

COVER SHEET

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S.E.C. Registration Number

		V	I	T	A	R	I	C	H	C	O	R	P	O	R	A	T	I	O				

(Company's Full Name)

M	A	R	I	L	A	O	-	S	A	N	J	O	S	E	R	O	A	D	,	S	T	A	.			
R	O	S	A	I	,	M	A	R	I	L	A	O	,	B	U	L	A	C	A	N						

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

Atty. Pedro T. Dabu, Jr.

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

1	2	-	3	1
<small>Month</small>			<small>Day</small>	

Fiscal Year

SEC Form ACGR

Form Type

Last Friday of
June

0	6		
<small>Month</small>		<small>Day</small>	

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Secondary License Type. If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

	Total Amount of Borrowings	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I. D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "**Amendment to the ACGR**".

SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the Year **December 31, 2015¹**
2. Exact Name of Registrant as Specified in its Charter **VITARICH CORPORATION**
3. **MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO BULACAN** **3019**
Address of Principal Office Postal Code
4. SEC Identification Number **21134**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **000-234-398-000**
7. **(632) 843-30-33 connecting all departments**
Issuer's Telephone number, including area code
8. **N/A**
Former name or former address, if changed from the last report

¹ **With updates for the year ended December 31, 2015**

TABLE OF CONTENTS

A. BOARD MATTERS	5
1) BOARD OF DIRECTORS	
(a) Composition of the Board	5
(b) Corporate Governance Policy/ies	5
(c) Review and Approval of Vision and Mission	7
(d) Directorship in other Companies	7
(e) Shareholding in the Company	8
2) CHAIRMAN AND CEO	8
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS	9
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	9
5) CHANGES IN THE BOARD OF DIRECTORS	10
6) ORIENTATION AND EDUCATION PROGRAM	13
B. CODE OF BUSINESS CONDUCT AND ETHICS	13
1) POLICIES	15
2) DISSEMINATION OF CODE	14
3) COMPLIANCE WITH CODE	14
4) RELATED PARTY TRANSACTIONS	15
(a) Policies and Procedures	15
(b) Conflict of Interest	15
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS	15
6) ALTERNATIVE DISPUTE RESOLUTION	16
C) BOARD MEETINGS & ATTENDANCE	16
1) SCHEDULE OF MEETINGS.....	16
2) DETAILS OF ATTENDANCE OF DIRECTORS	16
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS	17
4) QUORUM REQUIREMENT	17
5) ACCESS TO INFORMATION	17
6) EXTERNAL ADVICE	18
7) CHANGES IN EXISTING POLICIES	18
D. REMUNERATION MATTERS	18
1) REMUNERATION PROCESS	18
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS	19
3) AGGREGATE REMUNERATION	19
4) STOCK RIGHTS, OPTIONS AND WARRANTS	20
5) REMUNERATION OF MANAGEMENT	20

E. BOARD COMMITTEES	20
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES	20
2) COMMITTEE MEMBERS	25
3) CHANGES IN COMMITTEE MEMBERS	28
4) WORK DONE AND ISSUES ADDRESSED	28
5) COMMITTEE PROGRAM	29
F. RISK MANAGEMENT SYSTEM	29
1) STATEMENT OF EFFECTIVENESS OF RISK MANAGEMENT SYSTEM	29
2) RISK POLICY	30
3) CONTROL SYSTEM	31
G. INTERNAL AUDIT AND CONTROL	32
1) STATEMENT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEM	32
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function	32
(b) Appointment/Removal of Internal Auditor	33
(c) Reporting, Relationship with the Audit Committee	33
(d) Resignation, Re-assignment and Reasons	33
(e) Progress against Plans, Issues, findings and Examination Trends	33
(f) Audit Control Policies and Procedures	34
(g) Mechanisms and Safeguards	34
H. ROLE OF STAKEHOLDERS	35
I. DISCLOSURE AND TRANSPARENCY	36
J. RIGHTS OF STOCKHOLDERS	39
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETING	39
2) TREATMENT OF MINORITY STOCKHOLDERS	39
K. INVESTORS RELATIONS PROGRAM	44
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	45
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL	45
N. INTERNAL BREACHES AND SANCTIONS	46

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	10
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ²	Elected when (Annual /Special Meeting)	No. of years served as director
Jose Vicente C. Bengzon, III	ED	NA	Atty. Pedro T. Dabu, Jr.	2007	June 26, 2015	Annual Meeting	9 yrs.
Rogelio M. Sarmiento	ED	NA	Atty. Pedro T. Dabu, Jr.	1980	June 26, 2015	Annual Meeting	36 yrs.
Benjamin I. Sarmiento, Jr.	NED	NA	Atty. Pedro T. Dabu, Jr.	1998	June 26, 2015	Annual Meeting	18 yrs.
Levi F. Diestro	NED	NA	Atty. Pedro T. Dabu, Jr.	2014	June 26, 2015	Annual Meeting	1 yr
Stephanie Nicole S. Garcia	ED	NA	Atty. Pedro T. Dabu, Jr.	2012	June 26, 2015	Annual Meeting	4 yrs.
Manuel D. Escueta	ID	NA	Atty. Pedro T. Dabu, Jr.	2014	June 26, 2015	Board Meeting	2 yrs.
Ricardo Manuel M. Sarmiento	ED	NA	Atty. Pedro T. Dabu, Jr.	2012	June 26, 2015	Annual Meeting	4 yrs.
Lorenzo Vito M. Sarmiento, III	NED	NA	Atty. Pedro T. Dabu, Jr.	2012	June 26, 2015	Annual Meeting	4 yrs.
Eduardo T. Rondain	ID	NA	Atty. Pedro T. Dabu, Jr.	2012	June 26, 2015	Annual Meeting	4 yrs.
Juan Arturo Iluminado C. de Castro	NED	NA	Atty. Pedro T. Dabu, Jr.	2014	June 26, 2015	Board Meeting	2 yrs.
*Angelito M. Sarmiento	NED	NA	Atty. Pedro T. Dabu, Jr.	2009	June 26, 2015	Annual Meeting	6 yrs.

- Demise of Director Angelito M. Sarmiento last October 1, 2015.

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

The Company's corporate governance policies and practices are based on its Manual of Corporate Governance adopted and approved on August 29, 2002. The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Board, in complying with the principles of corporate governance, shall be assisted by the 2 Board Committees, apart from the Executive Committee. Each of the Audit Committee and Compensation & Nominations Committee has their specific functions as provided in the CG Manual. Details of said policies and principles are stated under Article 2.2.2. – Board Committees.

² Reckoned from the election immediately following January 5, 2015

Shareholders' Benefit and Rights of Minority Shareholders

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. The following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:

- a. Voting Right - Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- b. Pre-emptive Right – Pre-emptive right was denied to the stockholders in the Articles of Incorporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders 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.
- c. Power of Inspection - All shareholders shall be allowed to inspect corporate books and records including minutes of 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.
- d. Right to Information - The Shareholders shall be provided, upon request, with periodic reports, which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
- e. Right to Dividends - Shareholders shall have the right to receive dividends subject to the discretion of the Board. The company shall be compelled to declare dividends when its retained earnings shall be 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 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 obtaining in the corporations such as when there is a need for special reserve for probable contingencies.
- f. Appraisal Right - The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:
 - In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior or those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 - In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
 - In case of merger or consolidation.

Reportorial or Disclosure System

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy,

and off balance sheet transactions.

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

Board Responsibilities

Compliance with the principles of good corporate governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

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

The Management reviews annually or as often as required the Company's vision and mission and submits the same to the Board for confirmation.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group³

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Rogelio M. Sarmiento	Gromax, Inc.	Executive
Ricardo Manuel M. Sarmiento	Gromax, Inc.	Executive
Benjamin I. Sarmiento, Jr.	Gromax, Inc.	Non-Executive
Lorenzo Vito M. Sarmiento, III	Gromax, Inc.	Non-Executive
Stephanie Nicole S. Garcia	Gromax, Inc.	Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
N/A		

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ricardo Manuel M. Sarmiento	Rogelio M. Sarmiento	Director is son of the CEO

³ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Stephanie Nicole S. Garcia	Rogelio M. Sarmiento	Director is daughter of the CEO
Benjamin I. Sarmiento, Jr.	Rogelio M. Sarmiento	Director is nephew of the CEO
Lorenzo Vito M. Sarmiento, III	Rogelio M. Sarmiento	Director is a nephew of the CEO

(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:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jose Vicente C. Bengzon III	10,000	0	0.00%
Rogelio M. Sarmiento	77,913,565	92,510	2.80%
Benjamin I. Sarmiento Jr.	199	0	0.00%
Ricardo Manuel M. Sarmiento	60,000,500	490	2.15%
Stephanie Nicole S. Garcia	500	3,859	0.00%
Lorenzo Vito M. Sarmiento III	500	0	0.00%
Levi F. Diestro	300	0	0.00%
Eduardo T. Rondain	500	0	0.00%
Manuel D. Escueta	1	0	0.00%
Juan Arturo Iluminado C. de Castro	2,777,034	0	0.1%
TOTAL	140,703,099	96,859	5.05%

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	Jose Vicente C. Bengzon, III
CEO/President	Rogelio M. Sarmiento

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	The Chairman of the Board shall preside at all meetings of the Board of Directors and the stockholders of the Corporation. He shall execute bonds, mortgages and other contracts requiring a seal of the Corporation. He shall perform such other functions as may be delegated to him in a resolution duly adopted.	The CEO shall see to it that the budget approved by the Board and all orders and resolutions are carried into effect. He is in-charged with the creation of an effective organizational structure, business units and the development of executive personnel. He shall perform other duties as may be delegated to him by the Board of Directors.
Accountabilities	Ensure that the meetings of the Board are held in accordance with the By-Laws. Determine and supervise the preparation of agenda for the meetings in coordination with the CEO, the Management and the Directors. (Art. IV, Sec. 23, Amended By-Laws)	The CEO provides overall leadership to the Corporation. He is responsible for the development, design, operation and improvement of the systems. (Art. IV, Sec. 22, Cert. of Amendment of the Amended By-Laws)
Deliverables	Policy directions aligned to Company goals, annual plan and targets.	Ensure the accomplishment of the vision and mission of the Corporation in partnership with the Board.

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

To ensure that successors will contribute in the formulation of sound corporate strategies and policies, the Nomination Committee reviews and evaluates the qualifications of all the nominees. Only those competent, professional, honest and highly motivated officials are appointed.

- 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.

To Aid in complying with the principles of good corporate governance, a nomination committee was created to do pre-screen all nominated officers to become a member of the board of directors, all must comply in accordance with sets of qualifications and disqualifications requirements.

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

Based on the selection of criteria in addition to the qualifications for membership in the Board provided for in the Corporation code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following: Membership in good standing in relevant industry, business or professional organizations; and Previous business experience.

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

	Executive	Non-Executive	Independent Director
Role	<p>Manual on Corporate Governance</p> <p>It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.</p>		
Accountabilities			
Deliverables			

General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

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

An independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship, which could, or could reasonably be perceived, materially interfere with the exercise of independent judgment in carrying out his responsibilities as an independent director of the Corporation. (As amended on 23 June 2005)

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.

No separate policy. However, the Company is compliant with SEC Memorandum Circular no. 9 series of 2011, which provides the Term Limits for Independent Directors (ID). It requires that effective January 02, 2012, an ID shall serve for 5 years to be counted from January 2012 and shall have a cooling period of 2 years to be elected for another 5 years.

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
Angelito M. Sarmiento	Director	October 1, 2015	Demise

(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
a. Selection/Appointment		
(i) Executive Directors	<p>MANUAL ON CORPORATE GOVERNANCE The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting Director in the person of the HR Director/Manager.</p> <p>2.2.2.1.1. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:</p> <ul style="list-style-type: none"> • Holder of at least one (1) share of stock of the Corporation; • He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; • He shall be at least twenty one (21) years old; • He shall have proven to possess integrity and probity; and • He shall be assiduous. 	
(ii) Non-Executive Directors	Same as above	
(iii) Independent Directors	<p>AMENDED BY-LAWS - By SECTION 43. Nominees for independent directors shall have the qualifications and none of the disqualifications prescribed by existing laws, rules and regulations, the Code of Corporate Governance, these By-Laws and of the Corporation's Manual of Corporate Governance. (As amended on 23 June 2005)</p>	
b. Re-appointment		
(i) Executive Directors	None	
(ii) Non-Executive Directors	None	
(iii) Independent Directors	None	
c. Permanent Disqualification		
(i) Executive Directors	<p>MANUAL ON CORPORATE GOVERNANCE</p> <ul style="list-style-type: none"> • Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions; • Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; • Any person judicially declared to be insolvent; • Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the 	

	<p>acts, violations or misconduct listed in the foregoing paragraphs; and</p> <ul style="list-style-type: none"> • Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
(ii) Non-Executive Directors	Same as above
(iii) Independent Directors	AMENDED BY-LAWS - By SECTION 43. Nominees for independent directors shall have the qualifications and none of the disqualifications prescribed by existing laws, rules and regulations, the Code of Corporate Governance, these By-Laws and of the Corporation's Manual of Corporate Governance. (As amended on 23 June 2005)
d. Temporary Disqualification	
(i) Executive Directors	<p>MANUAL ON CORPORATE GOVERNANCE</p> <p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> • Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; • Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; • Being under preventive suspension by the corporation; • If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; • Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
(ii) Non-Executive Directors	Same as above
(iii) Independent Directors	AMENDED BY-LAWS - By SECTION 43. Nominees for independent directors shall have the qualifications and none of the disqualifications prescribed by existing laws, rules and regulations, the Code of Corporate Governance, these By-Laws and of the Corporation's Manual of Corporate Governance. (As amended on 23 June 2005)
e. Removal	
(i) Executive Directors	None so far but in the future will follow due process
(ii) Non-Executive Directors	
(iii) Independent Directors	
f. Re-instatement	
(i) Executive Directors	None
(ii) Non-Executive Directors	
(iii) Independent Directors	
g. Suspension	
(i) Executive Directors	None
(ii) Non-Executive Directors	

(iii) Independent Directors

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Rogelio M. Sarmiento	83.90%
Jose Vicente C. Bengzon III	
Benjamin I. Sarmiento	
Ricardo Manuel M. Sarmiento	
Lorenzo Vito M. Sarmiento, III	
Stephanie Nicole M. Sarmiento-Garcia	
Eduardo T. Rondain	
Angelito M. Sarmiento	
Levi F. Diestro	
Manuel D. Escueta	
Juan Arturo Iluminado C. de Castro	

6) Orientation and Education Program

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

No written program but new directors are being brief by the management.

(b) State any in-house training and external courses attended by Directors and Senior Management⁴ for the past three (3) years:

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Atty. Pedro T. Dabu, Jr.	April 23, 2015	Workshop on the ASEAN Corporate Governance Scorecard	Securities and Exchange Commission
Stephanie Nicole S. Garcia	June 30, 2015	Leading and Motivating the Multiple Generation in the Workplace	Philippine Trade Training Center

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Employees are strictly refrained during their entire employment with the Company from working with any other employer or from engaging in any activity which is in conflict with or prejudicial to the interests of the Company or which will interfere with the performance of their jobs, whether within or outside their working hours, without written consent of the Company.		
(b) Conduct of Business and Fair	Vitarich builds a culture anchored on impartiality, equality and objectivity in any employment opportunity, career advancement, compensation, and in conducting its daily operations. The Company therefore prohibits discrimination based on gender		

⁴ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Dealings	orientation, nationality, education, religion and age.
(c) Receipt of gifts from third parties	Under the provision Dishonesty. Receiving money, bribe, share, commissions or any form of benefit from any person personally or through another person for the purpose of performing an act beneficial to the person but prejudicial to the company and another employee.
(d) Compliance with Laws & Regulations	Strict adherence to laws and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	<p>Vitarich gives paramount importance to corporate confidentiality in all records, data, forms, plans, policies and procedures legally belong to the organization.</p> <p>Vitarich reserves the right to keep any information on all its business processes private, especially when a release of such information or data would prejudice the ability of the Company to carry on its specific objectives. Therefore any unauthorized disclosure or reproduction, in part or in whole, made by any employee to a third party will warrant necessary charges may it be during or after his employment with the Company.</p> <p>For the protection of the Company's intellectual property, Vitarich requires employees with critical and confidential job in the organization to sign a confidentiality clause. Breach of confidentiality clause by any employee would mean deliberate authorization of the employee to waive his rights to benefits beyond mandatory requirements.</p>
(f) Use of Company Funds, Assets and Information	<p>Every employee is responsible for taking care of company property, equipment, tools and facilities necessary for the performance of his duties and responsibilities and shall utilize such solely for the purpose required by the Company.</p> <p>Stated on the CRR under the provision Dishonesty #15. Unauthorized encashment of checks from Company funds, failure to deposit/remit collections within prescribed period of time, misappropriating and/or unduly withholding of Company funds and/or property/ies for personal use or advantage.</p>
(g) Employment & Labor Laws & Policies	Strict adherence to labor code and other policies of the Department Of Labor and Employment (DOLE).
(h) Disciplinary action	There is an existing Company Rules and Regulations covering all employees that specially upholds due process
(i) Whistle Blower	<p>These procedures apply to employee who is on good faith and has the intention of making relevant information be disclosed to the proper authority in aid of an investigation of an audit finding or management report.</p> <p>To provide standard procedure in the reporting/submission of relevant information by an employee and on the examination of its veracity and authenticity.</p>
(j) Conflict Resolution	A grievance mechanism is provided to address conflicts between management and employees.

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

Yes, through orientation for newly hired employees and provision of copies of Company Rules and Regulations (CRR) to all employees.

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

The CRR has a clear procedure on the “reporting” system for breach of any provision of the Company Rules and Regulations. The Internal Audit Group for the purpose of monitoring compliance to such is conducting a regular audit of the systems and procedures.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>The Company grants unsecured, noninterest-bearing advances to its related parties for working capital requirements and capital expenditures. The Company also buys raw materials, hogs, and breeder flocks. The Company also sells animal feeds, raw materials, feed supplements and dressed chicken to these related parties.</p> <p>A related entity pays the suppliers on behalf of the Company, thus, transferring the liability of the Company from the suppliers to the entity. Principally, the same terms and conditions with the suppliers apply when the entity takes over these liabilities. These transactions are presented as trade payables, nontrade payables, and other payables account.</p>
(2) Joint Ventures	
(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	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	
Name of Significant Shareholders	

(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	Submission of their business affiliation is a requirement, whenever a major decision is to be made, any director is required to disclose a possible conflict of interest in the matter pending decision by the board.
Group	

5) Family, Commercial and Contractual Relations

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

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

(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
None		

(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
None		

6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	None
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **Fixed in the by-laws, every month.**

2) Attendance of Directors (from January to December 2015)

Board	Name	Date of Election	No. of Meetings Held during the year (regular)	No. of Meetings Attended	%
Chairman	Jose Vicente C. Bengzon	June 26, 2015	12	11	92%
Member	Rogelio M. Sarmiento	June 26, 2015	12	11	92%
Member	Angelito M. Sarmiento	June 26, 2015	9	5	56%
Member	Benjamin I. Sarmiento Jr.	June 26, 2015	12	12	100%
Member	Ricardo Manuel M. Sarmiento	June 26, 2015	12	11	92%
Member	Stephanie Nicole S. Garcia	June 26, 2015	12	12	100%

⁵ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Member	Lorenzo Vito M. Sarmiento III	June 26, 2015	12	12	100%
Independent	Atty. Eduardo T. Rondain	June 26, 2015	12	9	75%
Independent	Manuel D. Escueta	June 26, 2015	12	10	83%
Member	Levi F Diestro	June 26, 2015	12	6	50%
Member	Atty. Juan Arturo Iluminado C. de Castro	June 26, 2015	12	9	75%

N.B. Director Angelito M. Sarmiento died last October 1, 2015.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **No**

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

The directors shall only act as a Board and the individual directors shall have no power as such. A majority of the directors of the Corporation, at a meeting duly assembled, shall be necessary to constitute a quorum for the transaction of business and the act of the majority of a quorum present, shall be valid as a corporate act.

5) Access to Information

(a) How many days in advance are board papers⁶ for board of directors meetings provided to the board?

Notice of all regular and special meetings of the Board of Directors shall be emailed to each director at his email address or delivered to him personally at his office, or transmitted by telephone or by fax machine at least three (3) days prior to the date fixed for the 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?

The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties. The Corporate Secretary shall be a Filipino citizen. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills. His duties and responsibilities are the following:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the corporation.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

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

⁶ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(e) 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	The Directors may request information from the Corporate Secretary or the Management.
Audit	
Nomination	
Remuneration	

6) External Advice

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

Procedures	Details
None, but upon request, the directors, individually or as a group, may seek external or other independent professional advice.	N/A

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	As fixed by the board	Based on salary structure, performance consideration and company affordability
(2) Variable remuneration	Based on company affordability	Based on performance consideration and company affordability
(3) Per diem allowance	Fixed	Fixed
(4) Bonus	Based on company affordability	Based on performance consideration and company affordability
(5) Stock Options and other financial instruments	None	Based on stock compensation plan for officers and executives (20% of annual gross pay is paid in shares of stock of the company)
(6) Others (specify)	None	None

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

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the

compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Per diem/fixed salary	Company policy per grade level	Fixed monthly less deductions
Non-Executive Directors	Members of the board of directors do not receive any compensation other than per diem per board meeting. Each director receives P5,000 per board meeting and P500 per committee meeting.		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Per diem for board and board committee members for meetings attended by board members	There were no changes made in the remuneration of the board of directors in the last three years that will require stockholders'

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	P3.04M	None	none
(b) Variable Remuneration	none	None	none
(c) Per diem Allowance	P260, 000	P620, 000	P50, 000
(d) Bonuses	none	None	None
(e) Stock Options and/or other financial instruments	P528, 000	None	none
(f) Others (Specify)	none	None	none
Total	P3, 828,000	P620, 000	P50 000
Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	P46, 800	None	None
(f) Hospitalization Plan	P240, 000	None	None
(g) Car Plan	P1, 475,000	None	None
(h) Others (Specify)	None	None	None
Total	P1, 761,800	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Ricardo Manuel M. Sarmiento	528,000 Officers' salaries under the stock compensation plan were converted.			
Stephanie Nicole S. Garcia				

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
General Manager – Visayas & Mindanao Operations	P6.975M
Feed Sales Luzon & Marketing Manager	
Asst. Vice President – Feed Sales Support Group	
Comptroller	
SVP- Food Sales	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	None						
Audit	1	4	1	PURPOSE • To assist Vitarich Corporation's Board of Directors in fulfilling			

				<p>its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Company's process for monitoring compliance with laws and regulations, including the Code of Conduct or Company Rules and Regulations.</p> <p>AUTHORITY</p> <ul style="list-style-type: none"> • The Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to: <ul style="list-style-type: none"> • Appoint, compensate, and oversee the work of any registered public accounting firm employed by the Company • Resolve any disagreements between management and the external auditor regarding financial reporting • Pre-approve all internal and external auditing and non-audit services • Retain independent counsel, accountants, or others to advise the Committee or assist the Committee in the conduct of any investigation • Obtain or seek any information it requires from employees or external parties doing business with the Company - all of whom are directed to cooperate with the Committee's requests • Meet with Company officers, external and internal auditors, or outside counsel, as necessary. <p>COMPOSITION</p> <ul style="list-style-type: none"> • The Committee shall consist of at least three and no more than six members of the board of directors, one of whom shall be an independent Director. The Board of Directors shall appoint the members of the Committee upon nomination by the Nomination and Compensation Committee of the Company's Board of Directors. • Each committee member shall be both independent and financially literate. • The Committee shall be chaired by an independent Director. <p>MEETINGS</p> <ul style="list-style-type: none"> • The Audit Committee will meet at least four times a year or on a quarterly basis, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. • The Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. It may hold private meetings with the Company's external and internal auditors and executive sessions. Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials. Minutes shall be prepared. <p>RESPONSIBILITIES</p>
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			<p>The committee shall perform the following duties:</p> <p><u>Financial Statements</u></p> <ul style="list-style-type: none"> • Oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risk of the Corporation, and crisis management. • Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements. • Review with management and the external auditors the results of the audit, including any difficulties encountered. • Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles. • Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information. • Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards. • Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement. • Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members. • Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform: <ul style="list-style-type: none"> a) A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant. b) An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task. • Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization. <p><u>Internal Control</u></p> <ul style="list-style-type: none"> • Consider the effectiveness of the company's internal control system, including information technology security and control. • Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. <p><u>Internal Audit</u></p> <ul style="list-style-type: none"> • Review with management the charter, activities, staffing,
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				<p>and organizational structure of the internal audit function.</p> <ul style="list-style-type: none"> • Have final authority to review and approve the annual audit plan and all major changes to the plan. • Ensure there are no unjustified restrictions or limitations. • Review the effectiveness of the internal audit function. <p><u>External Audit</u></p> <ul style="list-style-type: none"> • Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit. • Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. • Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services. • On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. <p><u>Compliance</u></p> <ul style="list-style-type: none"> • Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance. • Review the findings of any examinations by regulatory agencies, and by any auditor observations. • Review the process of communicating the Company Rules and Regulations to the company personnel, and monitors compliance therewith. • Obtain regular updates from management and company legal counsel regarding compliance matters.
Nomination	2	3	1	<p>The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting Director in the person of the HR Director/Manager.</p> <ul style="list-style-type: none"> • It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors. • In consultation with the executive or management committee/s re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. • The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.
Remuneration	2	3	1	<p>The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be</p>

				<p>an independent director.</p> <ul style="list-style-type: none"> • Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment. • Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully. • Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. • Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty or perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. • Disallow any director to decide his or her own remuneration. • Provide in the corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year. • Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. • Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.
Risk and Governance	2	2	1	<p>Risk and Governance Committee to perform the following duties and functions.</p> <ul style="list-style-type: none"> • To develop a governance framework and principles, including on going evaluation and improvement of governance systems and processes. • To identify and oversee risks associated with all the business of the Corporation, in accordance with the Corporation's Risk Management Policy, and for reporting high-level risks to the Board; • To monitor the Corporation's exposure to fraud and risks in general; • To escalate to the Audit Committee for discussion at a joint session of the Audit and Risk and Governance Committees any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; • To review the Corporation's technology risk management programs; • To review reports on fiduciary activities of the Corporation's businesses;

				<ul style="list-style-type: none"> • To provide general oversight of the Corporation's investment of fiduciary assets; • To report to the Board the major operational risks facing the Corporation, with recommendations for mitigation; • To guide the Board on systems, processes and checks to assist in carrying out its legal duties; and • To develop a process for the Board to review its performance and functions, and the performance of Board Directors and the Chief Executive Officer.
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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						None
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Eduardo T. Rondain	June 26, 2015	4	4	100%	12 mos.
Vice Chairman (ED)	Manuel D. Escueta	June 26, 2015	4	4	100%	12 mos.
Member (ED)	Jose Vicente C. Bengzon, III	June 26, 2015	4	4	100%	12 mos.
Member (NED)	Benjamin I. Sarmiento Jr.	June 26, 2015	4	4	100%	12 mos.
Member (NED)	Ricardo Manuel M. Sarmiento	June 26, 2015	4	4	100%	12 mos.
Member (NED)	Lorenzo Vito M. Sarmiento III	June 26, 2015	4	4	100%	12 mos.

Disclose the profile or qualifications of the Audit Committee members.

**Atty. Eduardo T. Rondain, Filipino, 85 years old
Independent Director (since 2012)**

Chairman – Audit Committee

Atty. Rondain is a lawyer by profession, an expert in labor relations and human resource management. Atty. Rondain's past and present involvement includes the following: Vice Chairman of the Board and Chairman, Management Committee of CORD Chemicals, Inc.; Senior Adviser and Director, Employers Confederation of the Philippines (ECOP); Member and Director, ECOP Institute of Productivity and Competitiveness; Executive Vice President, Member of the Board of Directors and Management Committee, PHILIPS Corporation of Companies; Director for Industrial Relations, Radio Electronics Headquarters; part-time faculty member, College of Business Administration, Solair, UP Manila; Full Professor, UP College of Business Administration MBA Program; teaching staff, Ateneo Business School, MBM, and seminar resource person, Economic Development Foundation, Personnel Management Association, De La Salle University and Jose Rizal College; Director, Non-Academic Personnel Services, UP Administration; Research-Instructor, then Assistant Professor, UP School of Labor and Industrial Relations; and Legal

Assistant, Severino Law Office, Escolta, Manila. A graduate of Bachelor of Laws at the UP College of Law in 1955, he undertook graduate study in Labor and Industrial Relations at the University of Illinois in 1959 as a UP Fellow. He was elected as director of the Corporation on June 29, 2012.

Ricardo Manuel M. Sarmiento, Filipino, 38 years old

Director (since 2012)/ Chief Operating Officer / Executive Vice President

Member – Audit Committee; Compensation & Nomination Committee, and Risk and Governance Committee

Mr. Ricardo Manuel Sarmiento is the Executive Vice-President and Chief Operating Officer and President of Gromax, Inc. He leads the over-all operations of Vitarich Corporation and Gromax, Inc. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi. Mr. Sarmiento joined Vitarich in July 2005. He was elected as director of the Corporation on June 29, 2012.

Jose Vicente C. Bengzon III, Filipino, 57 years old

Director (since 2007) / Chairman of the Board

Member - Audit Committee; Risk and Governance Committee

Mr Bengzon is the Vice Chairman & Chairman of Executive Committee, Commtrend Construction Corp since Oct 2014; President, UPCC Holdings Corp since 2006 & Director & Chairman of Risk Management Committee, Rizal Microbank since 2010. He was acting Chairman, Philippine National Construction Corp. 2012 - 2013; Director, Manila North Tollways Corp. 2012 - 2013; Director, Citra Metro Manila Tollways Corp. 2012 - 2013; Director, South Luzon Tollways Corp. 2011 - 2012. Prior to this, he is a Director of Pres. Jose P. Laurel Rural Bank Inc. since 2010 and Philippine National Construction Corporation since 2011. He is also the President of UPCC Holdings Corporation since 2006. Prior to this, he was the Chief Privatization Officer of the Department of Finance. He was the President of Abarti Artworks Corporation from 2001-2004. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science in Commerce and Bachelor of Arts degrees major in Economics in 1980 therefrom. He took his Master of Business Administration at the Kellogg School of Management at Northwestern University in 1988.

Benjamin I. Sarmiento Jr., Filipino, 46 years old

Director (since 1998)

Member – Audit Committee and Compensation & Nomination Committee

Mr. Benjamin Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics. He is the Chief Executive Officer of Pacific Equity, Inc. from 1989 up to the present. He is also a Director of the following companies: M3 Ventures, International Inc. from 1991 up to the present, and Ultra-Seer, Inc., Hills Dales Marketing Inc., Specialized Products & Services, Inc., Escotek, Inc. and Diversified Industrial Technology, Inc. from 2002 up to the present. He is the Chief Executive Officer of Trabbycoco Genetics, Inc. He is also a director of Gromax, Inc. from 1995 up to the present.

Manuel D. Escueta, Filipino, 64 years old

Independent Director

Chairman – Compensation & Nomination Committee and Risk & Governance Committee

Mr. Escueta was elected as an Independent Director of the Corporation on January 24, 2014. He worked as General Advertising Manager of P&G Asia (1973-2000), Vice President for Corporate Marketing & Communication of United Laboratories, Inc. (2001-2004), Head, President and CEO of Pascual Laboratories, Inc. - Consumer Health Division (2005-2012), and Chairman of Pascual Consumer HealthCare Corp (2012-2013). He is at present the President of Educhild Foundation, Inc. and the Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys. He also served as a Board of Director of the Advertising Board of the Philippines (1980-1985, 1992-1995). He is a graduate of University of the Philippines in Diliman, Quezon City with a degree on Business Administration Major in Marketing in 1972.

Lorenzo Vito M. Sarmiento III, Filipino 40 years old

Director (since 2012)

Member – Compensation & Nomination Committee

Mr. Sarmiento is President of Davito Holdings Corporation and Medityre Corporation. He was President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder of South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG, and Investor and co-founder of True Star Entertainment. He graduated in 1999 from the University of San Francisco, San Francisco CA USA, with a degree in Bachelor of Science in Business Administration with emphasis in Marketing and International Business. He took up special courses in International Studies at the American University in London, England and Network Engineering at Herald College, San Francisco CA USA. He was elected as director of the Corporation on June

29, 2012.

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

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and by any auditor observations.
- Review the process of communicating the Company Rules and Regulations to the company personnel, and monitors compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Manuel D. Escueta	June 26, 2015	1	1	100%	6 mos.
Member (ED)	Stephanie Nicole S. Garcia	June 26, 2015	1	1	100%	6 mos.
Member (ED)	Ricardo Manuel M. Sarmiento	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Lorenzo Vito M. Sarmiento, III	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Benjamin I. Sarmiento	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Levi F. Diestro	June 26, 2015	1	1	100%	6 mos.
Member	Ruby P. Macario (non-voting member)	June 26, 2015	1	1	100%	6 mos.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Manuel D. Escueta	June 26, 2015	1	1	100%	6 mos.

Member (ED)	Stephanie Nicole S. Garcia	June 26, 2015	1	1	100%	6 mos.
Member (ED)	Ricardo Manuel M. Sarmiento	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Lorenzo Vito M. Sarmiento, III	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Benjamin I. Sarmiento	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Levi F. Diestro	June 26, 2015	1	1	100%	6 mos.
Member	Ruby P. Macario (non-voting member)	June 26, 2015	1	1	100%	6 mos.

(e) Others (Specify)

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

(f) Risk and Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Manuel D. Escueta	June 26, 2015	1	1	100%	6 mos.
Member (ED)	Ricardo Manuel M. Sarmiento	June 26, 2015	1	1	100%	6 mos.
Member (ED)	Stephanie Nicole S. Garcia	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Jose Vicente C. Bengzon III	June 26, 2015	1	1	100%	6 mos.
Member (NED)	Levi F. Diestro	June 26, 2015	1	1	100%	6 mos.
Member	Peter Sereno	June 26, 2015	1	1	100%	6 mos.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	None
Audit	Manuel D. Escueta	Appointment

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	None	

Audit	The Audit Committee approved the Audited 2015 Financial statements of the Corporation.	There were no significant issues in 2015 which were required to be addressed by the Audit Committee.
Nomination	The Nomination Committee pre-screened and shortlist the nominations for independent directors and committee members.	There were no significant issues in 2015 which were required to be addressed by the Nomination Committee.
Remuneration	The Remuneration Committee reviewed and discussed the compensation of management officers.	There were no significant issues in 2015 which were required to be addressed by the Remuneration Committee.
Others (specify) Risk and Governance	The risk and Governance Committee identified and monitored risks associated with all the business of the Corporation.	There were no significant issues in 2015 which were required to be addressed by the Risk and Governance Committee.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit	Develop a financial management system of the Corporation.	None
Nomination	Pre-screen the qualifications of Independent Directors nominees.	None
Remuneration	Review and update the compensation plan.	None
Others (specify)	N/A	N/A

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's overall risk management program focuses on the unpredictability of the markets and seeks to minimize potential adverse effects on the Company's performance.

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

The Audit Committee regularly reviews the Company's internal control and risk management arrangement, systems and procedures, and management degree of compliance.

(c) Period covered by the review;

Year 2015

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

The risk management system is being reviewed 3 times a year during the Management Trimester Review and Planning for the rest of the year. The actual performances are being monitored versus budget.

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

N/A

2) Risk Policy

- (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<u>Liquidity Risk</u>	<p>The Company manages its liquidity profile to be able to service its long-term debt as they will fall due in the near future by maintaining sufficient cash from operations.</p> <p>The Company maintains cash to meet its liquidity requirements for up to 30-day periods.</p>	To maintain a balance between a continuity of funding the operations and at the same time paying the obligations.
<u>Credit Risk</u>	<p>The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.</p> <p>The trade and other receivables are actively monitored and assessed, and where necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.</p>	To minimize bad debts provisioning.
<u>Price Risk</u>	The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk.	To ensure adequate supply of raw materials and support sales requirement.
<u>Foreign Currency Sensitivity</u>	To a certain extent, the Company has an exposure to foreign currency risks as some of its raw materials purchases are sourced outside the Philippines and are therefore denominated in foreign currencies. However, the Company has not yet experienced significant losses due to the effect of foreign currency fluctuations since purchases denominated in foreign currency are kept at a minimum.	To ensure adequate supply of raw materials and support sales requirement.
<u>Interest Rate Sensitivity</u>	The Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.	Avoid exposures from interest rates changes

	<p>The Plan allowed the Company to defer the payment of its loans and their related interest charges and certain trade payables for a period of three years from the date of approval of the Plan</p> <p>The Company has no borrowings that carry variable interest rates, which released the Group from any cash flow interest rate risk.</p>	
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(b) Group

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
The Group’s control system set up generally follows the Company’s control system set up as stated above.		

(c) Minority Shareholders

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

Risk to Minority Shareholders
Controlling shareholders’ voting power may restrict in their favor, however, the Board is committed to practice good governance and shall always respect the rights of the shareholders as provided in the Manual on Corporate Governance, that is, “A director shall not be removed without cause if it will deny minority shareholders representation in the Board”.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above		

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above		

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors	Identify key risk areas and key performance indicators and monitor these factors with due diligence.	
Audit Committee	Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.	

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

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

The Company’s internal control system is defined as a collection of procedures and methods used to:

- a. To protect and safeguard the Company’s Assets;
- b. Ensure compliance Company with all regulatory requirements and with the Company’s policies and procedures;
- c. Ensure compliance with internal financial and operational controls, including IT systems controls; and
- d. Ensure financial information is accurate and reliable.

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

The directors have reviewed the effectiveness and adequacy of the Company’s system of internal controls. The review includes assessment of the financial, operational and compliance controls and risk management procedures. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement or loss.

(c) Period covered by the review; Year 2015

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

The review of internal controls is done at least annually. Issues such as the adequacy of the current internal controls and affectivity of operations are discussed. Any failings and weakness identified are corrected and its progress monitored.

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
General Audit	Ensure compliance with regulatory requirements and the Company’s policies and procedures. Measure adequacy and effectiveness of internal financial and operational controls including IT system controls. Manage the recording, control and use of Company assets. Monitors the efficiency, effectiveness, and ethical conduct of the Company’s business systems and processes	In house	Rosario M. Almario & Gianni Carlo Gandia	Reported to Audit Committee

Advisory services	Assisting management and the Risk Management Committee to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework and monitoring and reporting on the implementation of risk mitigation strategies. Assisting management to identify the risks of fraud and develop fraud prevention and monitoring strategies.	In House	Rosario M. Almario & Giann Carlo Gandia	Reported to Audit Committee
Audit Support Activities	Assisting the Audit Committee to discharge its responsibilities. Providing secretarial support to the Audit Committee. Monitoring the implementation of agreed recommendations arising from the internal and external audit reports. Disseminating across the Company better practice and lessons learned arising from its audit activities.	In house	Rosario M. Almario & Giann Carlo Gandia	Reported to Audit Committee

(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?

The Audit Committee recommends to the Board the appointment, replacement and/or retention of the Internal Auditor or the accounting / auditing firm or corporation. Final decisions reside by the board.

(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Internal Audit reports functionally to the Audit Committee, and administratively to the senior management. The Head of Internal Audit is accountable to the Board of Directors for the efficient and effective operation of internal audit function. The Head of Internal Audit has direct access to the Chairman of the Board, and the Chair and other members of the Audit Committee. Internal Audit is authorized to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Head of Internal Audit considers necessary to enable internal audit to meet its responsibilities.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
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.

Progress Against Plans	Plans (Progress) <ul style="list-style-type: none"> • Creation of an Audit Committee (Done) • Draft of an Audit Charter (Done) • Appointment of Internal Audit Head (Done) • Regular review of Internal Audit System (on going) • Variance reporting and analysis (on going)
Issues⁷	<ul style="list-style-type: none"> • None

⁷ “Issues” are compliance matters that arise from adopting different interpretations.

Findings⁸	<ul style="list-style-type: none"> • Need to improve administrative information systems that provide necessary information to the appropriate people, and the necessary level of detail, on a timely basis • Update documentation regarding accounting, finance and internal control policies and procedures • Enhance controls and protection over Company's information assets
Examination Trends	<ul style="list-style-type: none"> • None

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle, which involves the following step-by-step activities:

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Segregation of duties	Implemented
Proper authorizations	Implemented
<ul style="list-style-type: none"> • Adequate documentation • Assets such as cash, inventory, equipment, and supplies are safeguarded from unauthorized access, use or theft by the appropriate means. • Compare budget to actuals and investigate if there are significant differences, items not budgeted, and/or unusual items or transactions • Routinely spot-check transactions, records, reports and reconciliations to ensure expectations are met as to timeliness, completeness, segregation of duties, propriety of the transactions, and approval • Review the authenticity and correctness of records of payables and receivables • Compare recorded fixed assets, and inventory with actual on-hand and investigate differences 	Implemented

(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
Internal Audit has no direct authority or responsibility for the activities reviews. The internal audit function has no responsibility for developing or implementing procedures or systems and	<ul style="list-style-type: none"> • Cannot have close family, personal or business relationship with the company. • Cannot be given a loan 	<ul style="list-style-type: none"> • Cannot have close family, personal or business relationship with the company. • Cannot be given a loan 	<ul style="list-style-type: none"> • Cannot have close family, personal or business relationship with the company. • Cannot be given a loan

⁸ "Findings" are those with concrete basis under the company's policies and rules.

does not prepare records or engage in any other activity normally reviewed by it, as this may impair its objectivity and judgment.	<p>from the company.</p> <ul style="list-style-type: none"> • Cannot receive or accept goods, services or hospitality from the company. • Cannot have holdings or investment in the company. 	<p>from the company.</p> <ul style="list-style-type: none"> • Cannot receive or accept goods, services or hospitality from the company. • Cannot have holdings or investment in the company. 	<p>from the company.</p> <ul style="list-style-type: none"> • Cannot receive or accept goods, services or hospitality from the company. • Cannot have holdings or investment in the company.
<ul style="list-style-type: none"> • Internal Audit reports functionally to the Audit Committee, and administratively to the senior management. The Head of Internal Audit is accountable to the Board of Directors for the efficient and effective operation of the internal audit function. • The Head of Internal Audit has direct access to the Chairman of the Board, and the Chair and other members of the Audit Committee. • External Auditors cannot perform any prohibited services such as Human Resource, Legal Services and management function. The Company also evaluates and determines the non-audit work, if any of the external. The non-audit fees paid to the external auditor are periodically reviewed in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. 			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), the Company submitted a Sworn Certificate by the Compliance Officers duly countersigned by the President & Chief Executive Officer of Vitarich Corporation on the extent of compliance of Vitarich Corporation to its Manual on Corporate Governance for the year 2012, in accordance with the requirements of SEC Memorandum Circular 6, Series of 2009.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Vitarich considers the welfare of customer of paramount importance thus its diligence in providing clean and safe products employing strict standards set by GMP and HACCP	
Supplier/contractor selection practice	The selection and periodic audit of suppliers performance and compliance with applicable laws is part and parcel of its continued partnership with Vitarich	
Environmentally friendly value-chain	The Company is committed in fostering a positive and supportive work environment by molding all its employees to uphold the value of <i>malasakit</i> and the culture of responsibility in their workplace. Vitarich believes that people are able to contribute more of their skills, talents and knowledge in a safe and healthy atmosphere. Vitarich requires its people to practice compliance to various safety and health rules and procedures, participate in different health programs, and to be vigilant in addressing work-related accidents, injuries and unsafe equipment to the proper authority.	
Community interaction	Vitarich continue to participate with worthwhile projects such as Brigada Eskwela, Blood Letting activities in order to reach out less fortunate members of the community	

Anti-corruption programmes and procedures?	Receiving money, bribe, share, commissions or any form of benefit from any person personally or through another person for the purpose of performing an act beneficial to the person but prejudicial to the company and another employee.
Safeguarding creditors' rights	Approved Rehabilitation Plan

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
Yes

3) Performance-enhancing mechanisms for employee participation.

Employees are enticed to participate in worthwhile activities that aim to build concern and sense of responsibility that can also be applied in their respective workstations.

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

Every employee is expected to consider as equally. The company has a retained doctor and a full time company nurse and other health and insurance benefits that are responsive to employees needs.

(b) Show data relating to health, safety and welfare of its employees. **None for 2015**

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

A Training Needs Analysis is conducted in order to identify performance gaps and training plan is develop from the result of TNA. Please see attached data on training and development programs for its employees as Annex A.

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

Currently a structure is in place as the basis of salary to be given to employees commensurate to qualifications and experience.

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

1.1 A committee that accepts disclosure reports shall be formed to examine closely the authenticity of the allegations. The committee will compose of the HR and the Legal Heads.

1.2 The concerned employee must accomplish a form wherein he writes all incidences or facts that give rise to his information he wanted to disclose and submits to the committee head. The said information shall be treated with highest confidentiality to protect the whistleblower.

1.3 The committee will look into the truthfulness of the facts and incidences written on the whistleblower's report. An investigation will be done to check if the facts or incidences mentioned on the report are significant, material and authentic relative to the findings that are needed to support a decision on the said case/s.

1.4 Should there is a need for an in- depth queries from the whistleblower or the information cannot substantiate relevance and materiality, he shall be called upon on a special session.

1.5 The concerned employee will be properly communicated on the result of the facts that he disclosed.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (As of December 31, 2015)

Title Of Class	Name, Address Of Record Owner & Relationship With Issuer	Name Of Beneficial Owner & Relationship W/ Record Owner	Citizenship	No. Of Shares	Percent Of Class
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Common Shares	PCD NOMINEE CORPORATION (Filipino) 37/F The Enterprise Center, Ayala Avenue Corner Makati Avenue, Makati City Beneficial owner of more than 5% of the outstanding shares.	Various beneficial owners ⁹	Filipino	2,457,750,991	88.20%
	KORMASINC, INC. 7 th Floor, LTA Bldg., 118 Perea St., Legazpi Village, Makati City	Various beneficial owners	Filipino Corporation	1,941,339,491	69.67%
Common Shares	PCD NOMINEE CORPORATION (Non-Filipino) G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City Beneficial owner of more than 5% of the outstanding shares.	Various beneficial owners	Non-Filipino	289,127,072	10.38 %
	DRAGONAGA CAPITAL LIMITED Flat 1301, 3/F Kai Yue Commercial Bldg., No. 2 Argyle St., Mongkok, Kowloon, Hong Kong	Various beneficial owners	Hong Kong	259,219,698	9.30%

Note 1. PCD Nominee Corporation, a wholly owned subsidiary of the Philippine Central Depository, Inc. (“PCD”), is the registered owner of the shares in the books of the Corporation’s stock and transfer agent in the Philippines. The beneficial owners of such shares are PCD’s participants, who hold the shares in their behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE			

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	No
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	No
Number of board of directors/commissioners meetings held during the year	No

⁹ PCD Nominee Corporation, a wholly owned subsidiary of the Philippine Central Depository, Inc. (“PCD”), is the registered owner of the shares in the books of the Corporation’s stock and transfer agent in the Philippines. The beneficial owners of such shares are PCD’s participants, who hold the shares in their behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

- The annual report does not disclose the training and/or continuing education programme attended by each director, as this is not required information under the SEC rules and regulations for the completion of the SEC Form 17-A.
- Number of board of directors/commissioners meetings held during the year and attendance details of directors in respect of meetings held are submitted to the SEC through SEC Form 17-C or in a separate disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	P3.6 M	None

4) Medium of Communication

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

The following are the modes of communication that the company is using for disseminating information

- Electronic and regular mail
- Company website
- Company disclosures and reports

5) Date of release of audited financial report:

Audited Financial Statements for the year ended December 31, 2015: April 2016

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.
The Company's Articles of Incorporation and By-Laws are public documents easily accessible with the SEC

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Luz Farms, Inc. (LFI)	Common Stockholders	Receivables	(₱98,379,016)
Texas Manok ATBP., Inc.	Common Stockholders	Receivables	(3,910,000)
Precisione International Research & Diagnostic Laboratory	Common Stockholders	Receivables	1,896,186
Stockholders	Stockholders	Receivables	(57,500,000)
Others	Common Stockholders	Receivables	10,374,076

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

The Company grants unsecured, noninterest - bearing advances to its related parties for working capital requirements and capital expenditures. The Company also buys raw materials, hogs, and breeder flocks. The Company also sells animal feeds, raw materials, feed supplements and dressed chicken to these related parties.

A related entity pays the suppliers on behalf of the Company, thus, transferring the liability of the Company from the suppliers to the entity. Principally, the same terms and conditions with the suppliers apply when the entity takes over these liabilities. These transactions are presented as trade payables, nontrade payables, and other payables account.

The amounts due from related parties are generally payable on demand or through offsetting arrangements with the related parties.

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	<p>Unless otherwise provided by law, at any meeting of stockholders the presence of the holders on record of a majority of the stock of the Corporation then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business, and in the absence of a quorum the stockholders attending or represented at the time and place at which such meeting shall have been called, or the officer entitled to preside over such meeting may adjourn such meeting.</p> <p>The owners of TWO-THIRDS (2/3) of the outstanding capital stock entitled to vote may, by resolution duly adopted at a regular or special meeting duly called for the purpose, delegate to the Board of Directors the power to amend or repeal any by-law or to adopt new by-laws.</p>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting is by person or by proxy.
Description	Every stockholder entitled to vote at any meeting of the stockholders may so vote by proxy provided that the proxy shall have been appointed in writing by the stockholder himself, or, by his duly authorized attorney

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Stockholders' rights, concerning Annual/Special Stockholders' Meeting, are in accordance with provisions stated in the Corporation Code.	None

Dividends

Declaration Date	Record Date	Payment Date
1995 (before the IPO)	No available record	No available record

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Stockholders are encouraged to ask questions during the stockholders meeting.	Written notice of time and place of holding any annual meeting, or any special meeting, of the stockholders as well as of the time, date and place of the validation of proxies, shall be given, addressed to each stockholder of record entitled to vote.

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

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

The Company complies with the Corporation Code and the Securities Regulation Code on the above matters.

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?

No, the Company complies with SRC Rule 20, (According to SRC Rule 20, these must be distributed to stockholders at least 15 business days prior to Annual Stockholders' Meeting).

- a. Date of sending out notices:
June 3, 2015 – Annual General Meeting
- b. Date of the Annual/Special Stockholders' Meeting:
June 26, 2015 – Annual General Meeting

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

None

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

Annual Stockholders Meeting – June 26, 2015

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous stockholders' meeting	83.90%	0	0
Confirmation and ratification of the acts of the Board of Directors and officers;	83.90%	0	0
Election of Directors;	83.90%	0	0
Appointment of the external auditor	83.90%	0	0
Appointment of the stock and transfer agent;	83.90%	0	0

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

	PSE	SEC
Annual Stockholders Meeting	June 26, 2015	June 30, 2015

(e) Modifications

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

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Rogelio M. Sarmiento Jose Vicente C. Bengzon III Benjamin I. Sarmiento Jr. Angelito M. Sarmiento Stephanie Nicole S. Garcia Ricardo M. Sarmiento Lorenzo Vito M. Sarmiento Atty. Eduardo T. Rondain Manuel D. Escueta Levi. F. Diestro Atty. Juan Arturo Iluminado C. de Castro Atty. Tadeo F. Hilado Atty. Pedro T. Dabu Jr. Joven P. Dy Guillermo B. Miralles Ramon C. Jimenez Alicia G. Danque	June 26, 2015	Vivo Voce	0.25%	83.65%	83.90%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? No

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Indicated in the Notice of the Meeting issued by the Company, together with the Definitive Information Statement (SEC Form 20-IS).
Notary	Required if attorney-in-fact
Submission of Proxy	Proxies must be submitted to the Special Committee of Election Inspectors of the Corporation at the executive office of the Corporation located at Vitarich Compound, Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan
Several Proxies	None
Validity of Proxy	Valid only for the specific meeting
Proxies executed abroad	None
Invalidated Proxy	None
Validation of Proxy	The Special Committee of Inspectors at the said office of the Corporation validates proxies.
Violation of Proxy	In cases where the proxy requirements are not complied with, the company considers them invalidated, and will not be counted nor considered for voting purposes.

(h) Sending of Notices

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

Policies	Procedure
In accordance with SRC Rule 20	<i>Distributed to stockholders at least 15 business days prior to the meeting by courier or mail.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	4,331
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 3, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 3, 2015
State whether CD format or hard copies were distributed	CD
If yes, indicate whether requesting stockholders were provided hard copies	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.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>SHAREHOLDERS' BENEFIT The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:</p> <p>6.1. INVESTORS' RIGHTS AND PROTECTION 6.1.1. Rights of Investors/Minority Interests The Board shall be committed to respect the following rights of the stockholders:</p> <p>6.1.2. Voting Right 6.1.2.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. 6.1.2.2. Cumulative voting shall be used in the election of directors. 6.1.2.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> <p>6.1.3. Pre-emptive Right Pre-emptive right has been denied in the Articles of Incorporation The Articles of Incorporation shall lay down the specific rights and powers of shareholders 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.</p> <p>6.1.4. Power of Inspection All shareholders shall be allowed to inspect corporate books and records including minutes of 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>6.1.5 Right to Information 6.1.5.1. The Shareholders shall be provided, upon request, with periodic reports, which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers. 6.1.5.2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the rights to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. 6.1.5.3. The minority shareholders shall have access to any and all information relating to matters for</p>	Implemented

which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

6.1.6 Right to Dividends

6.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

6.1.6.2. The company shall be compelled to declare dividends when its retained earnings shall be 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 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 obtaining in the corporations such as when there is a need for special reserve for probable contingencies.

6.1.7 Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior or those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

6.1 It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

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

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Chairman and the President provide guidance on the Company announcements and disclosures. The Compliance Officer, Corporate Information Officer and the Marketing Head disclose the information to the public through PSE, SEC, and to the business partners.

- 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	To provide essential, complete, accurate, and up-to-date information
(2) Principles	Transparency to the stakeholders
(3) Modes of Communications	Disclosures to PSE, meetings with business partners,

(4) Investors Relations Officer	Atty. Pedro T. Dabu, Jr. Compliance Officer
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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?
None

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. None

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company as of December 2015.

Initiative	Beneficiary
Luzon	
Blood Letting Activity	Philippine Children's Medical City (PCMC)
Marilao River Clean Up (Adopt an Stero)	In partnership with the Junior Chamber International – Marilao, Bulacan Creek
Brigada Eskwela	Pamantasang Dalubhasaan ng Marilao
Tie-Ups with Educational Institutions (on-the-job training)	Student from different Universities and Colleges
Cash Donations	Baragay Sta. Rosa I and Public Employment Service Office (PESO) Marilao
Vis-Min	
Donation Drive for the Victims of Yolanda	Victims of Typhoon Yolanda through ABS CBN Sagip Kapamilya

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	None	
Board Committees	Audit Committee conducted Self Assessment in compliance with SEC requirement (filed to PSE and SEC on October 2, 2012)	
Individual Directors	None	
CEO/President	None	

N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL (CORPORATE GOVERNANCE)	
<p>8.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:</p> <ul style="list-style-type: none"> • In case of first violation, the subject person shall be reprimanded. • Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. • For third violation, the maximum penalty of removal from office shall be imposed. 	
<p>8.2. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p>	
<p>8.3. The compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	