



**2017 ASEAN CORPORATE GOVERNANCE SCORECARD  
SELF-ASSESSMENT**

**PART E: RESPONSIBILITIES OF THE BOARD**

June 2017 - May 2018

PART E: RESPONSIBILITIES OF THE BOARD	
E.1 Board Duties and Responsibilities	
ACGS QUESTION	COMPANY RESPONSE
Clearly defined board responsibilities and corporate governance policy	
E.1.1 Does the company disclose its corporate governance policy / board charter?	<p><b>Yes.</b> This is found on pages 18-19 of the Company’s 2017 Revised Corporate Governance Manual and Board of Directors Manual.</p> <p><b>2017 Revised Corporate Governance Manual</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p> <p><b>Board of Directors Manual</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf">http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf</a></p>
E.1.2 Are the types of decisions requiring board of directors/commissioners' approval disclosed?	<p><b>YES.</b> The types of decisions requiring the approval of the board and its committees are provided on the Amended By-Laws and the Updated Corporate Governance Manual.</p> <p><b>Amended By-Laws (p. 10 - 11):</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf">http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf</a></p> <p><b>2017 Revised Corporate Governance Manual (pp. 8 – 9; 13 - 20):</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
E.1.3 Are the roles and responsibilities of the board of directors/commissioners clearly stated?	<p><b>Yes.</b> This is found on pages 7 - 12 of the Company’s 2017 Revised Corporate Governance Manual and Board of Directors Manual.</p> <p><b>Board of Directors Manual</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf">http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf</a></p>

<b>PART E: RESPONSIBILITIES OF THE BOARD</b>	
<b>E.1 Board Duties and Responsibilities</b>	
<b>ACGS QUESTION</b>	<b>COMPANY RESPONSE</b>
Clearly defined board responsibilities and corporate governance policy	
E.1.4 Does the company have an updated vision and mission statement?	<p><b>Yes.</b> This is found at the Company's website at Home / About PSE / Vision and Mission</p> <p><a href="http://www.pse.com.ph/corporate/home.html?tab=0">http://www.pse.com.ph/corporate/home.html?tab=0</a></p>
E.1.5 Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually?	<p><b>Yes.</b> This is found on page 7 - 8 of the Company's 2017 Revised Corporate Governance Manual and Board of Directors Manual.</p> <p><b>2017 Revised Corporate Governance Manual</b></p> <p><a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
E.1.6 Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy?	<p><b>Yes.</b> This is found on page 9 (Duties and Responsibilities of a Director) of the Company's 2017 Revised Corporate Governance Manual and Board of Directors Manual.</p> <p><b>2017 Revised Corporate Governance Manual</b></p> <p><a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>

<b>E.2 Mechanisms for employee participation should be permitted to develop.</b>	
<b>ACGS QUESTION</b>	<b>COMPANY RESPONSE</b>
E.2.1 Does the company explicitly disclose the policies and practices on health, safety and welfare for its employees?	<p><b>Yes.</b> This is found on page 54 of the Shareholder's Annual Report.</p> <p><b>2017 Shareholder Annual Report</b></p>

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ACGS QUESTION	COMPANY RESPONSE
	<a href="http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf">http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf</a>
E.2.2 Does the company explicitly disclose the policies and practices on training and development programmes for its employees?	<b>Yes.</b> This is found on page 53 of the Shareholder’s Annual Report.  <b>2017 Shareholder Annual Report</b> <a href="http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf">http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf</a>
E.2.3 Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?	<b>Yes.</b> The Company revised the terms of its Employee Stock Purchase Plan (ESPP) in 2018 to drive long term objectives by aligning employee interest to that of management which is primarily to incentivize those employee who opt to stay with the Company for a longer period and reward those with a much discounted purchase price.  <b>BoD Approval of Employee Stock Purchase Plan (ESPP), April 11, 2018:</b> <a href="http://www.pse.com.ph/resource/staticcontent/17-C%20(11%20April%202018)%20-%20BOD%20Approval%20of%20Employee%20Stock%20Purchase%20Plan%202018-2021.pdf">http://www.pse.com.ph/resource/staticcontent/17-C%20(11%20April%202018)%20-%20BOD%20Approval%20of%20Employee%20Stock%20Purchase%20Plan%202018-2021.pdf</a>
Board Structure & Composition	
E.2.4 Do independent directors/commissioners make up at least 50% of the board of directors/commissioners?	<b>No.</b> The Company has three (3) independent directors which constitute thirty percent (30%) set by Philippine Corporation Code. The Exchange is further required by Rule 38.7.2 of the 2015 SRC IRR to have at least three independent directors to effectively carry out the SRC provisions.  <b>2017 Revised Corporate Governance Manual, page 3:</b> <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a>
E.2.5 Does the company have a term limit of nine years or less or 2 terms of five	The Exchange adheres to SEC Memorandum Circular No. 4, Series of 2017 which mandates that an independent director shall serve for a maximum cumulative term of nine (9) years.

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<p>years each for its independent directors/commissioners?</p> <p>*The five years term must be required by legislation which pre-existed the introduction of the ASEAN Corporate Governance Scorecard in 2011</p>	
<p>E.2.6 Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously?</p>	<p><b>No.</b> However, none of PSE's current directors hold directorships in more than five publicly-listed companies. This information is found in the Company's SEC Form 17-A.</p> <p><b>SEC Form 17-A (Annual Report) page 40 – 47:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf">http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf</a></p>
<p>E.2.7 Does the company have any executive directors who serve on more than two boards of listed companies outside of the group?</p>	<p><b>No.</b> The Company only has one executive director and he does not serve on any listed company outside the group. This information is found in the Company's SEC Form 17-C.</p> <p><b>SEC Form 17-A (Annual Report) page 40 – 47:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf">http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf</a></p>
<p>Nomination Committee (NC)</p>	

<b>E.2 Mechanisms for employee participation should be permitted to develop.</b>	
<b>ACGS QUESTION</b>	<b>COMPANY RESPONSE</b>
E.2.8 Does the company have a Nominating Committee?	<b>YES.</b> The company has a Nominations and Elections Committee.  <b>2017 Revised Corporate Governance Manual, page 17 :</b> <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a>
E.2.9 Is the Nominating Committee comprised of a majority of independent directors/commissioners?	The Nominations and Elections Committee is composed of one independent director who is also the Chairman and six (6) non-director members.  <b>EDGE, PSE Disclosure Form 4-30 - Material Information/Transactions:</b> <a href="http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf">http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf</a>
E.2.10 Is the chairman of the Nominating Committee an independent director/commissioner?	<b>Yes.</b> Chairman Dakila B. Fonacier is an independent director.  <b>Website (Home / About PSE / Board of Directors):</b> <a href="http://www.pse.com.ph/corporate/home.html?tab=5">http://www.pse.com.ph/corporate/home.html?tab=5</a>
E.2.11 Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee?	<b>Yes.</b> This is found on pages 17 – 18 of the Company's 2017 Revised Corporate Governance Manual.  <b>2017 Revised Corporate Governance Manual:</b> <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a>
E.2.12 Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year?	<b>No.</b>
Remuneration Committee (RC)/Compensation Committee	

<b>E.2 Mechanisms for employee participation should be permitted to develop.</b>	
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E.2.13 Does the company have a Remuneration Committee?	<b>Yes.</b> The Company's Corporate Governance Committee also function as the Remuneration Committee.
E.2.14 Is the Remuneration Committee comprised of a majority of independent directors/commissioners?	<p>The Corporate Governance Committee has two (2) independent directors:                      Jose T. Pardo – Chairman                      Vicente L. Panlilio</p> <p><b>EDGE, PSE Disclosure Form 4-30 - Material Information/Transactions:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf">http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf</a></p> <p><b>Website (Home / About PSE / Board of Directors):</b>  <a href="http://www.pse.com.ph/corporate/home.html?tab=5">http://www.pse.com.ph/corporate/home.html?tab=5</a></p>
E.2.15 Is the chairman of the Remuneration Committee an independent director/commissioner?	<p><b>Yes.</b> Chairman Jose T. Pardo is an independent director.</p> <p><b>EDGE, PSE Disclosure Form 4-30 - Material Information/Transactions:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf">http://www.pse.com.ph/resource/staticcontent/17-C%20(23%20May%202018)%20-%20Appointment%20of%20PSE's%20BOD%20committees.pdf</a></p> <p><b>Website (Home / About PSE / Board of Directors):</b>  <a href="http://www.pse.com.ph/corporate/home.html?tab=5">http://www.pse.com.ph/corporate/home.html?tab=5</a></p>
E.2.16 Does the company disclose the terms of reference/ governance structure/ charter of the Remuneration Committee?	<p><b>Yes.</b> This is found on page 18 of the Company's 2017 Revised Corporate Governance Manual.</p> <p><b>2017 Revised Corporate Governance Manual:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>

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E.2.17 Is the meeting attendance of the Remuneration Committee disclosed and, if so, did the Remuneration Committee meet at least twice during the year?	<b>No.</b>
Audit Committee (AC)	
E.2.18 Does the company have an Audit Committee?	<b>Yes.</b> This is found on page 13 – 17 of the Company’s 2017 Revised Corporate Governance Manual.  <b>2017 Revised Corporate Governance Manual:</b> <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a>
E.2.19 Is the Audit Committee comprised entirely of non-executive directors/commissioners with a majority of independent directors/commissioners?	The Chairman of the Audit Committee is the only independent director.
E.2.20 Is the chairman of the Audit Committee an independent director/commissioner?	<b>Yes.</b> Chairman Dakila B. Fonacier is an independent director.  <b>SEC Form 17-C submitted May 5, 2018:</b> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=bf98cc1d0f34b74743ca035510b6ec2b#sthash.xtxS5u8q.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=bf98cc1d0f34b74743ca035510b6ec2b#sthash.xtxS5u8q.dpbs</a>
E.2.21 Does the company disclose the terms of reference/governance structure/charter of the Audit Committee?	<b>Yes.</b> This is found on page 13 – 17 of the Company’s 2017 Revised Corporate Governance Manual.  <b>2017 Revised Corporate Governance Manual:</b> <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a>



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E.2.22 Does at least one of the independent directors/commissioners of the committee have accounting expertise (accounting qualification or experience)?	<p><b>Yes.</b> Chairman Dakila B. Fonacier is an expert in the field of accounting having had extensive experience working in various positions in government including Commissioner of the BIR, Undersecretary of the Department of Finance and the then Department of Trade and Industry.</p> <p><b>SEC Form 17-A (Annual Report) pages 43 – 44:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf">http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf</a></p>
E.2.23 Is the meeting attendance of the Audit Committee disclosed and, if so, did the Audit Committee meet at least four times during the year?	Yes, the Audit Committee met more than four times 2017.
E.2.24 Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?	<p>Yes. The Committee recommends to the Board the appointment, reappointment, replacement and fees of the external auditor. This is found on page 15 of the Company's 2017 Revised Corporate Governance Manual.</p> <p><b>2017 Revised Corporate Governance Manual:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>

<b>PART E: RESPONSIBILITIES OF THE BOARD</b>	
<b>E.3 Board Processes</b>	
<b>ACGS QUESTION</b>	<b>COMPANY RESPONSE</b>
Board Meetings and Attendance	
E.3.1 Are the board of directors meeting scheduled before the start of financial year?	<b>Yes.</b> Regular board meeting is set twice a month every 2 <sup>nd</sup> and 4 <sup>th</sup> Wednesday set under the Company's Directors Manual.

**PART E: RESPONSIBILITIES OF THE BOARD**

**E.3 Board Processes**

ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
	<p><b>Directors Manual:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf">http://www.pse.com.ph/resource/staticcontent/PSE%20Directors'%20Manual%20(July2013%20For%20Website).pdf</a></p>

PART E: RESPONSIBILITIES OF THE BOARD	
E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.2 Does the board of directors/commissioners meet at least six times during the year?	<p><b>Yes.</b> The Board of Directors met 24 times in 2017. Attendance of the members of the Board was disclosed to the SEC and posted on the EDGE system.</p> <p><b>PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements:</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=19abdf8797e45bdd43ca035510b6ec2b#sthash.7MlxtxIX.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=19abdf8797e45bdd43ca035510b6ec2b#sthash.7MlxtxIX.dpbs</a></p>
E.3.3 Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year?	<p><b>Yes.</b> This information is disclosed to the SEC and posted on the EDGE system.</p> <p><b>PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements:</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=19abdf8797e45bdd43ca035510b6ec2b#sthash.7MlxtxIX.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=19abdf8797e45bdd43ca035510b6ec2b#sthash.7MlxtxIX.dpbs</a></p>
E.3.4 Does the company require a minimum quorum of at least 2/3 for board decisions?	<p><b>No.</b> The Company's Amended By-Laws (Sec.3 Article VI) provide:</p> <p style="padding-left: 40px;">“The presence of at least eight (8) Directors shall constitute a quorum for the transaction of business, and every decision of at least a majority of the Directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officer which shall require the vote of a majority of all members of the Board and except as otherwise specifically provided in these By-Laws”</p> <p><b>Amended By-Laws, pages 11 - 12:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf11">http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf11</a></p>

PART E: RESPONSIBILITIES OF THE BOARD	
E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.5.5 Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?	There was no separate meeting in 2017.
E.3.6 Are board papers for board of directors/commissioners meetings provided to the board at least five business days in advance of the board meeting?	Materials for Board are sent five days before the meeting. Items with Board action depends on the decision of the regulator whose meetings are scheduled only days before the Board.
E.3.7 Does the company secretary play a significant role in supporting the board in discharging its responsibilities?	<p><b>Yes.</b> The duties and responsibilities of the Corporate Secretary is enumerated on page 21 – 23 of the 2017 Revised CG Manual.</p> <p><b>2017 Revised Corporate Governance Manual</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
E.3.8 Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?	<p><b>Yes.</b> The incumbent Corporate Secretary has a good working knowledge of company secretarial practices and a legal and business background. The Company's Corporate Secretary, Atty. Aissa V. Encarnacion, is a partner in Zamora Poblador Vasquez and Bretana Law Office and has served as corporate secretary of the Company since 2004. Atty. Encarnacion is a part-time lecturer on law subjects in the University of the Philippines Virata School of Business.</p> <p><b>SEC Form 17-A (Annual Report) page 47:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf">http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf</a></p>

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E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.9 Does the company disclose the criteria used in selecting new directors/commissioners?	<p><b>Yes.</b> This is found on page 4 of the 2017 Revised CG Manual and pages 12 – 14 of the Definitive Information Statement.</p> <p><b>2017 Revised Corporate Governance Manual</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p> <p><b>Definitive Information Statement filed 6 April 2018 (pp 12 - 14 )</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs</a></p>
E.3.10 Did the company describe the process followed in appointing new directors/commissioners?	<p><b>Yes.</b> This is found on pages 12 – 14 of the Definitive Information Statement.</p> <p><b>Definitive Information Statement filed 6 April 2018 (pp 12 - 14 )</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs</a></p>
E.3.11 Are all directors/commissioners subject to re-election every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years each?	<p><b>No.</b> Directors are elected annually and serves a one-year term and until their successors are elected and qualified.</p> <p><b>Amended By-Laws (p 9)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf">http://www.pse.com.ph/resource/staticcontent/PSE%20Amended%20By-Laws.pdf</a></p>
Remuneration Matters	
E.3.12 Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments)	<p>Details of the aggregated remuneration of the CEO, who is the only executive director of the company, are provided in the Definitive Information Statement.</p>

**PART E: RESPONSIBILITIES OF THE BOARD**

**E.3 Board Processes**

ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
policy/practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO?	<p><b>Definitive Information Statement filed 6 April 2018 (pp 28 - 29)</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs</a></p>

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E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.13 Is there disclosure of the fee structure for non-executive directors/commissioners?	<p><b>YES.</b> Non-executive directors do not receive any remuneration except for a reasonable per diem for each Board and Committee meeting.</p> <p><b>Definitive Information Statement filed 6 April 2018 (pp 28 - 29)</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c162f983adf3d74b43ca035510b6ec2b#sthash.CtB7Scb5.dpbs</a></p>
E.3.14 Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or the senior executives?	<p><b>YES.</b> The Board of Directors, through the Corporate Governance (Remuneration) Committee, approves the remuneration of senior executives.</p> <p><b>2017 Revised Corporate Governance Manual (p 19)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
E.3.15 Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executive with long-term interests of the company, such as claw back provision and deferred bonuses?	<b>None.</b>
Internal Audit	

PART E: RESPONSIBILITIES OF THE BOARD	
E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.16 Does the company have a separate internal audit function?	<p><b>Yes.</b> This is found in the Company’s 2017 Revised CG Manual.</p> <p><b>2017 Revised Corporate Governance Manual (p 15 – 16)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p> <p><b>Company Organizational Structure</b>  <a href="http://www.pse.com.ph/corporate/home.html?tab=6">http://www.pse.com.ph/corporate/home.html?tab=6</a></p>
E.3.17 Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?	<p><b>Yes.</b> Jinky A. Alora, is the Assistant Vice-President and Head of the Internal Audit Group.</p> <p><b>SEC Form 17-A (Annual Report) page 48:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf">http://www.pse.com.ph/resource/staticcontent/2017%20Annual%20Report.pdf</a></p>
E.3.18 Does the appointment and removal of the internal auditor require the approval of the Audit Committee?	<p><b>YES.</b> The appointment and removal of the internal auditor requires the approval of the Audit Committee.</p> <p><b>Amended Audit Committee Charter (IV)(B)(5) p 10 – 11:</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2017_Amended_Audit_Committee_Charter.pdf">http://www.pse.com.ph/resource/staticcontent/2017_Amended_Audit_Committee_Charter.pdf</a></p>
Risk Oversight	



PART E: RESPONSIBILITIES OF THE BOARD	
E.3 Board Processes	
ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.19 Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework?	<p><b>Yes.</b> The Risk Management Framework is found in the Company’s Enterprise Risk Management Framework.</p> <p><b>Enterprise Risk Management Framework</b>  <a href="http://www.pse.com.ph/corporate/corporateGovernance.html?tab=0">http://www.pse.com.ph/corporate/corporateGovernance.html?tab=0</a></p>
E.3.20 Does the Annual Report/Annual CG Report disclose that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems?	<p>As disclosed in the Company’s SEC Form 17-Q, submitted on May 11, 2018, the Company’s risk management system and any issues or resolutions to issues are promptly communicated to the board for appropriate action during the regular and special meetings. As a result of this process, the Company has fortified its enterprise risk management framework by re-assessing and updating the risks the Company faces across all units. More importantly, the risk management plan was enhanced with the identification of action plans, risk mitigating measures and commitments from all PSE units. Risk monitoring and reporting processes were also implemented through the development of Key Risk Indicators (KRIs), dashboards and risk management report.</p> <p><b>Quarterly Report, SEC Form 17-Q, May 11, 2018</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=5f2f4e013ebaf48c43ca035510b6ec2b#sthash.RQRw3TCG.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=5f2f4e013ebaf48c43ca035510b6ec2b#sthash.RQRw3TCG.dpbs</a></p>
E.3.21 Does the company disclose the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic)?	<p><b>Yes.</b> This is found in the Amended Definitive Information Statement filed on April 30, 2018.</p> <p><b>Definitive Information Statement filed April 30, 2018 (p 42)</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=ad7e60c637e7985743ca035510b6ec2b#sthash.1ynDlOq3.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=ad7e60c637e7985743ca035510b6ec2b#sthash.1ynDlOq3.dpbs</a></p>

**PART E: RESPONSIBILITIES OF THE BOARD**

**E.3 Board Processes**

ACGS QUESTION	COMPANY RESPONSE
Board Meetings and Attendance	
E.3.22 Does the Annual Report/Annual CG Report contain a statement from the board of directors/commissioners or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems?	<b>No.</b>

<b>PART E: RESPONSIBILITIES OF THE BOARD</b>	
<b>E.4 People on the Board</b>	
Board Chairman	
<b>ACGS QUESTION</b>	<b>COMPANY RESPONSE</b>
Clearly defined board responsibilities and corporate governance policy	
E.4.1 Do different persons assume the roles of chairman and CEO?	<p>Yes. The President &amp; CEO and the Chairman of the Board are held by different persons.</p> <p><b>2017 Shareholder’s Annual Report (p 10)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf">http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf</a></p>
E.4.2 Is the chairman an independent director/commissioner?	<p>Yes. Chairman Jose T. Pardo is an independent director.</p> <p><b>2017 Shareholder’s Annual Report (p 10)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf">http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf</a></p>
E.4.3 Is any of the directors a former CEO of the company in the past 2 years?	<p><b>No.</b> None of the directors served as CEO in the past two years.</p> <p><b>2017 Shareholder’s Annual Report (p 10 - 15)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf">http://www.pse.com.ph/resource/staticcontent/IR/Financial%20Reports/Annual%20Report/2017_PSE_Annual_Report.pdf</a></p>
E.4.4 Are the roles and responsibilities of the chairman disclosed?	<p><b>Yes.</b> This is found in the Company’s 2017 Revised CG Manual.</p> <p><b>2017 Revised Corporate Governance Manual (p 3 - 4)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>

PART E: RESPONSIBILITIES OF THE BOARD	
ACGS QUESTION	COMPANY RESPONSE
Lead Independent Director	
E.4.5 If the Chairman is not independent, has the Board appointed a Lead/Senior Independent Director and has his/her role been defined?	The Chairman of the Board is an independent director.
Skills and Competencies	
E.4.6 Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in?	<p><b>Yes.</b> Among the directors are brokers who are involved in actual trading of stocks and equities. Broker Directors are represented in the Board up to seven (7) seats. Other directors represent Issuers, Investors and Other Market Participants.</p> <p><b>NOMELEC Rules (p 2 – 3)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/2015%20Nomelec%20Rules.pdf">http://www.pse.com.ph/resource/staticcontent/2015%20Nomelec%20Rules.pdf</a></p>

PART E: RESPONSIBILITIES OF THE BOARD	
E.5 Board Performance	
Directors Development	
E.5.1 Does the company have orientation programmes for new directors/commissioners?	<p>Yes. This is provided for in the Company's CG Manual.</p> <p><b>2017 Revised Corporate Governance Manual (p 20)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
E.5.2 Does the company have a policy that encourages directors/commissioners to	Yes. This is provided for in the Company's CG Manual.

<b>PART E: RESPONSIBILITIES OF THE BOARD</b>	
<b>E.5 Board Performance</b>	
Directors Development	
attend on-going or continuous professional education programmes?	<p>“To have a working knowledge of the statutory and regulatory requirements effecting the Exchange, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.</p> <p>A director should keep abreast with industry developments and business trends in order to promote the Exchange’s competitiveness.”</p> <p><b>2017 Revised Corporate Governance Manual (p 11)</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf">http://www.pse.com.ph/resource/staticcontent/Manual%20on%20Corporate%20Governance%20(2017%20Revision).pdf</a></p>
CEO/Executive Management Appointments and Performance	
E.5.3 Does the company disclose the process on how the board of directors/commissioners plans for the succession of the CEO/Managing Director/President and key management?	The Company is in the process of developing a Succession Plan for key positions.
E.5.4 Does the board of directors/commissioners conduct an annual performance assessment of the CEO/Managing Director/President?	<b>Yes.</b> Company-wide Performance Review Results are presented to the Board’s Corporate Governance Committee which includes the performance of the top key management positions.
Board Appraisal	
E.5.5 Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment?	<p><b>Yes.</b> This is provided for in the Company’s Board Assessment Guidelines. The first assessment following the adoption of the Guidelines was held in January 2018.</p> <p><b>Board Assessment Guidelines</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Board%20Assessment%20Guidelines%202017.pdf">http://www.pse.com.ph/resource/staticcontent/Board Assessment Guidelines 2017.pdf</a></p>

<b>PART E: RESPONSIBILITIES OF THE BOARD</b>	
<b>E.5 Board Performance</b>	
Directors Development	
E.5.6 Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?	<p><b>Yes.</b> This is provided for in the Company’s Board Assessment Guidelines. The first assessment following the adoption of the Guidelines was held in January 2018.</p> <p><b>Board Assessment Guidelines</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Board%20Assessment%20Guidelines%202017.pdf">http://www.pse.com.ph/resource/staticcontent/Board Assessment Guidelines 2017.pdf</a></p>
Committee Appraisal	
E.5.7 Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?	<p><b>Yes.</b> This is provided for in the Company’s Board Assessment Guidelines. The first assessment following the adoption of the Guidelines was held in January 2018.</p> <p><b>Board Assessment Guidelines</b>  <a href="http://www.pse.com.ph/resource/staticcontent/Board%20Assessment%20Guidelines%202017.pdf">http://www.pse.com.ph/resource/staticcontent/Board Assessment Guidelines 2017.pdf</a></p>