>	
<p>7.7 Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.</p>	<p>✓</p>	



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<p>7.8 Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).</p>	✓	
<p>7.9 Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross- holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	✓	
<p>Guidelines No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTEREST OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS</p>		
<p>8.1 Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers and customers, creditors as well the community, environment and other key stakeholder groups.</p>	✓	
<p>8.2 Have in place a workplace development program.</p>	✓	

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<p>8.3 Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.</p>	✓	
<p>8.4 Have in place a community involvement program.</p>	✓	
<p>8.5 Have in place an environment-related program.</p>	✓	
<p>8.6 Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.</p>	✓	
<p>Guidelines No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING</p>		
<p>9.1 Develop and disclose a policy governing the company's transactions with related parties.</p>	✓	
<p>9.2 Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	✓	
<p>9.3 Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.</p>	✓	

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<p>9.4 Have its independent directors or audit committee play an important role in reviewing significant RPTs.</p>	✓	
<p>9.5 Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.</p>	✓	
<p>9.6 Have clear policy in dealing with material non-public information by company insiders.</p>	✓	
<p>9.7 Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.</p>	✓	
<p>Guidelines No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE AND ENFORCEMENT</p>		
<p>10.1 Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.</p>	✓	
<p>10.2 Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	✓	

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<p>10.3 Not seek exemption from the application of a law, rule regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>✓</p>	
<p>10.4 Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.</p>	<p>✓</p>	
<p>10.5 Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.</p>	<p>✓</p>	
<p>10.6 Respect intellectual property rights.</p>	<p>✓</p>	
<p>10.7 Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.</p>	<p>✓</p>	

Date: March 17, 2017

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this documents is true, complete and correct.

Done this 20th March 2017 in Pasig City.


SERGIO R. ORTIZ-LUIS, JR
Independent Director


ELVIRA A. TING
President & Chief Executive Officer

