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Cebu Air, Inc. CEB

PSE Disclosure Form CGR-1 - Compliance Report on Corporate Governance
***Reference: Corporate Governance Guidelines for Companies Listed on the Philippine
Stock Exchange***

For the year ended Dec 31, 2013

Description of the Disclosure

Please see attached Corporate Governance Guidelines: Disclosure Survey of Cebu Air, Inc. for the year 2013 in compliance with PSE Memorandum CN - No. 2014-002.

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

		COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY			
1.1	Have a clearly defined vision, mission and core values.	Yes	<ul style="list-style-type: none"> • Message to Stockholders, Annual Report • Introduction and Governance, Corporate Governance Manual
1.2	Have a well developed business strategy.	Yes	<ul style="list-style-type: none"> • Message to Stockholders, Annual Report • Introduction and Governance, Corporate Governance Manual
1.3	Have a strategy execution process that facilitates effective performance management and is attuned to the company's business environment, management style and culture.	Yes	<ul style="list-style-type: none"> • Message to Stockholders, Annual Report • Governance, Corporate Governance Manual
1.4	Have its board continually engaged in discussions of strategic business issues.	Yes	<ul style="list-style-type: none"> • Message to Stockholders, Annual Report • Governance, Corporate Governance Manual

Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD			
2.1.	Have a board composed of directors of proven competence and integrity.	Yes	<ul style="list-style-type: none"> • Directors and Executive Officers of the Registrant, Definitive Information Statement • Governance, Corporate Governance Manual
2.2.	Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	Yes	<ul style="list-style-type: none"> • Directors and Executive Officers of the Registrant, Definitive Information Statement • Message to Stockholders, Annual Report
2.3	Have at least three (3) or thirty percent (30%) of its directors as independent directors.	No	The Company complies with the requirement of the Securities and Exchange Commission (SEC) that publicly listed companies must have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser.
2.4	Have in place written manuals, guidelines and issuances that outline procedures and processes.	Yes	Corporate Governance Manual
2.5	Have Audit, Risk, Governance, Nomination & Election Committees of the board.	Yes	<ul style="list-style-type: none"> • Audit, Nomination and Remuneration and Compensation Committees, Corporate Governance Manual • Minutes of the Organizational Meeting of the

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

			Board of Directors
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	Yes	Directors and Executive Officers of the Registrant, Definitive Information Statement
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	Yes	<ul style="list-style-type: none"> Directors and Executive Officers of the Registrant, Definitive Information Statement Final list of candidates for Independent Directors, Definitive Information Statement Meetings of Nomination Committee, Corporate Governance Manual
2.8	Have in place a formal board and director development program.	Yes	<ul style="list-style-type: none"> Training of New Directors and Senior Management Officers, Corporate Governance Manual Orientation and Education Program-Board Matters, Annual Corporate Governance Report
2.9	Have a corporate secretary.	Yes	Corporate Secretary, Corporate Governance Manual
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	Yes	<ul style="list-style-type: none"> Governance, Corporate Governance Manual Interest of Certain Persons in or Opposition to Matters to be Acted Upon, Definitive Information Statement

Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	Yes	<ul style="list-style-type: none"> Internal Audit, Corporate Governance Manual Internal Audit and Control, Annual Corporate Governance Report
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	Yes	<ul style="list-style-type: none"> Responsibility of Internal Audit, Corporate Governance Manual Compliance Officer, Corporate Governance Manual Internal Audit and Control, Annual Corporate Governance Report
3.3	Institutionalize quality service programs for the internal audit function.	Yes	Responsibility of Internal Audit, Corporate Governance Manual

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	Yes	<ul style="list-style-type: none"> • Code of Business Conduct • Supplier Accreditation Policy
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control, and compliance system is in place and working effectively.	Yes	This statement/attestation is presented during the Audit Committee Meeting

Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS			
4.1	Have its board oversee the company's risk management function.	Yes	<ul style="list-style-type: none"> • Mission of Audit Committee and Governance, Corporate Governance Manual • Statement of Effectiveness of Risk Management System, Annual Corporate Governance Report
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	Yes	<ul style="list-style-type: none"> • Financial Risk Management Objectives and Policies, Annual Report • Risk Policy, Annual Corporate Governance Report
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	Yes	Financial Risk Management Objectives and Policies, Annual Report
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	Yes	Financial Risk Management Objectives and Policies, Annual Report
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	Yes	<ul style="list-style-type: none"> • Financial Risk Management Objectives and Policies, Annual Report • Control System-Risk Management System, Annual Corporate Governance Report
4.6	Seek external technical support in risk management when such competence is not available internally.	Yes	Financial Risk Management Objectives and Policies, Annual Report

Guideline No. 5 ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by	Yes	Functions of Audit Committee, Corporate

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

	the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.		Governance Manual
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Yes	<ul style="list-style-type: none"> Independent Public Accountants, Definitive Information Statement Governance, Corporate Governance Manual
5.3	Ensure that the external auditor has adequate quality control procedures.	Yes	Independent Public Accountants, Definitive Information Statement
5.4	Disclose relevant information on the external auditors.	Yes	<ul style="list-style-type: none"> Independent Public Accountants, Definitive Information Statement Functions of Audit Committee, Corporate Governance Manual
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	Yes	Independent Public Accountants, Definitive Information Statement
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	Yes	Meetings of Audit Committee and Responsibilities of Internal Audit, Corporate Governance Manual
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	Yes	Statement of Management's Responsibility over Financial Statements, Definitive Information Statement
5.8	Have a policy of rotating the lead audit partner every five years.	Yes	<ul style="list-style-type: none"> Independent Public Accountants, Definitive Information Statement Accountability and Audit, Corporate Governance Manual

Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON- CONTROLLING GROUP			
6.1	Adopt the principle of "one share, one vote."	Yes	<ul style="list-style-type: none"> Stockholders' Meeting, By-Laws Voting Securities and Principal Holders Thereof and Voting Procedures, Definitive Information Statement
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Yes	<ul style="list-style-type: none"> Stockholders' Meeting, By-Laws Voting Securities and Principal Holders Thereof and Voting Procedures, Definitive

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

			Information Statement
6.3	Have an effective, secure, and efficient voting system.	Yes	Voting Procedures, Definitive Information Statement
6.4	Have effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	Yes	<ul style="list-style-type: none"> • Stockholders’ Meeting, By-Laws • Voting Securities and Principal Holders Thereof and Voting Procedures, Definitive Information Statement
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	Yes	Notice of Annual/Special Meeting of Stockholders
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	Yes	<ul style="list-style-type: none"> • Corporate Governance Manual • Stockholders’ Meeting, By-Laws
6.7	Ensure that all relevant questions during the AGM are answered.	Yes	Minutes of the meetings of stockholders
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes	Stockholders’ Rights and Protection of Minority Stockholders’ Interest, Corporate Governance Manual
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	Yes	Duties and Functions of the Board, Corporate Governance Manual
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	Yes	Public Ownership Report
6.11	Have a communications strategy to promote effective communication with shareholders.	Yes	<ul style="list-style-type: none"> • Annual Report • Company website www.cebupacificair.com • Investor Relations Program, Annual Corporate Governance Report
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	Yes	The Company has a public float of 32.76% as reflected in the public ownership report as of December 31, 2013 filed with the PSE
6.13	Have a transparent dividend policy.	Yes	Equity, Annual Report

Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME		
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CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	Yes	Disclosure and Transparency, Corporate Governance Manual
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Yes	Standard Arrangement and Other Arrangements, Definitive Information Statement
7.3	Disclose its director and executive compensation policy.	Yes	<ul style="list-style-type: none"> • Remuneration Matters, Annual Corporate Governance Report • Compensation of Directors and Executive Officers, Definitive Information Statement
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	Yes	<ul style="list-style-type: none"> • Public Ownership Report • Security Ownership of Certain Record and Beneficial Owners, Definitive Information Statement
7.5	Disclose annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	Yes	<ul style="list-style-type: none"> • Annual Report • SEC Form 17-A • SEC Form 17-Q
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	Yes	<ul style="list-style-type: none"> • Disclosure and Transparency, Corporate Governance Manual • Annual Corporate Governance Report
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	Yes	<ul style="list-style-type: none"> • Notice of Annual/Special Meeting of Stockholders • SEC Form 17-C
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions), and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Yes	<ul style="list-style-type: none"> • SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities) • SEC Form 17-C
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Yes	<ul style="list-style-type: none"> • Financial Risk Management Objectives and Policies, Annual Report • Security Ownership of Certain Record and Beneficial Owners and Management, Definitive Information Statement

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment, and other key stakeholder groups.	Yes	<ul style="list-style-type: none"> • Introduction, Corporate Governance Manual • Financial Highlights and Message from the Chairman and President and CEO, Annual Report
8.2	Have in place a workplace development program.	Yes	<ul style="list-style-type: none"> • Performance-enhancing mechanisms for employee participation, Annual Corporate Governance Report • John Gokongwei Institute for Leadership and Enterprise Development (JG-ILED) www.jgsummit.com.ph
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	Yes	Performance-enhancing mechanisms for employee participation, Annual Corporate Governance Report
8.4	Have in place a community involvement program.	Yes	<ul style="list-style-type: none"> • Corporate Social Responsibility, Annual Report • Corporate Social Responsibility Initiatives, Annual Corporate Governance Report
8.5	Have in place an environment-related program.	Yes	<ul style="list-style-type: none"> • Corporate Social Responsibility, Annual Report • Corporate Social Responsibility Initiatives, Annual Corporate Governance Report
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries, and other market participants.	Yes	Company's policy and activities relative to supplier/contractor selection, Annual Corporate Governance Report

Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING			
9.1	Develop and disclose a policy governing the company's transactions with	Yes	<ul style="list-style-type: none"> • Duties and Functions of the Board, Corporate

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY

Company Name: **CEBU AIR, INC.**

Date: March 17, 2014

	related parties.		Governance Manual <ul style="list-style-type: none"> Related Party Transactions and Code of Business Conduct and Ethics, Annual Corporate Governance Report
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Yes	<ul style="list-style-type: none"> Related Party Transactions, Annual Report Duties and Functions of the Board, Corporate Governance Manual
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	Yes	Related Party Transactions, Annual Corporate Governance Report
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	Yes	Duties and Functions of the Board, Corporate Governance Manual
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	Yes	Related Party Transactions, Annual Report
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes	Corporate Governance Manual
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors, or management.	Yes	Corporate Governance Manual

Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	Yes	Code of Business Conduct
10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance, and compliance with the said issuances.	Yes	Corporate Governance Manual
10.3	Not seek exemption from the application of a law, rule, or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to	Yes	Corporate Governance Manual

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEYCompany Name: **CEBU AIR, INC.**

Date: March 17, 2014

	finally comply with the applicable law, rule, or regulation.		
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes	Code of Business Conduct
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	Yes	Corporate Governance Manual
10.6	Respect intellectual property rights.	Yes	Code of Business Conduct
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	Yes	<ul style="list-style-type: none">• Corporate Governance Manual• Alternative Dispute Resolution and Code of Business Conduct and Ethics, Annual Corporate Governance Report

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

Done this 17th day of March 2014 in Pasig City.



ANTONIO L. GO
Independent Director



LANCE Y. GOKONGWEI
President and Chief Executive Officer