

**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 set 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 **2012**
2. Exact Name of Registrant as Specified in its Charter **SPLASH CORPORATION**
3. **5<sup>TH</sup> Floor W-Office Building, 11<sup>th</sup> Ave. cor. 28<sup>th</sup> St., Bonifacio Global City , Taguig City 1634**  
Address of Principal Office Postal Code
4. SEC Identification Number **AS09196206**
5. (SEC Use Only)   
Industry Classification Code
6. BIR Tax Identification Number **001-096-221 VAT**
7. **(632) 491-7707**  
Issuer's Telephone number, including area code
8. ....  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>5</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Directorship in Other Companies.....	7
(c) Shareholding in the Company.....	8
2) CHAIRMAN AND CEO.....	9
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	9
4) CHANGES IN THE BOARD OF DIRECTORS.....	10
5) ORIENTATION AND EDUCATION PROGRAM.....	17
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>19</b>
1) POLICIES.....	19
2) DISSEMINATION OF CODE.....	20
3) COMPLIANCE WITH CODE.....	20
4) RELATED PARTY TRANSACTIONS.....	20
(a) Policies and Procedures.....	20
(b) Conflict of Interest.....	20
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	21
6) ALTERNATIVE DISPUTE RESOLUTION.....	21
<b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>21</b>
1) SCHEDULE OF MEETINGS.....	21
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	22
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	22
4) ACCESS TO INFORMATION.....	22
5) EXTERNAL ADVICE.....	23
6) CHANGES IN EXISTING POLICIES.....	23
<b>D. REMUNERATION MATTERS.....</b>	<b>23</b>
1) REMUNERATION PROCESS.....	24
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	24
3) AGGREGATE REMUNERATION .....	24
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	25
5) REMUNERATION OF MANAGEMENT.....	25
<b>E. BOARD COMMITTEES.....</b>	<b>26</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	26
2) COMMITTEE MEMBERS.....	26
3) CHANGES IN COMMITTEE MEMBERS.....	28
4) WORK DONE AND ISSUES ADDRESSED.....	28
5) COMMITTEE PROGRAM.....	30
<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>31</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	31
2) RISK POLICY.....	31
3) CONTROL SYSTEM.....	34
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>36</b>

1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	36
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	37
(b) Appointment/Removal of Internal Auditor.....	37
(c) Reporting Relationship with the Audit Committee.....	37
(d) Resignation, Re-assignment and Reasons.....	37
(e) Progress against Plans, Issues, Findings and Examination Trends.....	37
(f) Audit Control Policies and Procedures.....	39
(g) Mechanisms and Safeguards.....	41
<b>H. RIGHTS OF STOCKHOLDERS.....</b>	<b>45</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	45
2) TREATMENT OF MINORITY STOCKHOLDERS.....	50
<b>I. INVESTORS RELATIONS PROGRAM.....</b>	<b>51</b>
<b>J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>52</b>
<b>K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>52</b>
<b>L. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>52</b>

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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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) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Rolando B. Hortaleza, M.D.	ED	Ang Hortaleza Corporation		1991	May 25,2012	ASM	21
Rosalinda A. Hortaleza, M.D.	NED	Ang Hortaleza Corporation		1991	May 25,2012	ASM	21
Eric Roel E. Domagas	ED		Dr. Rolando B. Hortaleza	2010	May 25, 2012	ASM	2
Allue Krisanne A. Hortaleza	NED	Ang Hortaleza Corporation		2007	May 25, 2012	ASM	5
Maurice P. Ligot	NED	Ang Hortaleza Corporation		1991	May 25,2012	ASM	21
Jimmy T, Yaokasin, Jr.	ID		Susan M. Loyola, none	2007	May 25, 2012	ASM	5
Rafael C. Lopa	ID		Gabriel L. Domingo, none	2010	May 25, 2012	ASM	2
Bonifacio D. De Jesus	ID		Carolina V. Santiago, none	2011	May 25, 2012	ASM	1
Emily a. Abrera	ID		Gabriel L. Domingo, none	2011	May 25, 2012	ASM	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis 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.

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

## **TREATMENT OF SHAREHOLDERS, RESPECT FOR THE RIGHTS OF MINORITY SHAREHOLDERS**

As mandated and set forth in the Company's Manual on Corporate Governance, the Board is committed to respect the following rights of the stockholders:

1. Voting Right
2. Pre-emptive Right
3. Power of Inspection
4. Right to Information
5. Right to Dividend
6. Appraisal Right

## **DISCLOSURE DUTIES**

All material information, i.e. anything that could potentially affect the share price is required to be publicly disclosed. Such information shall include earning 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 (direct and indirect, 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 Corporation announcements as well as through the annual report.

## **BOARD RESPONSIBILITIES**

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

- a. Determine the Corporation's cause, its vision, mission, and strategies to carry out its objectives.
- b. Install and ensure compliance to an organizational alignment framework that synchronizes basic organizational components (competitive strategies, organizational structure, policies, systems and procedures, business planning, performance management, and rewards and recognitions) in a way that operating plans and their implementation are consistently focused toward the achievement of the Corporation's goals and objectives and, ultimately, the attainment of its cause and vision.
- c. Install a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Adopt an effective succession planning program for management.
- d. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- e. 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;
- f. Adopt a system of internal checks and balances; a regular review of the effectiveness of such internal control system should be conducted to maintain the competence and effectiveness of the system and to ensure the veracity of the decision making and reporting process;
- g. Identify key risk areas and key performance indicators and monitor these factors with due diligence so that the Corporation can forestall possible threats that would affect its operational and financial viability.
- h. 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;
- i. Keep the activities and decisions of the Board within the authority prescribed in the Corporation's

Articles of Incorporation, By-Laws, and in existing laws, rules and regulation;

- j. Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- k. Provide sound strategic policies and guidelines on major capital expenditures. Establish programs that can sustain its long term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance
- l. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliate and major stockholders, officers and directors, including their spouses, children, dependent siblings and parents, and interlocking director relationships by members of the board.
- m. Constitute an audit committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities

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

The Board reviews and approves the vision/mission as needed. In 2011 when some changes were made on the vision to encompass the internationalization and expanded operations of the Company, such changed vision, together with the 2012 ABP, was presented to the Board for approval.

(d) Directorship in Other Companies

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

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:

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Rolando B. Hortaleza	Ang Hortaleza Corporation	Chairman
	Ang Hortaleza Foundation, Inc.	Vice Chairman
	HBC, Inc.	Vice Chairman
	World Partners Bank	Vice Chairman
	World Partners Finance	Vice Chairman
	World Partners Insurance	Vice Chairman
	Barrio Fiesta Manufacturing Corp.	Chairman
	Prime Global-GTD Corporation	Chairman
	Splash Foods Corp.	Chairman
	Splash H&B Limited (Nigeria)	Director
Rosalinda A. Hortaleza	Moondish Corporation	Chairman
	Prime Global FLD Corporation	Chairman
	HBC, Shopmore	Chairman
	World Partners Bank	Chairman
	World Partners Finance	Chairman
	World Partners Insurance	Chairman
	Barrio Fiesta Manufacturing Corp.	Vice Chairman
	Splash Foods Corp.	Non-Executive Director
Moondish Corporation	Non-Executive Director	

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

Maurice P. Ligot	Prime Global Distribution Corp.	Non Executive Director
	Ang Hortaleza Corporation	Non-Executive Director
	Splash Foods Corp.	Non-Executive Director
	World Partners Bank	Non-Executive Director
	World Partners Finance	Non-Executive Director
	Barrio Fiesta Manufacturing Corp.	Non-Executive Director
	Moondish Corporation	Non-Executive Director
Jimmy T. Yaokasin, Jr.	Ang Hortaleza Corporation	Independent Director
Eric Roel E. Domagas	Barrio Fiesta Manufacturing Corp.	Executive Director
	Splash Foods Corp.	Executive Director

(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.
Jimmy T. Yaokasin, Jr.	MRC Allied, Inc.	Independent Director

(iii) Relationship within the Company and its Group

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

Dr. Rolando B. Hortaleza and Dr. Rosalinda Hortaleza are husband and wife and Ms. Allue Krisanne A. Hortaleza is their eldest daughter.

(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:

The Company uses the following guidelines in determining the number of directorship for the Company's Board: The nature and the business of the Corporations which he is a director; Age of the director; Number of directorships/active memberships and officerships in other corporations or organizations; and Possible conflict of interest. The optimum number is related to the capacity of a director to perform his duties diligently in general. The Chief Executive Officer and other executive directors are required 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.

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
Rolando B. Hortaleza, M.D	1	435,888,888/ Ang•Hortaleza Corporation	0.00000015% (D) 67.13% (I)
Rosalinda A. Hortaleza, M.D.	1	435,888,888/ Ang•Hortaleza Corporation(conjugal)	0.00000015% (D) 67.13% (I)
Eric Roel E. Domagas <sup>1</sup>	41,000		0.00631465%D)
Allue Krisanne A. Hortaleza	1		0.00000015%
Maurice P. Ligot	10,000		0.00154016%
Rafael C. Lopa	1,000		0.00015%



Jimmy T. Yaokasin, Jr.	25,000		0.0038504%
Bonifacio D. De Jesus	1,000		0.00015%
Emily A. Abrera	5,000		0.00077008%
<b>TOTAL</b>	<b>83,003</b>	<b>435,888,888</b>	<b>67.1428%</b>

<sup>1</sup>Resigned on July 31, 2012

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

The Board has four members who are independent directors and who provide the needed checks and balances to ensure that it gets the benefit of independent views.

Identify the Chair and CEO:

Chairman of the Board	Rolando B. Hortaleza, M.D
CEO/President	Rolando B. Hortaleza, M.D

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Provide leadership to ensure that the Board is functioning efficiently and effectively	General and active control of the Company's business affairs.
Accountabilities	Performance of the Board	Proper execution and implementation of the plans and strategies of the Board
Deliverables	Schedule meetings to enable the Board to perform its duties responsibly; supervise the preparation of the agenda; exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;	Execution and accomplishment of the Company's long range objectives

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

The Board, through the Nomination Committee and in consultation with Management, identifies key executive and management positions, anticipate future vacancies based on the company's long range plans, and identifies employees who could potentially fill up future vacancies. Employees are required to undergo Employee Competency Profiling (ECP) and the results of the employee's ECP and Balance Scorecard are used as basis for training/ developmental interventions of the identified employees who will be part of the Company's Succession Pool.

In filling up vacancies, internal candidates are given preference but in the event that there is no viable candidate available, an employee may be assigned on an acting basis while an external recruitment effort is conducted.

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.

Yes. The Nomination Committee, in pre-screening nominees for directors, is required to ensure a mix of competent directors who can add value and independent judgment to the formulation of sound corporate strategies.

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

Yes. As mentioned the nomination committee is required to ensure a mix of competent directors. The competence and experience of the directors is provided in the Company's Definitive Information Statement.

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

Each of the directors has the fiduciary duty to protect the assets of the Company and the investments of its stockholders. Executive Directors, in addition to responsibilities inherent to their executive positions in the Company, share equal responsibility with Non-Executive and Independent Directors in setting the Company's mission, vision, and objective; in ensuring that key policies and procedures are in place for the proper management of the Company; in monitoring and evaluating Management performance; in ensuring the continuing soundness, effectiveness and adequacy of the Company's internal control environment and risk management practices, as well as the accuracy and reliability of financial reporting, and in ensuring the Company's compliance with applicable laws and regulations.

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

Independence means independent of management and free from any business or other relationship which could materially interfere with the exercise of sound judgment or in carrying out work objectively. Directors are given the freedom and opportunity to discuss matters they deem important. Independent Directors are required to meet and retain their independence (as defined under the Company's Manual on Corporate Governance) throughout their term of office. Incumbent directors who refuse to divulge the extent of his interests as required under the Manual on Corporate Governance and Securities Regulation Code are temporarily disqualified for re-election.

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.

The Company adopts the term limits for independent directors set by SEC Memorandum Circular 9 Series of 2011.

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
Eric Roel E. Domagas	Executive Director	31 July 2012	Health Reasons

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<p>(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors</p>	<p>Nominations for directors, including the independent director/s to be elected by the stockholders of the Corporation are required to be submitted in writing to the Corporate Secretary of the Corporation at the principal place of office of the Corporation not later than sixty (60)<sup>3</sup> days prior to the date of the regular or special meeting of stockholders for the election of directors. Nominations which are not submitted within such nomination period are rendered invalid.</p> <p>All nominations are required to be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Nomination Committee who pre-screens the qualifications and prepares the final list of all candidates.</p> <p>Only nominees whose names appear on the final list of candidates shall be eligible for election.</p> <p>Only a stockholder of record entitled to notice of and vote at the regular or special meeting of the stockholders for the election of the directors shall be qualified to be nominated and elected as a director of the Corporation.</p>	<p>At the very least, a director should be at least 21 years old ; owns at least one (1) share of the capital stock of the Corporation; with College education or have sufficient experience in managing the business to substitute for such formal education; possess integrity/probity; is not hostile or antagonistic to, or engaged in any business which competes with or is antagonistic to that of the Corporation or any of its affiliates, subsidiaries.</p>
<b>b. Re-appointment</b>		
<p>(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors</p>	<p>Process adopted is similar as stated above.</p>	<p>Same criteria as provided above.</p>
<b>c. Permanent Disqualification</b>		
<p>(i) Executive Directors (ii) Non-Executive Directors</p>	<p>As provided for by Law and applicable rules and regulations.</p>	<p>The following are subject to permanent disqualification:</p> <ol style="list-style-type: none"> <li>1. Any person convicted by final judgment or order by a competent judicial or</li> </ol>

<sup>3</sup> Adopted unanimously by the Board of Directors on 15 April 2011 and by the vote of stockholders representing 2/3 of the outstanding capital stock during the 18 June 2011 Annual Stockholders' Meeting.

		<p>administrative body of any crime that (1) Involves the purchase or share of securities as defined in Securities Regulation Code; (2) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or an affiliated person of any of them;</p> <p>2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from (1) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (2) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (3) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (1) and (2) above or willfully violating the laws that govern securities and banking activities.</p> <p>3. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license, permit issued to him under the Corporation Code, Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has</p>
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		<p>otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>4. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false information, perjury or other fraudulent acts;</p> <p>5. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or the BSP, or any of its rule, regulation or order;</p> <p>6. Any person judicially declared to be insolvent;</p> <p>7. Any person finally found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or</p>
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		appointment
(iii) Independent Directors	As provided for by Law and applicable rules and regulations.	<p>A person cannot be an independent director if he is:</p> <ol style="list-style-type: none"> <li>1. A director or officer of the Corporation or of its related companies or any of its substantial shareholders except if he is an independent director of the said companies;</li> <li>2. Owns more than two percent (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders;</li> <li>3. Is related to any director, officer, or substantial shareholder of the company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;</li> <li>4. Is acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</li> <li>5. Has been employed in any executive capacity by the company, any of its related companies, or by any of its substantial shareholders within the last five (5) years;</li> <li>6. Is retained, either personally or through his firm or any similar entity, as professional adviser by the company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or</li> <li>7. Has engaged or is engaged in any transaction with the Corporation and/or with any of its related companies and/or with any of its substantial</li> </ol>

		<p>shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a Corporation of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial.</p> <p>8. Has been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election.</p>
<b>d. Temporary Disqualification</b>		
<p>(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors</p>	<p>Temporary disqualification shall be at the discretion of the Board and shall require a resolution of majority of the Board.</p>	<p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ol style="list-style-type: none"> <li>1. 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;</li> <li>2. 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;</li> <li>3. 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 ;</li> <li>4. Being under preventive suspension by the Company;</li> </ol>

		<p>5. If the independent director cease to have the qualifications for the position (such as when he becomes an officer or employee of the company) he shall be automatically disqualified from being an independent director;</p> <p>6. Judgment or Conviction that has not yet become final referred to in the grounds for disqualification of directors;</p> <p>7. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p>
<b>e. Removal</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	As provided for by Law and applicable rules and regulations ( e.g. 2/3 votes).	If the director no longer meets any of the qualifications set or there are grounds for permanent disqualification.
<b>f. Re-instatement</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	As provided for by Law and applicable rules and regulations.	Same criteria for appointment
<b>g. Suspension</b>		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	As provided for by Law and applicable rules and regulations.	Same as grounds for temporary disqualification

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
DR. ROLANDO B. HORTALEZA	435,969,889
DR. ROSALINDA A. HORTALEZA	435,969,889
ERIC ROEL E. DOMAGAS	435,969,889
ALLUE KRISANNE A. HORTALEZA	435,969,889
MAURICE P. LIGOT	435,969,889
JIMMY TIU YAOKASIN, JR.	435,969,889
RAFAEL C. LOPA	435,969,889
EMILY A. ABRERA	435,969,889
BONIFACIO DE JESUS	435,969,889



6) Orientation and Education Program

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

New directors are required to attend an orientation program immediately after their election. The program provides an overview of the Corporate Cause, Mission, Vision and Values, Corporate Objective and Strategy, Corporate Structure, as well as the risks faced by the Company, etc. To ensure that the New Directors have a thorough understanding of their roles, they are likewise required to attend a seminar on Corporate Governance before assuming their roles as such.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>4</sup> for the past three (3) years:

Topic	Training	Attendees	Date
48 <sup>th</sup> People Management Association of the Philippines Annual Conference	People Management Association of the Philippines	Ma. Chantelle C. Batac	October 12 & 14, 2011
Professional Image Enhancement Program	Personi-fi	Veneranda M. Tomas Joseph C. Bautista Fernando M. Manotok Ace Vincent V. Villa-Real Glenda D. Pingol Ma. Chantelle C. Batac Lynneth P. Malabanan	February 22 -23, 2011
Corporate Governance Seminar	Internal with SEC representatives	Rolando B. Hortaleza, M.D. Rosalinda A. Hortaleza, M.D. Allue Krisanne A. Hortaleza Eric Roel E. Domagas Maurice P. Ligot Veneranda M. Tomas Joseph C. Bautista Fernando M. Manotok Ace Vincent V. Villa-Real Glenda D. Pingol Ma. Chantelle C. Batac Lynneth P. Malabanan	15 September 2010
Corporate Governance Seminar	SGV & CO	Rafael C. Lopa	2011
Corporate Governance and Anti- Money Laundering Act Seminar	Philippine Securities Consultancy Corporation (PHILSEC)	Bonifacio D. De Jesus	17 June 2011

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

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

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
Bonifacio D. De Jesus	October 23, 2012	Real Estate Seminar	University of Asia & The Pacific
Bonifacio D. De Jesus	September 27-29, 2012	Investment Banking	Ateneo – BAP Institute of Banking
Teresita D. Panganiban Ma. Chantelle C. Batac Lynneth P. Malabanan	06 July 2012	Crisis Management & Communications Training	Eileen Paat
Veneranda M. Tomas	17 May 2012	The Philippines Consumable Market Roundtable Forum 2012	Asia Money
Bonifacio D. De Jesus	10 May 2012 to 11 May 2012	Board of Directors Guide for Audit Committees	Center for Best Global Practices
Teresita D. Panganiban	13 & 14 March 2012	Hazards Analysis and Critical Control Points Training	BFAR
Rolando B. Hortaleza, M.D. Eric Roel E. Domagas Maurice P. Ligot Jimmy T. Yaokasin, Jr. Rafael C. Lopa Emily A. Abrera Bonifacio D. De Jesus Veneranda M. Tomas Weena Roja N. Pineda Glenda D. Pingol Teresita D. Panganiban Joseph C. Bautista Fernando M. Manotok Ma. Lourdes P. Gatmaytan Jasmin U. Tan	March 16, 2012	Briefing on enterprise wide risk management	In House
Rolando B. Hortaleza, M.D. Rosalinda A. Hortaleza, M.D. Allue Krisanne A. Hortaleza Eric Roel E. Domagas Maurice P. Ligot Jimmy T. Yaokasin, Jr. Rafael C. Lopa Emily A. Abrera Bonifacio D. De Jesus Veneranda M. Tomas Weena Roja N. Pineda Ace Vincent V. Villa-Real Glenda D. Pingol Teresita D. Panganiban Joseph C. Bautista Fernando M. Manotok Ma. Chantelle C. Batac Lynneth P. Malabanan	20 January 2012	Briefing on the Strategic Leadership and Management System (SLMS)	In house
Rolando B. Hortaleza, M.D. Rosalinda A. Hortaleza, M.D. Allue Krisanne A. Hortaleza Eric Roel E. Domagas Maurice P. Ligot	January 20, 2012	Balance Scorecard Briefing	In House

Jimmy T. Yaokasin, Jr. Rafael C. Lopa Emily A. Abrera Bonifacio D. De Jesus Veneranda M. Tomas Weena Roja N. Pineda Ace Vincent V. Villa-Real Glenda D. Pingol Teresita D. Panganiban Joseph C. Bautista Fernando M. Manotok Ma. Chantelle C. Batac Lynneth P. Malabanan Ma. Lourdes P. Gatmaytan Jasmin U. Tan			
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## 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	Each Member of the organization is required to disclose any business and family related transactions to ensure that potential conflicts of interest are brought to the Company's attention, and to inhibit himself from participating in any transaction where a possible conflict of interest may arise		
(b) Conduct of Business and Fair Dealings	The Company likewise requires each member of the organization to disclose affiliation to a current or potential business partner where employee's position is material in the engagement or performance evaluation of such business partner;		
(c) Receipt of gifts from third parties	The Company adopts Personal Integrity as one of its core values. Each member of the organization is proscribed from accepting kickbacks, rebates, commissions and favors, gifts in obtaining supplies or services for the company or in awarding contracts to suppliers.		
(d) Compliance with Laws & Regulations	The Company promotes Ethical Governance as one of its core values, which requires the organization to uphold the highest level of ethical standards and professionalism in the conduct of its business. Each member of the organization is required to comply with government regulations, and to comply with Corporate Governance.		
(e) Respect for Trade Secrets/Use of Non-public Information	Each member of the organization is prohibited from using the Company's trade secrets or proprietary information for his own benefit or for the benefit of another. Suppliers and recipients of confidential information are required to execute a non-disclosure undertaking		
(f) Use of Company Funds, Assets and Information	Each member of the organization is expected to utilize value management in its decision making processes and to contribute to the cost saving measures of the Company. Each member of the organization is expected to safeguard the interest and resources of the Company and not to use company time and resources for personal benefit		
(g) Employment & Labor Laws & Policies	Each member of the organization is required to comply with government regulations, and to comply with Corporate Governance including labor laws. Current wage and benefit provisions are in fact generally above the provisions of law.		
(h) Disciplinary action	Those who fail to adhere to Company policies are subject to disciplinary sanctions in accordance with the Company's Code of Conduct.		
(i) Whistle	Splash Corporation strives uphold the highest levels of ethical standards and		

Blower	professionalism in the conduct of its business. Employees and non-employees are encouraged to report questionable practices and activities without fear of retaliation, discrimination and harassment. The Company has a dedicated whistle blower hotline and email account which can only accessed by the Audit Committee and by the unit assigned by the Audit Committee.
(j) Conflict Resolution	Regular communication venues are available to both prevent occurrence of conflicts, as well as resolution of the same.

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

Yes. The code of conduct was disseminated to all directors, senior management and employees. Likewise, for new employees, this is part of the “New Employee Integration Program”. A checklist of the basic orientation conducted is likewise submitted as a document to support that the employee understood said job induction and forms part of the requirements for an employee’s regularization.

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

The Company thru the Human Resources and Administration Division developed the Employee Handbook which includes among others the Code of Conduct and how it should be used or implemented. It specifically states that each manager/supervisor, together with HRAD, is responsible for enforcing and implementing the provisions of the Code of Conduct.

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	Related party transactions are required to be on an arm’s length basis and disclosed in accordance with applicable laws and regulations. The Audit Committee is required to review the absence of any conflicts or related party transactions with respect to the CFO. Policies and procedures to ensure integrity and transparency of related party transaction will have to pass through the Board.
(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. None

Though there may seem to be an ‘actual or probable’ conflict of interest due to the nature of Company’s structure and operations, all related party transactions are fully disclosed.

(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	To detect, determine any possible conflict of interest, the Company requires each member of the organization to disclose its dealings with the Company. Conflicts of interest involving directors and officers are resolved in accordance with the Company's policy on related party transaction.
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>5</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:  
Rolando B. Hortaleza and Rosalinda A. Hortaleza are controlling stockholders and directors of Ang Hortaleza Corporation, which owns more than 2/3 of the Company's outstanding shares.
- (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:  
Please refer to section on related party transaction
- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:  
The Company is not aware of any shareholder agreements that may affect the control, ownership and strategic direction of the company.

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.

Any conflict or difference of whatever nature involving the company goes through amicable negotiations. Resort to litigation is considered the last option.

**C. BOARD MEETINGS & ATTENDANCE**

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

Yes

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rolando B. Hortaleza, M.D.	May 25, 2012	13	15	87%
Member	Rosalinda A. Hortaleza, M.D.	May 25, 2012	11	15	73%

<sup>5</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Member	Allue Krisanne A. Hortaleza	May 25, 2012	12	15	80%
Member	Maurice P. Ligot	May 25, 2012	15	15	100%
Member	Eric Roel E. Domagas*	May 25, 2012	9	10	90%
Independent Director	Jimmy T. Yaokasin, Jr.	May 25, 2012	15	15	100%
Independent Director	Rafael C. Lopa	May 25, 2012	14	15	93%
Independent Director	Bonifacio D. de Jesus	May 25, 2012	15	15	100%
Independent Director	Emily A. Abrera	May 25, 2012	15	15	100%

\*Resigned on July 31, 2012

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

Yes, the non-executive directors can have separate meetings during the year without the presence of any executive and without limitation as to the number of meetings.

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

No, under the Company's By Laws, a majority of the numbers of the Board of Directors as fixed in the Articles of Incorporation, which must include an independent director, shall constitute a quorum for the transaction of Corporate business.

- 5) Access to Information

- (a) How many days in advance are board papers<sup>6</sup> for board of directors meetings provided to the board?

Management is required to provide the board advance copies of the board papers not less than three (3) working days prior to the scheduled board meetings

- (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 Company Secretary's role is primarily to maintain, record and disseminate the records of the board meeting, which involves the preparation of agenda in consultation with the Chairman and Management, and in ensuring that notice and agenda of the meeting are sent out to the Board at least seven (7) days prior to the scheduled board meetings. The Corporate Secretary coordinates with the Human Resources and Administration Department to facilitate requested trainings. The Corporate Secretary may likewise perform such tasks as may be delegated by the By Laws and the Board.

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

Yes

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

(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

Presentation materials for the meeting are sent to each committee member days prior to the scheduled Committee Meetings. The Committee Members are likewise given the authority to request additional materials and to meet/ communicate directly with Management should the Committee deem necessary.

6) External Advice

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

The directors, independently or working as a group, in furtherance of their duties and responsibilities, have the right to receive external advice at the Company's expense. Committee members may also invite any other director, officer, person or adviser to any Committee meeting as it may deem necessary, advisable or desirable.

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:

There were no changes on existing policies that may have an effect on the business of the Company were introduced by the Board in 2012.

**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 approved by the Board	As approved by the Board
(2) Variable remuneration	As approved by the Board	As approved by the Board
(3) Per diem allowance	As per company policy	As per company policy
(4) Bonus	As approved by the Board	As approved by the Board
(5) Stock Options and other financial instruments	N/A	N/A
(6) Others (specify)	As approved by the Board	As approved by the Board

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/Non-executive Directors	By resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board and/or Board Committee. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year (Amended By-Laws)		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors?

Yes.

Provide details for the last three (3) years.

During the 2011 Annual Stockholders Meeting, stockholders representing more than 2/3 of the outstanding capital stock of the Company approved the Amendment of Article III Section 8 of the Company's By Laws concerning the per diem and compensation of the Board. Article III Section 8 of the Company's By Laws, as amended, states that By resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board and/or Board Committee. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year

### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P62,801,048.06		
(b) Variable Remuneration			
(c) Per diem Allowance	541,176.40	941,176.39	1,447,058.82
(d) Bonuses			
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)		117,647.06	1,705,882.37
<b>Total</b>	P63,342,224.46	P1,058,823.45	P3,152,941.19

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	7% of Basic Pay as per Actuarial Valuation Report	None	None
(e) Life Insurance Premium	P4M	P7M	None
(f) Hospitalization Plan	Per company medical plan	Per company medical plan	Per company medical plan
(g) Car Plan	Per company car plan policy		None
(h) Others (Specify)	None	None	None
<b>Total</b>			

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:

None

(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:

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
Veneranda M. Tomas/CFO	Php 25,806,081.18
Weena Roja N. Pineda/Chief of Staff-CMO	
Ace Vincent V. Villareal- GM-IOD	
Glenda D. Pingol- GM-DS	
Teresita D. Panganiban –GM- Foods	

**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	1	2	2	The Committee shall have the power to exercise any of the powers and attributes, allowable by law, of the Board of Directors in the intervening period between the Board meetings and subject to the exceptions provided in Section 35 of the Corporation Code.			
Audit & Risk Management	--	1	2	Assists the Board in the performance of its oversight responsibility concerning Financial Reporting and Disclosures, Risk Management, Internal Control Management, Internal and External Audit.			
Nomination	--	1	2	Pre-screens and short lists candidates for the Board of Directors; Defines the role duties and responsibilities of the Chief Executive Officer; Promulgates guidelines and criteria to govern the nomination of the directors and appointments requiring approval			
Remuneration (Compensation and Rewards & Recognition)	--	1	2	Establishes formal and transparent procedure for developing an executive remuneration policy that is consistent with the Company's culture, strategy and control environment; Ensures that the remuneration level is sufficient to attract and retain efficient and competent directors and officers; Reviews and strengthens provisions on conflict of interest, salaries and benefits, promotion and career advancement and directives;			

## 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	Rolando B. Hortaleza, M.D.	2007	--	--	--	5 years
Member (NED)	Rosalinda A. Hortaleza, M.D.	2007	--	--	--	5 years
Member (NED)	Allue Krisanne A. Hortaleza	2007	--	--	--	5 years
Member (ID)	Jimmy T. Yaokasin Jr.	2007	--	--	--	5 years
Member (ID)	Rafael C. Lopa	2010	--	--	--	2 years

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jimmy T. Yaokasin, Jr.	2007	7	7	100%	6 years
Member (NED)	Rosalinda A. Hortaleza, M.D.	2007	7	7	100%	6 years
Member (ID)	Bonifacio D. De Jesus	2011	7	7	100%	1 year

Disclose the profile or qualifications of the Audit Committee members.

The profile and qualifications of the Audit Committee members are as follows:

**Jimmy T. Yaokasin, Jr.** Mr. Yaokasin, 43, Filipino, was elected to the Board of Splash Corporation on October 1, 2007. He is currently the President of Toyota Tacloban Leyte, Inc. He was the former Chairman of the Board of Trustees of the Development Academy of the Philippines in his capacity as the representative of the Office of the President. He is also a member of the Board of Directors of MRC Allied, Inc., Leyte Cable TV Network, Inc., Bethel International School and an independent director of Ang.Hortaleza Corporation.. Mr. Yaokasin is an active member of civic and community organizations - Paul Harris Fellow of Rotary International, Gideons International and former National President of the Philippine Jaycees.

Mr. Yaokasin obtained his degree in Business Administration major in Accountancy (Magna cum Laude) from the University of the Philippines. He obtained his Master in Business Administration (MBA) under the joint Executive MBA program of the Kellogg School of Management of Northwestern University, Chicago and the Hongkong University of Science and Technology. Mr. Yaokasin is a Certified Public Accountant.

**Rosalinda Ang-Hortaleza, M.D.** Dr. Ang-Hortaleza, 54, Filipino, is the Vice-Chairman of Splash Corporation since 1991. She also sits as Vice Chairman of Ang.Hortaleza Corp., and is the Chairman and Chief Executive Officer of HBC, Inc., Ang.Hortaleza Foundation, World Partners Bank, World Partners Insurance Brokers, Inc. and World Partners Finance Corporation.

She graduated with a Bachelor of Science degree in Medical Technology from the University of Santo Tomas in 1980. She obtained her degree in Medicine from Our Lady of Fatima University in 1984. She attended the Advanced Management Program at the Harvard Business School in Boston, Massachusetts in 2000.

**Bonifacio D. De Jesus.** Mr. De Jesus, 62, Filipino, is currently the President of LTL Consultants, which is involved in investment banking, project development consultancy, financial planning, packaging and sourcing of funds, and real estate project conceptualization. He is also a Director of Environs Systems Group Inc. and World Partners Financing Inc., and financial consultant of Jetti Petroleum Inc. and Goshen Land Capital Inc. He was previously the President of Palmera Homes Inc. and Assistant Vice President of Permaline Industrial Corporation.

Mr. De Jesus is a registered Chemical Engineer. He earned his Bachelor of Science degree from the Mapua Institute of Technology, and his masteral units in Business Administration from the Ateneo de Manila Graduate School of Business.

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

As indicated in the Audit Committee Charter, the following are Audit Committee's role relative to external audit:

1. The Audit Committee shall make recommendations to the Board regarding the appointment, re-appointment, or removal of the External Auditors. The External Auditors shall report directly to the Committee. If the External Auditors resign, the Committee shall investigate the issues giving rise to such resignation and consider whether any action is required.
2. The Audit Committee shall review the scope and staffing of the External Auditors' annual audit plan(s).
3. The Audit Committee shall evaluate the external auditors' qualifications, performance, and independence, and shall present its assessment to the full Board on at least an annual basis. As part of the evaluation, at least annually, the Audit Committee shall consider the following by obtaining and reviewing a report or reports from the Company's external auditors:
  - Describing the external auditors' internal quality-control procedures;
  - Describing any material issues raised by (1) the most recent internal quality-control review or peer review of the auditing firm or (2) any inquiry or investigation by governmental or

professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps to deal with any such issues; and

- Describing all relationships between the external auditors and the Company, consistent with Section IV of Code of Corporate Governance of the Philippines;
4. The Audit Committee shall conduct a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.
  5. The Audit Committee shall assist in establishing policies regarding the Company's hiring practices of current or former employees of the external auditors.
  6. The Audit Committee shall review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor in relation to the Company's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of non-audit work of external auditors shall be disclosed in the annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(ID)	Rafael C. Lopa	2010	2	2	100%	2
Member (NED)	Maurice P. Ligot	2010	2	2	100%	2
Member (ID)	Emily A. Abrera	2011	2	2	100%	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Maurice P. Ligot	2007	1	1	100%	5 years
Member (NED)	Rosalinda A. Hortaleza, M.D.	2010	1	1	100%	2 years
Member (ID)	Bonifacio D. Jesus	2011	1	1	100%	1 year

(e) Others (Specify)

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

3) Changes in Committee Members

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

There were no changes in committee membership that occurred during the year 2012.

4) Work Done and Issues Addressed

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

## **AUDIT COMMITTEE**

The Audit Committee has reviewed and approved the 2012 Internal Audit Plan. The Internal Audit Plan contained Planned Audit Projects for the entire years that were performed by the Internal Audit Function to assess the effectiveness and efficiency of the Company's governance, risk management and control processes. The Audit Committee supported the 2012 Internal Audit Plan, which focused on enhancing the efficiency of internal audit and audit process by using audit tools in analyzing data, expanding audit coverage with minimal manpower requirement and aligning internal audit function competencies to the Company's organizational needs and strategic directions.

The Audit Committee reviewed the following internal audit reports during the year:

- Annual Audit Report as of December 31, 2012
- Audit Reports for 56 Completed Engagements in 2012.

These reports summarized the key findings of Internal Audit Function providing both an overview of outstanding audit findings and an inventory of the recommendations and their implementation status.

The Audit Committee paid particular attention to the inventory of moderate to high risk audit findings. The Audit Committee urged to monitor the implementation status of the recommendations and agreed actions plans.

Below are some significant issues addressed in 2012, please see below:

<b>Process</b>	<b>Issues addressed</b>
Audit of Billing and Invoicing	Triggered compliance with Revenue Recognition Accounting Standard. Policy was also updated to be aligned with the Philippine Financial Reporting Standard.
Audit of Direct Selling 12 Branches and Independent Business Contractors	Division acknowledged the need to institute controls on their operations specifically on inventory management and focus on addressing credit risk.
Information Technology and General Controls (ITGC)	Information Technology's governance policy was updated and process owners acknowledged the need to tighten security on the system.
Audit of Reverse Logistics	Triggered re-cascading of use of Distributor Pick-Up Advice process to users and recommended to improve cycle time in processing returns.
Audit of Toll Manufacturing	Process of issuance of RMs and PMs to Toll manufacturer was revisited in order to avoid building up of stocks at their site.
Audit of Advertising and Promo	Recommended to enhance process for doing synopsis and performing evaluation after each project. Emphasized value of IO creation and exclusivity of IO for each program. Triggered re-cascading of IO creation.
Procurement	Emphasized monitoring of OPEN POs. Management instituted additional controls in order to address the issue. Triggered re-cascading of PO process and Goods receiving.
Audit of Monthly Bank Reconciliation	Recommended to improve on the cycle time of preparation and addressing material reconciling items. Cycle time of preparation has been improved. Lesser reconciling items after the cut-off date were noted on the follow-up audit.
Audit of Cash Advances, Expense reports & Liquidation	Emphasized compliance on liquidation and raised concerns on growing unliquidated balances from resigned employees. Prompted the re-cascading of clearance process for retiring/resigning employees.
Audit of Representation Expenses	Outdated policy was revisited. Emphasized compliance with policy on doing representation.
Audit of Incentive Programs	Emphasized the need to consider set-out parameters in doing the computation. Recommended to consider collection (A/R management) as one of the parameters.

Name of Committee	Work Done	Issues Addressed
Executive	Reviewed the membership of the various committees of the Board	Continuing effectiveness of the committees.
Audit	See above answer	See above answer
Nomination	Pre-screen and shortlist all candidates to the board as well as those nominated to positions which require the Board's approval	Reviewed the qualification of the nominees
Remuneration	Established a formal and transparent procedure for developing a policy for fixing the remuneration packages of directors, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.  Designated the amount of remuneration to given to the directors.	established sufficient remuneration to attract and retain directors needed to run the company successfully.

#### 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.

For 2013, part of the Audit Plan is to enforce effective governance through the following projects:

- Audit of Compliance with Code of Conduct
- Implementation of Whistleblower Program
- Audit of Systems
- Audit of Payroll

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Together with the Executive Office and the LMCOM, review the 5 year Strategic Plan and update it where necessary	Long term viability of the Company
Audit	See above answer	
Nomination	Pre-screen and shortlist all candidates/nominees to the Board and positions where Board approval is required t  Review the Company's succession planning policy	Qualifications of nominees
Remuneration	Review proposed incentive program to be presented by management  Review per diem of directors	Maintain competitive compensation program that would continue to motivate employees and directors to work for the company

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Board is responsible for the overall risk management approach, and reviews and approves the policies for managing each of these risks. The Board monitors the implementation of its risk management policies in coordination with the different Company's committee especially with the Leadership and Management Committee (LMCOM).

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

The Audit Committee reviews the Company's risk assessment process and conducts regular discussion with executive management regarding the Company's major risk exposures and the steps that have been taken to monitor and control such exposures.

The Audit Committee also performs oversight function over management's financial activities specifically in managing credit, market, liquidity, operational, legal and other risks of the Company )

#### (c) Period covered by the review; 2012

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

The risk management system is reviewed annually.

#### (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
Regulatory Risk	Constant monitoring of the regulatory environment and membership with active participation in industry associations and lobby groups.	To ensure compliance with government regulations and avoid incurrence of corresponding penalties and sanctions.
Product Liability Risk	The Group through Splash Research Institute, undertakes exhaustive clinical testing before a product is introduced to the market. It also follows strict manufacturing standards to prevent the production of defective products	To avoid liabilities to the consumers of the Company's products due to production defects.
Intellectual Property Rights Infringement	Registering its trademarks in the Philippines and abroad	To avoid sanctions for unregistered products.
R&D and marketing capabilities	Invested in its R&D capabilities through investments in new technology, state-of-the-art equipment and development of	To ensure long term viability of the Company through continuous development and introduction of new products in

	<p>competent and seasoned R&amp;D specialists.</p> <p>Invests in talents from the country's top colleges and universities and develops them into top professionals ready to occupy senior leadership positions in its marketing and selling organization.</p>	the market.
Rising intense of competition	Marketing expertise and responsive R&D infrastructures	To ensure long term viability of the Company through continuous development and introduction of new products in the market.
Credit Risk and Concentration Risk	<p>The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for the Direct Sales receivables, outstanding receivables are mostly from big retail store chains which the Group services directly. Credit lines on these accounts are reviewed on an annual basis.</p>	To reduce exposure to bad debts.
Interest Rate Risk	<p>The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take. The Company has a one time option at any interest setting date under its Notes Facility to convert the interest rate from floating to fixed rate.</p>	<p>The Group monitors the interest rate volatility to determine whether the option to change the interest rate to fixed rate has to be exercised, to protect it from spiraling interest costs should interest rates go up.</p>
Foreign currency risk	<p>It is not considered practical or cost effective at present to use financial instruments or derivatives to manage the Group's exposure to foreign exchange rate fluctuation. Instead, foreign exchange rates are reviewed and monitored periodically by the BOD.</p>	To reduce exposure to losses from movement of foreign currency exchange rates especially the US Dollar.
Liquidity risk	<p>Collection monitoring is performed on a daily basis to ensure positive liquidity</p>	To ensure availability of cash for working capital requirements.

(b) Group

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



<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Regulatory Risk	Constant monitoring of the regulatory environment and membership with active participation in industry associations and lobby groups.	To ensure compliance with government regulations and avoid incurrence of corresponding penalties and sanctions.
Product Liability Risk	The Group through Splash Research Institute, undertakes exhaustive clinical testing before a product is introduced to the market. It also follows strict manufacturing standards to prevent the production of defective products	To avoid liabilities to the consumers of the Company's products due to production defects.
Intellectual Property Rights Infringement	Registering its trademarks in the Philippines and abroad	To avoid sanctions for unregistered products.
R&D and marketing capabilities	Invested in its R&D capabilities through investments in new technology, state-of-the-art equipment and development of competent and seasoned R&D specialists. Invests in talents from the country's top colleges and universities and develops them into top professionals ready to occupy senior leadership positions in its marketing and selling organization.	To ensure long term viability of the Company through continuous development and introduction of new products in the market.
Rising intense of competition	Marketing expertise and responsive R&D infrastructures	To ensure long term viability of the Company through continuous development and introduction of new products in the market.
Credit Risk and Concentration Risk	The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Except for the Direct Sales receivables, outstanding receivables are mostly from big retail store chains which the Group services directly. Credit lines on these accounts are reviewed on an annual basis.	To reduce exposure to bad debts.
Interest Rate Risk	The Group regularly monitors interest rate movements and, on the basis of current and	The Group monitors the interest rate volatility to determine whether the option to change the

	projected economic and monetary data, decides on the best alternative to take. The Company has a one time option at any interest setting date under its Notes Facility to convert the interest rate from floating to fixed rate.	interest rate to fixed rate has to be exercised, to protect it from spiraling interest costs should interest rates go up
Foreign currency risk	It is not considered practical or cost effective at present to use financial instruments or derivatives to manage the Group's exposure to foreign exchange rate fluctuation. Instead, foreign exchange rates are reviewed and monitored periodically by the Groups' BOD.	To reduce exposure to losses from movement of foreign currency exchange rates especially the US Dollar.
Liquidity risk	Receivable monitoring is performed on a daily basis to ensure positive liquidity	To ensure availability of cash for working capital requirements.

(b) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
Risk are covered by remedies provided for by laws, rules and regulations

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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Regulatory Risk	Internal and External Audit, internal control system and regular and surprise audit of related government regulatory bodies such as FDA and BIR.	Changes in legislative and regulatory requirements set by PSE and SEC are regularly monitored and evaluated by concerned units
Product Liability Risk	Quality audit before and after production, Customer Care system	The Group through Splash Research Institute, undertakes exhaustive clinical testing before a product is introduced to the market. It also follows strict manufacturing standards to prevent the production of defective products. The Company has also established Customer Relations Management Unit to handle

		after sales issues.
Intellectual Property Rights Infringement	Market surveillance and research	Registration of the Company's trademarks/ip rights in the Philippines and abroad
R&D and marketing capabilities	Market research	Invested in its R&D capabilities through investments in new technology, state-of-the-art equipment and development of competent and seasoned R&D specialists. invests in talents from the country's top colleges and universities and develops them into top professionals ready to occupy senior leadership positions in its marketing and selling organization
Rising intense of competition	Market research	Marketing expertise and responsive R&D infrastructures
Credit Risk and Concentration Risk	Daily and regular monitoring of receivables by Management and the BOD	The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit lines on these accounts are reviewed on an annual basis.
Interest Rate Risk	Bank relations	The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take. The Company has a one time option at any interest setting date under its Notes Facility to convert the interest rate from floating to fixed rate.
Foreign currency risk	Bank relations	Foreign exchange rates are reviewed and monitored periodically by the Groups' BOD.
Liquidity risk	Fund management	Collection monitoring is performed on a daily basis to ensure positive liquidity

(b) Group

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

(b) 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
Audit & Risk Management	Assists the Board in the performance of its oversight responsibility concerning Financial Reporting and Disclosures, Risk Management, Internal Control Management, Internal and External Audit.	
Leadership and management committee	As provided for in the SLMS and manual on Corporate Governance	Establish a useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach.

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

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

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

Internal control system is the process by which the company maintains a set of policies and procedures in order to safeguard its assets, ensure reliability and integrity of financial information, ensure compliance with laws and regulations, promote efficiency and effectiveness in operations and accomplish its goals and objectives.

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

Review of effectiveness of Internal Control system is being performed by Internal Audit. Results are reported to Audit Committee on behalf of the Board of Directors.

(c) Period covered by the review;

On a yearly basis, Internal Audit performed audit based on the Approved Audit Plan by the Audit Committee. The latest year covered was the calendar year-ended December 31, 2012.

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

Review of internal controls for processes with high business risks are prioritized as part of the Audit Plan. Based on the result of risk-based audit planning, processes identified which have significant risks are covered for the year. For regular processes, review of internal controls is performed on a regular cycle of 3 years.

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

Not applicable. See response above.

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
Internal Audit	Covers Audit of Processes and IT System of Splash Corporation and its subsidiaries.	In-house	Shiela P. Alarcio, Head of Internal Audit	Administratively reports to the CEO and functionally 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?

Selection, appointment and removal of the Head of Internal Audit rest with the Audit Committee. This is specifically defined in the Audit Committee Charter.

(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 Charter clearly defines the authority and reporting lines of Internal Audit. Internal audit has direct, free and full access to the Audit Committee including the Company’s records, properties and personnel in the performance of audit function.

(d) Resignation, Re-assignment and Reasons

For 2014, the following Internal Audit Members left the Company:

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
Shiela P. Alarcio	Accepted a job offer from another company.
Lucky Laurence S. Pijo	Migrated to Davao.

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

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

<b>Progress Against Plans</b>	Internal Audit team was able to complete 90% of the projects identified in the 2012 Approved Audit Plan. This does not include completed audit projects which results were not yet presented to Audit Committee as of December 31, 2012.
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<b>Issues<sup>7</sup></b>	Common issue pertains to interpretation of revenue recognition as it varies per segment of the business.
<b>Findings<sup>8</sup></b>	Common findings were non-compliance and inconsistent application of internal policies and procedures.
<b>Examination Trends</b>	Examination trends depend on the result of risk-based audit planning prior to start of the year. Internal audit team usually examines processes which have significant business risks.

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;

Internal Audit Team usually performs audit planning for the following year every fourth quarter of the preceding year. The output of Audit Planning is the Internal Audit Plan which is approved by the CEO and Audit Committee. Internal Audit plan includes detailed audit projects for the entire year, timeline, milestones, budget and Internal Audit resources.
- 2) Conduct of examination based on the plan;

Performance of audit function is based on the Approved Audit Plan. Internal Audit ensures that projects as identified in the Audit Plan are being prioritized. In cases where there are changes in the Audit Plan or Projects to be performed, approval of the CEO and Audit Committee is sought prior to execution of the changes.
- 3) Evaluation of the progress in the implementation of the plan;

On a regular basis, usually every end of each quarter, Internal Audit team reports to Audit Committee on the progress of implementation of Audit Plan. At the end of each year, Internal Audit also issues Annual Audit Report which summarizes projects that were completed, significant issues identified including action plans and timelines committed by process owners.
- 4) Documentation of issues and findings as a result of the examination;

At the end of each audit project, results are presented to process owners, head of the divisions, executive office and to the Audit Committee. After getting inputs and feedback on the result up to the level of management, reports are prepared which include details of the findings, risks of issues identified, recommendations, responses and action plans from process owners together with the timelines of implementation of the agreed action plans.
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;

At the end of each year, results of the audit performed are used as input in doing risk based audit planning for succeeding year’s audit. Based on the outcome of risk assessment, result of prior year’s audit and company’s plan and strategy for the coming year, audit projects are identified and examination trends are defined based on risks and impact to business objectives.
- 6) Conduct of the foregoing procedures on a regular basis.

Internal Audit Procedures are performed for audit projects identified in the Approved Audit Plan. Regular audit procedures are performed for some projects identified to be covered on a monthly or quarterly basis.

<sup>7</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>8</sup> “Findings” are those with concrete basis under the company’s policies and rules.

(f) Audit Control Policies and Procedures

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

Governance policies and frameworks together with detailed procedures were crafted for the following Internal Audit Processes:

Policies & Procedures	Implementation
Annual Risk Assessment and Annual Audit Plan	Implemented
Outsourced Internal Audit Activity	Implemented
Audit Performance	Implemented
Audit Communication and Reporting	Implemented
Audit Monitoring and Follow-up	Implemented

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal Audit – administratively reporting to CEO and functionally to Audit Committee	The company has no influence over the external financial analysts. Their queries and assessments are responded to objectively by the Investor Relations Officer as the need arises.	The relationship with Investment bankers where the company has direct dealings or transactions is governed by the provisions of the loan covenants. Otherwise the relationship is at arms length.	The company has no dealings with rating agencies and the relationship with them is dealt with as the need arises.
External Audit – limitation on non-audit services. Non-audit services and fees require approval of the Audit Committee.			

(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. Chairman/CEO, President/COO, and EVP/CFO.

**H. ROLE OF STAKEHOLDERS**

- 1) Disclose the company’s policy and activities relative to the following:
- 2)

	Policy	Activities
Customers' welfare	On External Customer Servicing	<ul style="list-style-type: none"> <li>• Ensure the quality of our products;</li> </ul>

	<p>“We listen to our external customers and consumers. We get to know them. Because we exist for them, their deepest desires fuel ours. They are true partners in innovation.”</p> <p><u>On Internal Customer Servicing</u>          “We are passionate in servicing our internal customers. We believe that the quality of our output shall assure the quality of input in the next person in the business process.”</p>	<ul style="list-style-type: none"> <li>• Ensure product availability;</li> <li>• Provide prompt and responsive actions to customer concerns and feedback</li> <li>• Extend extra effort to delight customers;</li> <li>• Observe Customer Service Level Standards.</li> </ul>
Supplier/contractor selection practice	<p>We adhere to professional dealings with suppliers as one of our principal business partners in the conduct of our work and operations. We employ strategic and objective outlook, effective means and efficient techniques to select, accredit, negotiate, evaluate and do business with our suppliers.</p> <p>In accordance with our Core Value on Ethical Governance, “we adhere to our Bidding and Supplier Accreditation Process with integrity.” (p. 68 Employee Handbook)</p>	Bidding and Supplier accreditation process
Environmentally friendly value-chain	<p>The company is compliant to environmental regulations relative to its manufacturing operations. Likewise, it spearheads the use of raw materials and manufacture of eco-friendly products. “Splash Goes Greener” project was also launched as part of Corporate Social Responsibility.</p>	<ul style="list-style-type: none"> <li>• Splash Goes Greener Project</li> </ul>
Community interaction	<p>The Company pursues social responsibility by giving back to the community and, making contributions of enduring value.</p>	<ul style="list-style-type: none"> <li>• Volunteer in social development projects;</li> <li>• Share time, resources and talent for the betterment of the community;</li> <li>• Support environment-friendly programs;</li> <li>• Provide employment to the societies it serves.</li> </ul>
Anti-corruption programmes and procedures?	<p>Our people take pride in living honestly and with integrity. Our career is based on ethics. Our service, founded on sincerity</p>	<ul style="list-style-type: none"> <li>• Observe company time;</li> <li>• Safeguard the interest and resources of the company;</li> <li>• We do not use company time and resources for personal concerns and business;</li> <li>• We submit and provide timely and accurate reports;</li> <li>• We provide necessary and timely feedbacks or reports to management especially if the e company or employee</li> </ul>



		<p>is at risk;</p> <ul style="list-style-type: none"> <li>• We observe honesty in filing and claiming of privileges, benefits, and financial reports and requirements;</li> <li>• We do not accept gifts, bribes, tips, commissions from business partners;</li> <li>• We adhere to the Company's code of conduct;</li> <li>• We evaluate the performance of employees and business partners fairly and objectively;</li> <li>• We abide by our commitments;</li> <li>• We do not initiate nor entertain destructive rumor;</li> <li>• We are truthful and honest in handling information and in representing company;</li> <li>• We secure confidential information.</li> </ul>
Safeguarding creditors' rights	Creditors' rights are safeguarded by the loan covenants agreed upon by the parties.	The Board and management regularly review compliance to the loan covenants during its monthly meetings.

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

“Corporate Cause” is embodied in the company’s Strategic Leadership and Management System (SLMS) as its ultimate objective, and adherence thereto is institutionalized by making part of the employees’ performance measures which is evaluated through the Balanced Scorecard methodology. The overall support of the company on CSR is carried out by the Ang Hortaleza Foundation where Splash contributes a fixed percentage of its net income after tax in addition to the employees’ contributions and participation in the various activities.

4) Performance-enhancing mechanisms for employee participation.

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

All employees shall maintain the company values of productivity and excellence, safety, health, and sanitation. They are duty-bound to be responsible to the company in the use of its facilities and resources, to their co-workers for their safety and collective productivity, to their work areas and the environment near their operating sites for sanitation and freedom from hazards and accidents, and to their work processes for efficiency and compliance to safety regulations.

All employees are to obey safety precautions, at all times and when in all of company premises. These includes wearing the appropriate safety attire and using the proper safety equipment, prohibiting unsafe practices and actions, having extreme caution in the accident-prone and hazardous locations, and maintaining clear knowledge of safety and sanitation as prescribed in the company guidelines by the government regulations, among others.

All employees have the very important responsibility of preventing accidents and promoting safety in the workplace (Employee Handbook).

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

Annual physical exam is part of our HMO provision for covered employees. We also conduct employee relations programs that promote health and wellness. There have been no reported work-related accidents or health concerns in the Company.

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

The company provides various types of programs, covering technical, leadership, functional enhancement programs and value enhancement programs to address varying employee development needs and in support of a learning organization. (statistics on number of programs and participants for 2012 may be included). These are classified into two types relative to mode of conduct:

- 1) Internal Trainings – are training interventions/programs designed and facilitated through/by HRAD-OED. All trainings customized to fit Splash, whether conducted by HRAD-OED or a 3<sup>rd</sup> party training provider, also falls under this category.
- 2) External Trainings – are training interventions/programs offered publicly by training providers. Web-based trainings and trainings facilitated through unconventional platforms by training providers fall under this category. External training programs must be part of individual development plans (IDPs) identified to address employee’s performance gaps or to upgrade employee’s competencies for an expanded job role.

On top of the structured classroom programs, on-line programs are likewise made available through the “Splash University”, where employees can avail of said programs during their most convenient time and in various locations. The internal communication facility is likewise being utilized for regular blasting of learning topics, including book reviews and previews

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

The company’s and employees’ performance are measured through the “Balanced Score Card” (BSC) system. An employee’s merit, upgrading or promotional increase are primarily based on the BSC results. Incentive programs are likewise in place to support priority deliverables for the year and in support of strategic objectives.

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

Prior to 2013 when the Whistle Blower Policy was instituted, the employee through the Customer Care system can freely air their complaints against the Company or its officers concerning any matter including corruption and unethical behavior. Likewise HR implemented a program where selected employees at least once a year are invited to a meeting with the CEO, usually outside the office, where they are encouraged to give comments, criticisms on any matter related to the company.

**I. DISCLOSURE AND TRANSPARENCY**

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Ang Hortaleza Corporation	435,888,888	67.13%	Dr. Rolando B. Hortaleza and Dr.

			Rosalinda A. Hortaleza
PCD Nominee Corp. (Fil.)	208,335,652	32.09%	Various
PCD Nominee Corp. (Non-Fil)	1,866,500	0.29%	Various

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Rolando B. Hortaleza, M.D.	1	435,888,888	67.13%
Veneranda M. Tomas	20,000		0.0031%
Weena Roja N. Pineda	-	-	-
Ace Vincent Villa-Real	-	-	-
Glenda D. Pingol	-	-	-
Ma. Chantelle C. Batac	-	-	-
Joseph C. Bautista	-	-	-
Lynneth P. Malabanan	-	-	-
Fernando M. Manotok	-	-	0.00631465%
Eric Roel E. Domogas	41,000	-	
<b>TOTAL</b>	<b>61,001</b>	<b>435,888,888</b>	<b>67.14%</b>

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	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

The Whistle Blower Policy was implemented in 2013 and will be disclosed in the 2013 Annual Report.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV	Php3.35 million	Php0.13 million

4) Medium of Communication

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

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

1. Company website
2. Press Releases
3. PSE website

5) Date of release of audited financial report:

The 2012 audited financial report was released on April 15, 2013.

6) Company Website

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

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

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

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Ang Hortaleza Corporation (AHC)	Ultimate Parent	Notes receivable	P95,365,840
World Partners Bank	Fellow Subsidiary through AHC	Cash deposit/placement	P204,867,463
HBC, Inc.	Fellow Subsidiary through AHC	Trade receivable	P76,463,022
HBC Global	Fellow Subsidiary through AHC	Trade receivable	P20,618,168
PTSI	Fellow Subsidiary through AHC	Trade an notes receivables and cash advances	P147,523,476
WPFC	Fellow Subsidiary through AHC	Cash advances	P2,492,096
SII	Fellow Subsidiary through AHC	Cash advances	P990,659
Ang Hortaleza Foundation	Related Company	Donations	P6,710,800

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?

It is the Company's policy to deal with its affiliated companies on an arms' length basis and all transactions other than those involving sales of goods and services are required to be approved by the Board of Directors.

**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.

<b>Quorum Required</b>	Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be required. (Section 5, Article II)
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

For corporate acts requiring stockholders’ approval, each stockholder entitled to vote shall in every meeting of the stockholders, be required to one (1) vote for each share of capital stock required to vote. Cumulative voting shall be allowed in the election of the members of the Board of Directors. Unless required by law or by a stockholder representing 20% of the outstanding capital stock entitled to vote, the vote on any question need not be by ballot but may be done through a show of hands or by viva voce. A stockholder may vote either directly or indirectly, through a proxy.

(c) Stockholders’ Rights

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

In addition to stockholders rights laid down in the Corporation Code, the Board Charter grants minority stockholders the right to propose the holding of a meeting or to propose the inclusion of items in the Agenda provided the items are for a legitimate purpose.

Dividends

Declaration Date	Record Date	Payment Date
18 May 2012	01 June 2012	15 June 2012

(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.

To promote stockholder participation in the stockholders meetings, a portion of the meeting is usually dedicated to a question and answer portion wherein stockholders may directly pose their questions to the Chairman, directors, Committee Members, and Management. Should the stockholders need additional information, the Company usually secures the stockholders’ contact number so that Management can communicate with the stockholders even after the meeting.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Amendments to the company's constitution , Authorization for the increase or decrease of capital stocks, and Transfer of all or substantially all assets, which in effect results in the sale of the company, are submitted to the stockholders for approval, and requires the approval of stockholders representing 2/3 the Company's outstanding capital stock .

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
  - a. Date of sending out notices: As provided in Section 4, Article II of the Company's By Laws and under the Corporate Code, notices are sent at least two weeks prior to the meeting
  - b. Date of the Annual/Special Stockholders' Meeting: As provided in Section 1, Article II of the Company's By Laws, the regular meetings of stockholders are to be held on the 4<sup>th</sup> Friday of May of each year, if a legal holiday, then on the day following.
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions	Answers
Acquisition of shares in Barrio Fiesta Manufacturing Corporation (BFMC)	The valuation of the shares was conducted by a third party valuator based on the cash flow which the Company projects to generate from the brand within a ten year period.
Reason for the decrease in the Company's cash position	Decrease in the Company's cash position is primarily due to the acquisition of BFMC and the Company's capital expenditures.
Decline in the share price of the Company's stocks	The decrease in stock's share prices is due to lack of interest in the company's shares. The intrinsic value of the Company's shares is higher. Challenge is for investors to see the Company as a viable long term investment. To address information requirements, the Company conducts briefings to investors and major stakeholders.
Preparation of the Company's Annual Budget	The Company prepares its annual business plan using a top to bottom and bottom -up approach. Each unit is required to set specific targets and is held accountable to certain segments of the Company's Profit & Loss Statement and Balance Sheet. The Company also conducts a mid-year assessment of its mid-term and long term plans.
Possible IPO for Barrio Fiesta	This is not part of the Company's current plans.
Increase G&A and A&P expenses	Necessary to accelerate growth in the Company's International and Direct Selling Operations. Benefits are expected to come after two years  Increase in expenses is proportionate to the increase in net sales volume.
Effectiveness of the Company's Cost Reduction Program	Benefits were offset by rising costs. Price of soap noodles for example increased from US600 per metric ton to US1,100 per metric ton.
Using Just In Time System Strategy	While the Company does not adopt the Just in Time Strategy for inventory, the Company continuously seek ways to optimize its resources and to meet an optimum inventory level.

Increase in allowance for doubtful accounts	In 2011, the Company was quite aggressive in its direct selling operations, after reviewing the quality of the accounts receivables, the Company decided to take the conservative approach. Provisions are merely estimates.
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5. Result of Annual/Special Stockholders' Meeting's Resolutions

Results of the votes taken during the Annual Stockholders meeting are immediately made available on the date of the meeting.

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

Results of the votes taken during the Annual Stockholders meeting are immediately made available on the date of the meeting.

(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:

There were no changes in the Annual/Special Stockholders' Meeting regulations in 2012.

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	Total % of SH attendance
Annual	Rolando B. Hortaleza, M.D. Rosalinda A. Hortaleza, M.D. Allue Krisanne A. Hortaleza Jimmy T. Yaokasin Jr. Maurice P. Ligot Rafael C. Lopa Emily A. Abrera Bonifacio D. De Jesus Eric Roel E. Domagas Veneranda M. Tomas Weena Roja N. Pineda Ace Vincent V. Villa-Real Teresita D. Panganiban Glenda D. Pingol Fernando M. Manotok Joseph C. Bautista Lynneth P. Malabanan Ma. Chantelle C. Batac Ma. Lourdes P. Gatmaytan	May 25, 2012	Ballot	67.24%

(i) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. In the 2012 ASM, SGV and Co. was the appointed independent party to count and/or validate the votes.

- (ii) 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. The Company has only one class of shares.

(g) Proxy Voting Policies

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

	<b>Company's Policies</b>
Execution and acceptance of proxies	<p>A proxy executed by a corporation is required in the form a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by the Corporate Secretary's certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.</p> <p>In case of shares of stock owned jointly by two or more persons, the consent of all co-owners shall be necessary to appoint or revoke a proxy.</p> <p>For the persons owning shares in an and/or capacity, any one of them may appoint and revoke a proxy.</p>
Notary	Proxy forms are not required to be notarized
Submission of Proxy	Proxies must be submitted to the Corporate Secretary at least 10 working days before the date set for the meeting.
Several Proxies	<p>If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.</p> <p>Where the Company receives several proxies from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.</p> <p>Where a proxy is given to two or more persons in the alternative in one instrument, the proxy designated as an alternative can only as proxy in the event of non-attendance designated person.</p> <p>Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all former proxies.</p>



Validity of Proxy	Unless otherwise provided in the proxy, the proxy is only valid for the meeting at which it is presented. In no case shall a proxy be valid and effective for a period longer than five years.
Proxies executed abroad	Proxies executed abroad are required to be duly authenticated by the Philippine Embassy or Consular Office
Invalidated Proxy	A proxy will not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders meeting and election.
Validation of Proxy	A proxy validation committee is required to validate the proxy.
Violation of Proxy	There is presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of timely and valid challenge

(h) Sending of Notices

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

Notices may be sent out by personal delivery or mail at least two weeks prior to the date of meeting to each stockholder of record at his last known address or by publication in a newspaper of general circulation. The notice is required to state the place, date and hour of meeting and the purpose or purposes for which the meeting is called. In case of special stockholders meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. When the meeting is adjourned to another time and place, it is not necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	80 stockholders and 200 trading participants
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	May 03, 2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	May 03, 2012
<b>State whether CD format or hard copies were distributed</b>	CD format and hard copies were distributed
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes

(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, provided in DIS
Documents required for proxy vote.	Yes, proxy form provided along with the notice

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>The Board is committed to respect the following rights of the stockholders:</p> <ol style="list-style-type: none"> <li>1. Voting Right</li> <li>2. Pre-emptive right</li> <li>3. Power of inspection</li> <li>4. Right to information</li> <li>5. Right to Dividends</li> <li>6. Appraisal Right</li> </ol>	<ol style="list-style-type: none"> <li>1. Notices for regular or special meetings of stockholders are sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting. Notice for the June 2012 ASM was sent on</li> <li>2. Each stockholder entitled to vote shall, in every meeting of the stockholders, be entitled to one (1) vote for each share of capital stock qualified to vote by the Articles of Incorporation. A stockholder may vote in person or by proxy executed in writing in accordance with the existing rules and regulations.</li> <li>3. Shareholders are furnished with the disclosures and reports filed with the SEC, PSE and other regulatory bodies through the company website and public records.</li> <li>4. The Board of Directors are authorized to declare dividends out of the unrestricted retained earnings of the Company, which may be payable in cash, in property, or in stock to all Stockholders.</li> </ol>

(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.

As provided in the Company's Board Charter, the following are the external and internal communication policies of the Company:

1. To insure adherence to the corporate principles and best practices, the Chairman of the Board shall designate a compliance officer who shall hold the position of Vice President or its equivalent ;
2. The reports or disclosures required under the Corporations Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance officer;
3. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

- 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.

The contact details of the officer responsible for investor relations are as follows:

Investor Relations Officer: Veneranda M. Tomas

Telephone: (02) 4917707

Fax: (02)5539492

Email: vmtomas@splashcorp.com

	Details
(1) Objectives	To promote an organizational perspective that good governance is a necessary component of sound strategic business management that will help the organization achieve long term sustainability, enhance Corporation value, consistently improve investors' confidence, and ensure fairness in the organization's relationship and dealing with its stakeholders.
(2) Principles	Recognizing the value of establishing and maintaining investor trust, it is therefore essential that we provide our existing and potential shareholders, analysts, employees and general public the relevant and complete information about the company.
(3) Modes of Communications	Company Website, Press Release , PSE website,
(4) Investors Relations Officer	Veneranda M. Tomas

- 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?

The Company does not have a separate rule or 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. The Company however, adopts the provisions stated in articles 40, 81, and 82 of the Corporation Code.

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

Reyes Tacandong for the acquisition of Moondish Foods Corporation

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

<b>Initiative</b>	<b>Beneficiary</b>
Interactive Literacy Program	Ang Hortaleza Foundation
Community Service	Ang Hortaleza Foundation

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

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

The Board is required to conduct an annual self- assessment as follows:

The Audit Committee is required to evaluate its performance based on the Audit Committee charter which conforms to the Sec Memorandum Circular No. 4, Series of 2012. Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange. The performance of the CEO is evaluated based on the results of the Company’s Corporate Balance Score Card.

**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

In case of any violation or breach of the Company’s Manual on corporate governance, and without prejudice to the pertinent provisions of the Company’s Code of Conduct, the following penalties are imposed, after due notice and hearing, on the Company’s directors, officers, management, and employees: First Violation- Reprimand; Second Violation- Suspension from office. Duration of the suspension shall depend on the gravity of the violation; Third violation – removal from office. The Compliance Officer is responsible for determining violation and shall recommend to the Chairman of the Board, the imposable penalty for such violation, which will be subject to the further review and approval of the Board.