

# COVER SHEET

for Application at

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

I-ACGR

SEC Registration Number

C S 2 0 0 3 1 5 8 7 7

S.E.C. Registration Number

Company Name

M E T R O R E T A I L S T O R E S G R O U P , I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

V I C S A L B U I L D I N G , C O R N E R O F C . D .  
S E N O A N D W . O . S E N O S T R E E T S , B R G Y .  
G U I Z O , N O R T H R E C L A M A T I O N A R E A ,  
M A N D A U E C I T Y , C E B U P H I L I P P I N E S

Company's Telephone Number/s

2368390

Contact Person's Telephone Number

ATTY. VINCENT E. TOMANENG

Contact Person

2368390

Contact Person's Address

Corner of C.D. Seno & W.O. Seno Sts. Guizo North Reclamation Area Mandaue City, Cebu

To be accomplished by CRMD Personnel

as

Date

Signature

Assigned Processor: \_\_\_\_\_  
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Received by Corporate Filing and Records Division (CFRD)

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Forwarded to:

- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance Monitoring Division

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**SEC FORM - I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended: **2018**
2. SEC Identification Number: **CS200315877** 3. BIR Tax Identification No.: **226-527-915**
4. Exact name of issuer as specified in its charter: **METRO RETAIL STORES GROUP, INC.**
5. **Cebu, Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **Vicsal Building, corner of C.D Seno and W.O Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu, Philippines**  
Address of principal office **6014** Postal Code
8. **(032) 236-8390**  
Issuer's telephone number, including area code
9. -  
Former name, former address, and former fiscal year, if changed since last report.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<p><b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.</p>			
<b>Recommendation 1.1</b>			
<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.</p>	Compliant	<p>First Amended Manual of Corporate Governance of the Company ("AMCG"), Article IV, (A)</p> <p>1) The Corporation should be headed by a competent and working Board to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and stakeholders.</p> <p>2) In the election of the members of its Board of Directors, the Corporation should be guided by the following standards:</p> <p>a) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry. The Board should always ensure that it has an appropriate</p>	
<p>2. Board has an appropriate mix of competence and expertise.</p>	Compliant		
<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>	Compliant		

mix of competence and expertise and that its members remain qualified for their positions individually and collectively to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board consists of seven (7) members, of which two (2) are independent directors.

Name	Position
1. Frank S. Gaisano	Chairman
2. Jack S. Gaisano	Director
3. Edward S. Gaisano	Director
4. Margaret G. Ang	Director
5. Manuel C. Alberto	Director
6. Guillermo L. Parayno, Jr.	Independent Director
7. Ricardo Nicanor N. Jacinto	Independent Director

Messrs. Frank S. Gaisano, Jack S. Gaisano, Edward S. Gaisano, and Ms. Margaret G. Ang have served their respective offices since the incorporation of the Company on August 2003. Mr. Manuel C. Alberto was elected as Director on December 17, 2018, and assumed the position effective January 1, 2019, to fill in the vacancy in the

		<p>Board due to the retirement of Mr. Arthur Emmanuel. The independent directors, Mr. Guillermo L. Parayno, Jr. and Mr. Ricardo Nicanor N. Jacinto, were elected on July 16 and 27, 2015, respectively. All Board Members were re-elected to the Board during the last Annual Stockholders' Meeting held on May 3, 2019.</p> <p><i>2018 Board Of Directors – Brief Description and Experience</i></p> <p><i>Frank S. Gaisano, 61, has been the Company's Chairman and Chief Executive Officer since 2012 and has served on the board of directors since 2003. He holds a Bachelor of Science degree in Civil Engineering, which he received from the Cebu Institute of Technology in 1978, and is a board-certified civil engineer. Presently, Mr. Gaisano also serves as Chairman of AB Capital &amp; Investment Corporation and Pacific Mall Corporation. He is also a Director of Vicsal Development Corporation, Filipino Fund, Inc., Taft Property Venture Development Corporation, Taft Punta Engaño Property Inc. and HTLand, Inc. Additionally, he is a Trustee of Vicsal Foundation, Incorporated.</i></p> <p><i>Jack S. Gaisano, 65, has been a Director of the Company since 2003. He received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City in 1976 and is a board-certified chemical engineer. He currently also serves as Chairman and President of Taft</i></p>	
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		<p>Property Venture Development Corporation and Midland Development Corporation, and Chairman of Vsec.Com. Inc. He is the President and Vice-Chairman of HTLand, Inc. He is also a Director of Vicsal Development Corporation and Pacific Mall Corporation.</p> <p><i>Edward S. Gaisano, 63, has served as a Director of the Company since 2003. He has been a board-certified Doctor of Medicine since 1980. Mr. Gaisano is currently Chairman and President of Vicsal Development Corporation. He is also Chairman of Wealth Development Bank Corporation, Hyundai Alabang, Inc. and Hyundai Southern Mindanao, Inc. He is a Director of Taft Property Venture Development Corporation and is the President of Pacific Mall Corporation and former President of the Cebu Chamber of Commerce &amp; Industry. Additionally, Mr. Gaisano is a Trustee of Vicsal Foundation, Incorporated and Habitat for Humanity Philippines, and a member of the Society of Fellows of the Institute of Corporate Directors.</i></p> <p><i>Margaret G. Ang, 67, has served as Director of the Company since 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, Cum Laude), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director, Corporate Secretary and Treasurer of Vicsal Development Corporation, Taft Property Venture Development Corporation and Vicsal Securities &amp; Stock</i></p>	
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	<p>Brokerage, Inc. Ms. Ang is also the President of Filipino Fund, Inc. and of Grand Holidays, Inc. Additionally, she serves as a Director of Manila Water Consortium, Inc. and as a Trustee of Vicsal Foundation, Incorporated.</p> <p><i>Manuel C. Alberto, 53, was elected as Director of the Company, and appointed as President and Chief Operating Officer, on December 17, 2018, and assumed the position effective January 1, 2019, replacing Mr. Arthur Emmanuel who retired on December 31, 2018. Before his election/appointment as President and Chief Operating Officer, he served as the Company's Chief Merchandising and Marketing Officer. He earned his Bachelor of Arts in Communication (1989) from Santa Clara University, California, USA and obtained his Master's degree in Management (1998) from the Asian Institute of Management. Before joining the Company, he served as President &amp; General Manager of Philippine FamilyMart Inc. (2014-2018), VP &amp; Business Unit Head (2013-2015) &amp; VP of Operations (2001-2010) of Rustan Supercenters, Inc., National Operation Director of Jollibee Foods Corp (2010-2013), Store General Manager of Pilipinas Makro Inc.(1998-2001) and Store Manager of Stroud's Linen, USA.</i></p> <p><i>Ricardo Nicanor N. Jacinto, 58, was elected as an independent Director of the Company on July 27, 2015. He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is an Executive Director of Torre Lorenzo</i></p>	
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		<p>Development Corp, a Director of SBS Philippines Corporation and the Treasurer/Trustee of the Judicial Reform Initiative. Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2012-2017) and Managing Director of Ayala Corporation (1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Executive Director.</p> <p><i>Guillermo L. Parayno, Jr., 70, was elected as an independent Director of the Company on July 16, 2015. Mr. Parayno is also the Chairman and President of E-Konek Pilipinas, Inc. and the Director and Vice Chairman of Philippine Veterans Bank. He is also President of the Parayno Consultancy Services on logistics and distribution, customs, information, technology and taxation, and the Chairman &amp; President of Bagong Silang Farms, Inc. Previously, Mr. Parayno led several Asian Development Bank Missions relating to Trade Facilitation and served as Commissioner of Customs from 1992 to 1998, and Commissioner of the Bureau of Internal Revenue from 2002-2005.</i></p>	
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**Recommendation 1.2**

1. Board is composed of a majority of non-executive directors.	Compliant	AMCG, Article IV, (A), 2.	
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b. The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Composition of the Board:

Name of Director	Type of Director (ED – Executive Director) (NED – Non-Executive Director) (ID – Independent Director)
Frank S. Gaisano	ED
Edward S. Gaisano	NED
Margaret G. Ang	NED
Jack S. Gaisano	NED
Manuel C. Alberto	ED
Guillermo L. Parayno, Jr.	ID and NED
Ricardo Nicamor N. Jacinto	ID and NED

**Recommendation 1.3**

1. Company provides in its Board Charter	Compliant	AMCG, Article IV, 2
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and Manual on Corporate Governance a policy on training of directors.		c) First time directors are required to attend an orientation program to be provided by a training provider duly accredited by the Commission and all directors are required to attend an annual continuing training to be provided by such accredited training provider. The courses for the orientation program and continuing training shall comply with the applicable SEC rules and regulations.	
2. Company has an orientation program for first time directors.	Compliant	All directors have complied with SEC Memorandum Circular No. 20, series of 2013 and SEC Memorandum Circular No. 2, series of 2015.  See PSE Disclosure <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs</a>	
3. Company has relevant annual continuing training for all directors.	Compliant		
<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity.	Compliant	AMCG, Article IV, 2 d) Board diversity shall be a consideration in the nomination and election of the members of the Corporation's Board of Directors.	

<b>Optional: Recommendation 1.4</b>			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	-		
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	Compliant	<p>The Corporate Secretary of the Corporation is Atty. Vincent E. Tomaneng, while the Compliance Officer of the Corporation is Atty. Tara Tsarina B. Perez-Retuya.</p> <p>The Corporate Secretary is not a member of the Board.</p> <p><i>Vincent E. Tomaneng, 51, was appointed as the Corporate Secretary on July 27, 2015. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (1988, Magna Cum Laude) degrees from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar Hernandez &amp; Gatmaitan Law Offices as a Senior Associate (1997 to 2003) and with Sycip Gorres Velayo &amp; Co., CPA's as a Tax Supervisor (1988 to 1996). He is presently the Director and Corporate Secretary of Filipino Fund, Inc. from</i></p>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		

		2014, and Corporate Secretary of HTLand, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and a Trustee of Vicsal Foundation, Incorporated since 2017.	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	See PSE Disclosure on Certificate of Attendance in Corporate Governance Training <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=45a21a6aa78df3963318251c9257320d#sthash.UuxyBNp.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=45a21a6aa78df3963318251c9257320d#sthash.UuxyBNp.dpbs</a>  See PSE Disclosure on Certificate of Attendance in Corporate Governance Training <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs</a>	
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	Materials are distributed to the Board of Directors at least three (3) working days before the scheduled meeting.	
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	Compliant		
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the	Non-Compliant	The Compliance Officer of the Corporation is Atty. Tara Tsarina B. Perez-Retuya.	The Compliance Officer of the Corporation need not have the rank of Senior Vice-President or an equivalent

corporation.		AMCG, Article IV, (C) , 14	position so long as she is able to comply with her duties and responsibilities as Compliance Officer.
3. Compliance Officer is not a member of the board.	Compliant	Appoint a Compliance Officer. The Compliance Officer need not have the rank of Senior Vice-President or an equivalent position, but he/she must be able to faithfully comply with his/her duties and responsibilities.	
4. Compliance Officer attends training/s on corporate governance.	Compliant	See PSE Disclosure on Certificate of Attendance in Corporate Governance Training <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=45a21a6aa78df3963318251c9257320d#sthash.UuxyiBNp.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=45a21a6aa78df3963318251c9257320d#sthash.UuxyiBNp.dpbs</a>  See PSE Disclosure on Certificate of Attendance in Corporate Governance Training <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs</a>	

**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care,	Compliant	On 13 April 2015, the Board of Directors has adopted the	
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and in the best interest of the company.		Company's Manual on Corporate Governance, which aims to institutionalize the principles of good corporate governance (i.e. fairness, accountability, and transparency) in the entire organization (the "Manual"). In the Manual, the Company recognizes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization. On May 5, 2017, the Company's Board of Directors has approved and ratified the First Amended Manual on Corporate Governance (the "AMCG") in compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 19 Series of 2016, (the "Code of Corporate Governance for Publicly Listed Companies")	
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<b>Recommendation 2.2</b>			
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1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	AMCG, Article IV (C) (2)	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Approve and oversee the development of the Corporation's business objectives, strategies, and programs in order to	

		<p>sustain the Corporation's long-term viability and strength.</p> <p>Periodically evaluate and monitor the implementation of such policies, strategies, and programs, including the business plans, operating budgets and Management's overall performance.</p>	
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**Supplement to Recommendation 2.2**

<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	<p>Compliant</p>	<p><b>VISION STATEMENT</b></p> <p>By 2020, we will be a multi-format retailer that is best-in class in sales, margins and OPEX per square meter of net selling space; profitably operating in strategic locations in the Philippines.</p> <p><b>MISSION - VALUES</b></p> <p>We remain committed to the promise of providing an exciting experience through our distinct and quality products at reasonable prices, delivered by dedicated and dynamic employees who are guided by the Metro core values passed on by our founders.</p>	
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<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<p>AMCG, Article IV, (C) (7)</p> <p>Approve the selection and assess the performance of Management led by the Key Officers.</p> <p>The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.</p>	
<b>Recommendation 2.3</b>			
<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Compliant</p>	<p>Mr. Frank S. Gaisano, the Chairman of the Board of Directors, is highly competent and qualified.</p>	
<b>Recommendation 2.4</b>			
<p>1. Board ensures and adopts an effective succession planning program for directors, key officers and management.</p>	<p>Compliant</p>	<p>AMCG, Article V, (B), (4)</p> <p>The Board, through its Nomination &amp; Compensation Committee, ensures that there is a succession plan for the CEO, President &amp; COO, and senior executives. The Nomination and Compensation Committee shall recommend a succession plan for board members and senior officers and establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent</p>	
<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Compliant</p>	<p>The Board, through its Nomination &amp; Compensation Committee, ensures that there is a succession plan for the CEO, President &amp; COO, and senior executives. The Nomination and Compensation Committee shall recommend a succession plan for board members and senior officers and establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent</p>	



		with the Company's culture, strategy and the business environment in which it operates, and which shall be commensurate to corporate and individual performance. The remuneration policy should be aligned with the long-term interest of the Corporation and should specify the relationship between remuneration and performance.	
<b>Recommendation 2.5</b>			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	AMCG, Article IV, (I)  REMUNERATION OF DIRECTORS AND OFFICERS	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Compensation	

		Committee. No director should participate in deciding on his remuneration.	
<b>Optional: Recommendation 2.5</b>			
1. Board approves the remuneration of senior executives.	Compliant	Please refer to Article V, (B), (4) of the AMCG.	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	-		
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	Compliant	AMCG, Article IV,( B)	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Complaint	NOMINATION AND COMPENSATION COMMITTEE	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	1) The Board shall create a Nomination and Compensation Committee which shall have at least three (3) members and one (1) of whom must be an independent director, to review and evaluate the qualifications of all individuals nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in	Compliant		

<p>the nomination, election or replacement of a director.</p>		<p>the Board's processes and procedures in the election or replacement of directors.</p>	
<p>6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.</p>	<p>Compliant</p>	<p>2) At least, thirty calendar (30) days before the Annual Stockholders' Meeting, the Nomination and Compensation Committee shall accept, pre-screen, and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications of a director. In the evaluation of the nominees, the Committee shall consider whether the candidates:</p> <ul style="list-style-type: none"> <li>a) Possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Corporation's business and risk profile.</li> <li>b) Have a record of integrity and good repute.</li> <li>c) Have sufficient time to carry out their responsibilities.</li> <li>d) Have the ability to</li> </ul>	

		<p>promote a smooth interaction between board members.</p> <p>The Nomination and Compensation Committee may engage the services of professional search firms or other external sources when searching for candidates to the Board.</p> <p>3) The Nomination and Compensation Committee shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	
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**Optional: Recommendation to 2.6**

1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	-		
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**Recommendation 2.7**

1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or	Compliant	AMCG, Article IV, (C)(9) Formulate and implement policies	
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infrequently occurring transactions.		and procedures that would ensure	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	the integrity and transparency of Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	<p>This is echoed under the functions of the Audit and Risk Committee as provided under the AMCG, Article V (A), (5), (c)</p> <p>Related Party Transactions Functions</p> <p>a. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, Related Party Transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators;</p> <p>b. Evaluates all material Related Party Transactions to ensure that</p>	

		<p>these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following:</p> <ul style="list-style-type: none"><li>i. The Related Party's relationship to the Corporation and interest in the transaction;</li><li>ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;</li></ul>	
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		<p>iii. The benefits to the Corporation of the proposed Related Party Transaction;</p> <p>iv. The availability of other sources of comparable products or services; and</p> <p>v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Committee shall ensure that the Corporation has an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions.</p> <p>c. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's Related Party Transactions exposures, and</p>	
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		<p>policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.</p> <p>d. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.</p> <p>e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.</p> <p>f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting Related Party Transactions, including a periodic review of Related Party</p>	
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		Transactions policies and procedures.	
<b>Supplement to Recommendations 2.7</b>			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes 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 RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Compliant	Please refer to the Corporation's Policy on Related-Party Transactions	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant		
<b>Recommendation 2.8</b>			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	AMCG, Article IV, (C)  <b>DUTIES AND FUNCTIONS</b>  To insure a high standard of best practices for the Corporation, its stockholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and	
2. Board is primarily responsible for assessing the performance of Management led by	Compliant		

<p>the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>		<p>integrity in the performance of, among others, the following duties and functions:</p> <p>1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p> <p>Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for directors and Management to ensure growth and a continued increase in the shareholders' value. The succession plan shall include, as far as practicable, a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.</p> <p>xxx</p> <p>7. Approve the selection and assess the performance of Management led by the Key Officers.</p> <p>The Board shall establish an effective performance</p>	
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		<p>management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.</p> <p>xxx</p> <p>14. Appoint a Compliance Officer. The Compliance Officer need not have the rank of Senior Vice-President or an equivalent position, but he/she must be able to faithfully comply with his/her duties and responsibilities.</p>	
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**Recommendation 2.9**

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	<p>AMCG, Article IV,( C) (7)</p> <p>Approve the selection and assess the performance of Management led by the Key Officers.</p>	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant	<p>The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.</p>	

**Recommendation 2.10**

1. Board oversees that an appropriate	Compliant	AMCG, Article II	
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internal control system is in place.		DEFINITION OF TERMS xxx	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	<p>Internal Control – the process designed and effected by the Board of Directors and Management, to provide reasonable assurance on the achievement of the Corporation's objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and the Corporation's policies and procedures;</p> <p>AMCG, Article IV (C) (6)</p> <p>DUTIES AND FUNCTIONS OF THE BOARD:</p> <p>Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>AMCG, Article IV (E)</p> <p>INTERNAL CONTROL RESPONSIBILITIES</p>	

		<p>OF THE BOARD</p> <p>The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, the Board members, and shareholders.</p> <p>The control environment of the Corporation shall consist of the following:</p> <ol style="list-style-type: none"> <li>1) The Board which ensures that the Corporation is properly and effectively managed and supervised.</li> <li>2) A Management that actively manages and operates the Corporation in a sound and prudent manner.</li> <li>3) The organizational and procedural controls which are duly supported by effective management information and risk management reporting systems.</li> </ol>	
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		<p>4) An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.</p> <p>The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:</p> <p>1) Definition of the duties and responsibilities of the Chairman/Chief Executive Officer ("CEO") and President/Chief Operating Officer ("COO") who are ultimately accountable for the</p>	
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		<p>Corporation's organizational and operational controls.</p> <p>2) Selection of the persons who possess the ability, integrity and expertise essential for the positions of Chairman/CEO and President/COO.</p> <p>3) Evaluation of proposed senior management appointments.</p> <p>4) Selection and appointment of qualified and competent management officers.</p> <p>5) Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.</p> <p>6) Approval the Corporation's Internal Audit Charter.</p>	
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		<p>AMCG, Article V (A) (1)</p> <p>The Audit and Risk Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting and monitoring compliance with laws, regulations, and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.</p> <p>AMCG, Article X (1)</p> <p>The Corporation shall establish and implement an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile, and complexity of operations.</p>	
3. Board approves the Internal Audit Charter.	Compliant	Please refer to the functions of the Audit and Risk Committee under Article V (A) of the AMCG.	
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business	Compliant	<p>AMCG, Article IV (C), (15)</p> <p>DUTIES AND FUNCTIONS OF THE</p>	



risks.		BOARD:	
<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	Compliant	<p>Implement a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess, and manage key business risks. In this connection, the Board shall be responsible for defining the Corporation's level of risk tolerance and provide oversight over its risk management policies and procedures.</p> <p>The Audit and Risk Committee shall have the following functions under the AMCG:</p> <p>Risk Oversight Functions</p> <ol style="list-style-type: none"> <li>a. Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost.</li> <li>b. Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real.</li> <li>c. Oversee the implementation of the risk management strategies and policies.</li> <li>d. Develop a formal enterprise risk</li> </ol>	

		<p>management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures.</p> <p>e. Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks.</p> <p>f. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness</p>	
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		<p>and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss.</p> <p>g. Advise the Board on its risk appetite levels and risk tolerance limits.</p> <p>h. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation.</p> <p>i. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority</p>	
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		<p>areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders.</p> <p>j. Provides oversight over Management's activities in managing credit, market liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management.</p> <p>k. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.</p> <p>AMCG Article X, (4)</p> <p>The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:</p>	
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		<ul style="list-style-type: none"> <li>a) Defining a risk management strategy.</li> <li>b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives.</li> <li>c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters.</li> <li>d) Establishing a risk register with clearly defined, prioritized and residual risks.</li> <li>e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy.</li> <li>f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee.</li> </ul>	
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		g) Monitoring and evaluating the effectiveness of the organization's risk management processes.	
<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Please refer to the Corporation's Code of Conduct for Directors and Senior Management.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
<b>Additional Recommendation to Principle 2</b>			
1. Board has a clear insider trading policy.	Compliant	<p>AMCG, Article IV, (C), (17)</p> <p>DUTIES AND FUNCTIONS OF THE BOARD:</p> <p>Approve and implement a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should include an anti-corruption policy and program. The Code should be properly disseminated to the Board, Management and employees. It should also be disclosed and made available to the public through the</p>	

		Corporation's website.  The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code and other internal policies.	
<b>Optional: Principle 2</b>			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	Please refer to the Corporation's Code of Conduct for Directors and Senior Management.	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	Please refer to the Corporation's disclosures in the PSE Edge.	
<b>Principle 3:</b> Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
<b>Recommendation 3.1</b>			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	The Corporation has the following Board Committees: <ol style="list-style-type: none"> <li>1. Audit and Risk Committee</li> <li>2. Governance Committee</li> <li>3. Nomination and Compensation Committee</li> <li>4. Investment Committee</li> </ol>	
<b>Recommendation 3.2</b>			
1. Board establishes an Audit Committee to enhance its oversight capability over the	Compliant	AMCG, Article IV, C	

<p>company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>		<p><b>DUTIES AND FUNCTIONS</b></p> <p>To insure a high standard of best practices for the Corporation, its stockholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:</p> <p>10) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.</p> <p>Please refer to the constitution of the Audit and Risk Committee and its functions under AMCG, Article V, (A)</p> <p>1) The Audit and Risk Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting and monitoring compliance with laws, regulations, and internal policies, efficiency and effectiveness of operations, and</p>	
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		<p>safeguarding of assets.</p> <p>2) The Audit and Risk Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.</p> <p>3) The Audit and Risk Committee shall review all material related party transactions of the Corporation.</p> <p>4) The Audit and Risk Committee shall consist of three (3) non-executive directors, who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors. The chair of the Audit and Risk Committee should be an independent director. At least one member of the committee must have relevant thorough knowledge and experience on risk management.</p> <p>5) The committee shall have the following functions:</p>	
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		<ul style="list-style-type: none"> <li>a. Audit Functions</li> <li>b. Risk Oversight Functions</li> <li>c. Related Party Transactions Functions</li> </ul>	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	<p>AMCG, Article V, (A), (4)</p> <p>The Audit and Risk Committee shall consist of three (3) non-executive directors, who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors. The chair of the Audit and Risk Committee should be an independent director. At least one member of the committee must have relevant thorough knowledge and experience on risk management.</p>	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	<p>The members of the Company's Audit and Risk Management Committee (2018) are:</p> <ul style="list-style-type: none"> <li>1. Guillermo L. Parayno, Jr. – Chairman, Independent Director, Non-Executive Director</li> <li>2. Margaret G. Ang - Member, Non-Executive Director</li> <li>3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director</li> </ul>	

		who are all highly qualified and competent to act as such.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit and Risk Committee, Mr. Guillermo L. Parayno, Jr., is not the Board Chairman nor a Chairman of any other committee.	
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	AMCG, Article V, (A), (n)  AUDIT AND RISK COMMITTEE  Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	AMCG, Article V, (A), (o)  As far as practicable, the Audit and Risk Committee shall endeavour to	

		meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.	
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	AMCG, Article V, (A), (f)  FUNCTIONS OF THE AUDIT AND RISK COMMITTEE: (f) Organize and oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an Internal Audit Head, as well as approve the terms and conditions for internal audit services, if necessary.	
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	AMCG, Article V, (C) GOVERNANCE COMMITTEE  1) The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.  2) The Governance Committee shall consist of three (3) directors, one (1) of whom shall be an	

		<p>independent director.</p> <p>3) The Committee shall have the following functions, among others that may be delegated by the Board:</p> <p>a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments.</p> <p>b) Oversees the periodic performance evaluation of the Board and its committees as well as Management, and conducts an annual self-evaluation of its performance.</p> <p>c) Ensures that the results of the Board evaluation are shared, discussed, and</p>	
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		<p>that concrete action plans are developed and implemented to address the identified areas for improvement.</p> <p>d) Recommends continuing education and/or relevant training programs for directors.</p> <p>e) Develop, review and recommend to the Board a set of corporate governance policies and guidelines applicable to the Corporation, including the amendments or revisions to this Manual, and ensures that these are reviewed and updated regularly.</p> <p>f) Responsible for overseeing the Corporation's implementation and effectiveness of its corporate governance, including the annual accomplishment of the scorecard on the scope, nature and extent of the actions undertaken by the Corporation to meet the objectives of this Manual.</p>	
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		<p>g) To maintain an informed status on issues related to the Corporation's corporate social responsibility, public policy and philanthropy, and those affecting the name, reputation and goodwill of the Corporation.</p>	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Non-Compliant</p>	<p>The members of the Company's Corporate Governance Committee (2018) are:</p> <ol style="list-style-type: none"> <li>1. Edward S. Gaisano – Chairman and Non-Executive Director</li> <li>2. Margaret G. Ang – Member, Non-Executive Director</li> <li>3. Guillermo L. Parayno, Jr. – Member, Independent Director</li> <li>4. Ricardo Nicanor N. Jacinto – Member, Independent Director</li> <li>5. Manuel C. Alberto – Member, Executive Director</li> </ol>	<p>The two (2) independent directors of the Company are members of the Corporate Governance Committee. The Company, having only 2 independent directors, is compliant with the Revised Code of Corporate Governance under Article 3 of SEC Memorandum Circular No. 6, series of 2009 which provides:</p> <p>Article 3 (a) The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders.</p> <p>All companies covered under this Code shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). All other companies are encouraged to have independent directors in their boards.</p>

3. Chairman of the Corporate Governance Committee is an independent director.	Non-compliant		The incumbent Chairman, Mr. Edward S. Gaisano, is not an independent director, but has relevant background, knowledge, skills, and/or experience in the area of corporate governance being a member of the Society of Fellows of the Institute of Corporate Directors.
<b>Optional: Recommendation 3.3.</b>			
1. Corporate Governance Committee meet at least twice during the year.	-		
<b>Recommendation 3.4</b>			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	<p>AMCG, Article V, (A), (5), (b)</p> <p>The Audit and Risk Committee is tasked, among others, to:</p> <ul style="list-style-type: none"> <li>a) Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost.</li> <li>b) Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real.</li> <li>c) Oversee the implementation of the risk management strategies and policies.</li> <li>d) Develop a formal enterprise risk</li> </ul>	



		<p>management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures.</p> <p>e) Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks.</p> <p>f) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness</p>	
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		<p>and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss.</p> <p>g) Advise the Board on its risk appetite levels and risk tolerance limits.</p> <p>h) Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation.</p> <p>i) Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority</p>	
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		<p>areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders.</p> <p>j) Provides oversight over Management's activities in managing credit, market liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management.</p> <p>k) Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.</p>	
<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>Complaint</p>	<p>The members of the Company's Audit and Risk Committee (2018) are:</p> <ol style="list-style-type: none"> <li>1. Guillermo L. Parayno, Jr. – Chairman, Independent Director, Non-Executive Director</li> <li>2. Margaret G. Ang - Member,</li> </ol>	

		<p>Non-Executive Director</p> <p>3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director</p>	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit and Risk Committee, Mr. Guillermo L. Parayno, Jr., is not a Board Chairman nor a Chairman of any other committee.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	Messrs. Parayno and Jacinto possess the necessary knowledge, competence, and experience on risk and risk management.	
<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	<p>AMCG, Article V, (A), (5), (c)</p> <p>The Audit and Risk Committee is tasked with reviewing all material related party transactions of the Corporation, and specifically:</p> <p>a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, Related Party Transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.</p>	

		<p>Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators;</p> <p>b) Evaluates all material Related Party Transactions to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following:</p> <p>ii. The Related Party's relationship to the Corporation and interest</p>	
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		<p>in the transaction;</p> <ul style="list-style-type: none"> <li>ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;</li> <li>iii. The benefits to the Corporation of the proposed Related Party Transaction;</li> <li>iv. The availability of other sources of comparable products or services; and</li> <li>v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Committee shall ensure that the Corporation has an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions.</li> </ul> <p>c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the</p>	
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		<p>Corporation's Related Party Transactions exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.</p> <p>d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.</p> <p>e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.</p> <p>f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting</p>	
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		Related Party Transactions, including a periodic review of Related Party Transactions policies and procedures.	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	The members of the Company's Audit and Risk Management Committee (2018) are: 1. Guillermo L. Parayno, Jr. – Chairman, Independent Director, Non-Executive Director 2. Margaret G. Ang - Member, Non-Executive Director 3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director	
<b>Recommendation 3.6</b>			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Please refer to the specific functions of the Board Committees under Article V of the AMCG.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant	<a href="https://www.metroretail.com.ph/index.php/disclosures/charter-documents">https://www.metroretail.com.ph/index.php/disclosures/charter-documents</a>	



**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**Recommendation 4.1**

<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p>Compliant</p>	<p>AMCG, Article IV, (G)</p> <p>The members of the Board should attend and actively participate in the regular and special meetings of the Board in person or through videoconferencing and teleconferencing conducted in accordance with the rules and regulations of the SEC and the By-laws.</p> <p>Independent directors should always attend Board meetings. To promote transparency, the presence of at least one independent director shall be required in all its meetings.</p> <p>Attendance of the BOD is disclosed in the Company's Annual Report which is distributed to its shareholders.</p> <p>See Annual Report  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=66476415d3c289f843ca035510b6ec2b#sthash.2gNxvRCs.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=66476415d3c289f843ca035510b6ec2b#sthash.2gNxvRCs.dpbs</a></p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>Compliant</p>	<p>AMCG, Article IV, (D), (2)</p>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee</p>	<p>Compliant</p>	<p>DUTIES AND RESPONSIBILITIES OF THE BOARD:</p>	

meetings.		<p>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p>	
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**Recommendation 4.2**

<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	Compliant	<p>No non-executive director of the Corporation serves in more than five publicly-listed companies. AMCG , Article IV, (H)</p> <p>BOARD SEATS The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.</p>	
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		The Chairman/CEO and President/COO and other Executive Directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to Independent or Non-executive Directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised. A director should notify the Board before accepting a directorship in another company.	
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**Recommendation 4.3**

1. The directors notify the company's board before accepting a directorship in another company.	Compliant	AMCG , Article IV, (H), 2 <sup>nd</sup> paragraph  xxx  A director should notify the Board before accepting a directorship in another company.	
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**Optional: Principle 4**

1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	No executive director of the Corporation serves in more than two (2) boards of listed companies outside the group.	
2. Company schedules board of directors' meetings before the start of the financial year.	-		

3.			
4. Board of directors meet at least six times during the year.	-	In 2018, the Board of Directors has met seven (7) times.	
5. Company requires as minimum quorum of at least 2/3 for board decisions.	-		

**Principle 5:** The board should endeavor to exercise an objective and independent judgment on all corporate affairs

**Recommendation 5.1**

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Non - Compliant	<p>The Board has two (2) independent directors, out of the seven (7) seats, namely:</p> <ol style="list-style-type: none"> <li>1. Guillermo L. Parayno, Jr.</li> <li>2. Ricardo Nicanor N. Jacinto</li> </ol>	<p>The Corporation is compliant with Section 3 of SEC Memorandum Circular No. 16, series of 2002 which provides:</p> <p><b>GUIDELINES ON THE NOMINATION AND ELECTION OF INDEPENDENT DIRECTORS</b></p> <p>III. NUMBER OF INDEPENDENT DIRECTORS</p> <p>A. All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least 20% of its board size, whichever is the lesser. Provided further that said companies may choose to have more independent directors in their boards than as above required.</p> <p>Further, the Corporation is also compliant the Revised Code of Corporate Governance under Article 3 of SEC Memorandum Circular No. 6, series of 2009 which provides:</p> <p>Article 3 (a) The Board shall be composed of at least five (5), but not more than</p>
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			<p>fifteen (15), members who are elected by the stockholders.</p> <p>All companies covered under this Code shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). All other companies are encouraged to have independent directors in their boards.</p>
<b>Recommendation 5.2</b>			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Independent Directors submit a certification for independent directors annually. The same is submitted with the Annual Report.	
<b>Supplement to Recommendation 5.2</b>			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	The Company does not have any shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	
<b>Recommendation 5.3</b>			
1. The independent directors serve for a cumulative term of nine years.	Compliant	<p>Guillermo L. Parayno, Jr. – Independent Director</p> <p>Date First Elected: July 16, 2015 Date Last Elected: May 3, 2019 No. of Years Served as Director: three (3) years and ten (10) months</p> <p>Ricardo Nicanor N. Jacinto – Independent Director</p>	

		<p>Date First Elected: July 27, 2015  Date Last Elected: May 3, 2019  No. of Years Served as Director:  Three (3) years and ten (10) months</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	Compliant	<p>AMCG, Article IV, (F), Independent Directors (4)</p> <p><u>INDEPENDENT DIRECTORS</u>  Term and Cessation of Independent Directorship</p> <p>The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as non-independent director. In the instance that the Corporation intends to retain an independent director who has served for nine (9) years, as a non-independent director, the Board shall provide meritorious justifications/s and obtain shareholders' approval during the annual shareholders meeting.</p>	
<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks</p>	Not applicable	<p>No independent director has served in the same capacity for more than nine years.</p>	

shareholders' approval during the annual shareholders' meeting.			
<b>Recommendation 5.4</b>			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Non-Compliant	Mr. Franks S. Gaisano is the Chairman and Chief Executive Officer.	Although held by one and the same person, the Corporation's Fourth Amended By-Laws and AMCG specifically delineated the functions of the Chairman and the Chief Executive Officer, and President and Chief Operating Officer, in order to provide checks and balances to ensure that the Board gets the benefit of independent views and perspectives.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Please refer to the delineated and specific functions of the Chairman and the Chief Executive Officer, and President and Chief Operating Officer, as enumerated under Article V of the Fourth Amended By-Laws and Article VI and VII of the AMCG.	
<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	The AMCG (VI) provides that if the positions of Chairman and CEO are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman shall appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board.	

**Recommendation 5.6**

<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant</p>	<p>Code of Conduct for Directors and Senior Management</p> <p>The Board Members and senior managers shall at all times:</p> <p>disclose any personal interest that they may have regarding any matters that may come before the Board, and abstain from discussion, voting, or otherwise influencing a decision on any matter in which the concerned director, or senior manager has, or may have such interest;</p> <p>xxx</p> <p>abstain from discussion, voting, or otherwise influencing a decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest.</p> <p>xxx</p>	
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**Recommendation 5.7**

<p>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</p>	<p>Compliant</p>	<p>AMCG, Article V, (A), (5), (a), (o)</p> <p>As far as practicable, the Audit and Risk Committee shall endeavour to meet with the Board at least every quarter without the presence of the CEO or other management team</p>	
<p>2. The meetings are chaired by the lead independent director.</p>	<p>Compliant</p>		



		members, and periodically meets with the head of the internal audit.  Mr. Guillermo Parayno, Jr., an independent director, Chairman of the Audit and Risk Committee, and non-executive director, leads the meetings with the external and internal auditors.	
<b>Optional: Principle 5</b>			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant		
<b>Principle 6:</b> The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
<b>Recommendation 6.1</b>			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	AMCG, Article IV, (J)  ASSESSMENT OF BOARD PERFORMANCE  1) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees every three (3) years, the assessment should be supported by an external facilitator.	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Compliant		

		2) Upon recommendation of the Governance Committee, the Board shall prescribe the criteria and process to determine the performance of the Board, the individual directors, committees, and provide for a feedback mechanism from the shareholders.	
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**Recommendation 6.2**

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	Please refer to Article IV, (J) of the AMCG.	
2. The system allows for a feedback mechanism from the shareholders.	Compliant		

**Principle 7:** Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

**Recommendation 7.1**

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	The Board has adopted a Code of Conduct for Directors and Senior Management.	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The Code of Conduct for Directors and Senior Management is properly disseminated to the Board of Directors and Senior Management.	

3. The Code is disclosed and made available to the public through the company website.	Compliant	<a href="https://www.metroretail.com.ph/">https://www.metroretail.com.ph/</a>	
<b>Supplement to Recommendation 7.1</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	<p>Code of Conduct for Directors and Senior Management</p> <p>The Board Members and senior managers shall at all times:</p> <p>act honestly, fairly, ethically, and with integrity;</p> <p>xxx</p> <p>will not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse;</p> <p>xxx</p>	
<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	Code of Conduct for Directors and Senior Management	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	Directors and Senior Management shall annually sign a confirmation that they have read, have complied with and will continue to comply with the Code.	
<b>Disclosure and Transparency</b>			

**Principle 8:** The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

**Recommendation 8.1**

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p>AMCG, Article IV, (C), 18</p> <p>DUTIES AND FUNCTIONS</p> <p>To insure a high standard of best practices for the Corporation, its stockholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:</p> <p>The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and stakeholders, that gives a fair and complete picture of the Corporations' financial condition, results and business operations.</p> <p>The disclosure policy shall include disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall adopt a globally recognized standard/framework in reporting sustainability and non-</p>	
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		<p>financial issues.</p> <p>This is echoed under Article XV (1) of the AMCG which provides as follows:</p> <p>All material information about the Corporation which could affect its viability or the interests of its stockholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.</p>	
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**Supplement to Recommendations 8.1**

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Compliant</p>	<p>See Annual Report  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a></p> <p>The Annual Report contains the Company's Audited Financial Statements for the year ended December 31, 2018.</p>	
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		The Audited Financial Report for year ended December 31, 2018 was duly received by the BIR and the SEC on March 29, 2019 and April 3, 2019, respectively.	
2. Company discloses in its annual report the principal risks 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.	Compliant	See Annual Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
<b>Recommendation 8.2</b>			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	AMCG, Article XV (4) All directors and officers shall disclose/report to the Corporation's Compliance Officer any dealing in the Corporation's shares within three (3) business days from the date of the transaction.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant		
<b>Supplement to Recommendation 8.2</b>			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase	Compliant	The trading of the Corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders is duly	

of its shares from the market (e.g. share buy-back program).		reported to the SEC and the PSE.  See Annual Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
<b>Recommendation 8.3</b>			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	See Annual Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant		
<b>Recommendation 8.4</b>			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	AMCG, Article IV, (I)  REMUNERATION OF DIRECTORS AND OFFICERS	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive	

		<p>directors may be structured or be based on corporate and individual performance.</p> <p>The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Compensation Committee. No director should participate in deciding on his remuneration.</p>	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	This is disclosed in the 2018 Annual Report.	
<b>Recommendation 8.5</b>			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	<p>AMCG, Article XV, 5</p> <p>The Corporation should disclose its policies governing Related Party Transactions. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.</p> <p>Further, the Corporation has adopted a Policy on Related Party</p>	



		Transactions.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	See Annual Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
<b>Supplement to Recommendation 8.5</b>			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	AMCG, Article IV, D, 1.  SPECIFIC DUTIES AND REPONSIBILITIES OF A DIRECTOR  A director shall have the following duties and responsibilities:  1) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.  The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose	

		<p>it and should not participate in the decision-making process.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.</p> <p>A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>Further, Article XV (2) of the AMCG Provides:</p> <p>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and stakeholders.</p>	
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<b>Optional : Recommendation 8.5</b>			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	This is duly disclosed in the 2018 Annual Report.	

<b>Recommendation 8.6</b>			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	AMCG, Article XV, (1)  All material information about the Corporation which could affect its viability or the interests of its stockholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Corporation did not dispose any of its assets for the year 2018.	
<b>Supplement to Recommendation 8.6</b>			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	There are no shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the Corporation.	
<b>Recommendation 8.7</b>			

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	See PSE Disclosure on Amended Manual of Corporate Governance <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=2e57ad90d247e22e3318251c9257320d#sthash.pieHR00e.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=2e57ad90d247e22e3318251c9257320d#sthash.pieHR00e.dpbs</a>	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		
<b>Supplement to Recommendation 8.7</b>			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	<p>The Corporation has amended its Manual on Corporate Governance in order to comply with SEC Memorandum Circular No. 19 series of 2016 or the Code of Corporate Governance for Publicly-Listed Companies.</p> <p>See PSE Disclosure on Amended Manual of Corporate Governance <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=2e57ad90d247e22e3318251c9257320d#sthash.pieHR00e.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=2e57ad90d247e22e3318251c9257320d#sthash.pieHR00e.dpbs</a></p> <p>This was disclosed to the PSE on May 30, 2017.</p> <p>Page 1 thereof contains the stamp of SEC, indicating that the Amended Manual of Corporate Governance was duly received by SEC on May 17, 2018.</p>	

Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		See Annual Report	
a. Corporate Objectives	Compliant	<a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors	Compliant		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	See Annual Report	
		<a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's	Compliant	See Annual Report	
		<a href="http://edge.pse.com.ph/openDiscVi">http://edge.pse.com.ph/openDiscVi</a>	

material controls (including operational, financial and compliance controls) and risk management systems.		ewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	See Annual Report  <a href="http://edge.pse.com.ph/openDiscVier.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscVier.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	See Annual Report  <a href="http://edge.pse.com.ph/openDiscVier.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs">http://edge.pse.com.ph/openDiscVier.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.NwTL5kQV.dpbs</a>	

**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	AMCG, Article V, (A), (5), (a), m.  Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared	
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		and presented to the stockholders. For this purposes the Audit and Risk Committee should establish the procedure for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor should be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders.	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	Please see attached the Corporation's disclosure on the Results of the 2019 Annual Stockholders' Meeting wherein SyCip, Gorres, Velayo & Co. was re-appointed as external auditor.  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=f4ce9c9432b4929defdfc15ec263a54d#sthash.86Rg39FF.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=f4ce9c9432b4929defdfc15ec263a54d#sthash.86Rg39FF.dpbs</a>	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	The Company has not removed or changed its external auditor.	
<b>Supplement to Recommendation 9.1</b>			
1. Company has a policy of rotating the lead	Compliant	AMCG, Article XII, (1) (E)	

audit partner every five years.		<p>ACCOUNTABILITY AND AUDIT</p> <p>The external auditor should be rotated or changed every five (5) years, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.</p>	
<b>Recommendation 9.2</b>			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	Compliant	<p>AMCG, Article V, (A) (a), m.</p> <p>The Audit and Risk Committee Charter shall provide for the process and procedure to be followed by the Audit and Risk Committee in assessing the integrity and independence of the external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	Compliant	<p>AMCG Article V (A), (5), (a) a., c., e., k., m</p> <p>The Audit and Risk Committee shall have the following functions:</p> <ul style="list-style-type: none"> <li>a. Assist the Board in the</li> </ul>	



		<p>performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.</p> <p>xxx</p> <p>c. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.</p> <p>xxx</p> <p>e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.</p> <p>xxx</p> <p>k. Reviews the disposition of the</p>	
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		<p>recommendations in the external auditor's management letter;</p> <p style="text-align: center;">xxx</p> <p>m. Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders. For this purposes the Audit and Risk Committee should establish the procedure for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor should be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders.</p> <p>The Audit and Risk Committee Charter shall provide for the process and procedure to be</p>	
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		<p>followed by the Audit and Risk Committee in assessing the integrity and independence of the external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p> <p>xxx</p>	
<b>Supplement to Recommendations 9.2</b>			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	Please refer to Article V (A), (5), (a) a., c., e., k., m of the AMCG.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	Please refer to Article V (A), (5), (a) a., c., e., k., m of the AMCG.	
<b>Recommendation 9.3</b>			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	No non-audit services were performed by the external auditor for 2018.	
2. Audit Committee stays alert for any	Compliant	AMCG, Article V,( A), (5),(a), n.	

<p>potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>		<p>The Audit and Risk Committee shall have the following functions:</p> <p>Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.</p>	
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**Supplement to Recommendation 9.3**

<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>Compliant</p>	<p>No non-audit services were performed by the external auditor for 2018.</p>	
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**Additional Recommendation to Principle 9**

<p>1. Company's external auditor is duly accredited by the SEC under Group A category.</p>	<p>Compliant</p>	<ol style="list-style-type: none"> <li>1. Name of the audit engagement partner; MR. DOLMAR C. MONTANEZ</li> <li>2. Accreditation number; SEC Accreditation No. 1561-AR-1 (Group A) BIR Accreditation No. 08-001998-119-2019</li> <li>3. Date Accredited;</li> </ol>	
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		<p>SEC Accreditation on January 31, 2019          BIR Accreditation on January 28, 2019</p> <p>4. Expiry date of accreditation; and          SEC Accreditation valid until January 30, 2022          BIR Accreditation valid until January 27, 2022</p> <p>5. Name of firm:          Sycip Gorres Velayo &amp; Co.</p>	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	Sycip Gorres Velayo & Co. has agreed to this.	

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	<p>AMCG, Article XV</p> <p>DISCLOSURE AND TRANSPARENCY</p> <p>1) All material information about the Corporation which could affect its viability or the interests of its stockholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or</p>	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant		

		<p>disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.</p> <p>2) The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and stakeholders.</p>	
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**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

<p>1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p>Compliant</p>	<p>AMCG, Article XV, (6)</p> <p>The Corporation, through its Investor Relations Office, shall regularly conduct media and analysts' briefings as channels of</p>	
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		communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	
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**Supplemental to Principle 11**

1. Company has a website disclosing up-to-date information on the following:	Compliant	http://www.metroretail.com.ph/index.php	
a. Financial statements/reports (latest quarterly)	Compliant		
b. Materials provided in briefings to analysts and media	Compliant		
c. Downloadable annual report	Compliant		
d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		

**Additional Recommendation to Principle 11**

1. Company complies with SEC-prescribed website template.	Compliant	The Corporation is compliant with SEC Memorandum Circular No. 11, series of 2014, and SEC Memorandum Circular No 2, series of 2018 on the SEC prescribed website template.	
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**Internal Control System and Risk Management Framework**

**Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

**Recommendation 12.1**

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>Compliant</p>	<p>AMCG, Article X, 1 and 2</p> <p>INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK</p> <p>1) The Corporation shall establish and implement an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile, and complexity of operations.</p> <p>2) The Corporation shall establish an independent internal audit function that provides an independent and objective assurance and consulting services designed to add value and improve the Corporation's operations. The following are the functions of the internal audit, among others:</p> <p>b) Provides an independent risk-based assurance to the Board, Audit and Risk Committee and Management, focusing on reviewing the effectiveness of the governance and control</p>	
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		<p>process in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management.</p> <p>c) Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment.</p> <p>d) Performs consulting and advisory services related to governance and controls as appropriate for the organization.</p> <p>e) Performs compliance audit on relevant laws, rules and regulations, contractual obligations and other commitments, which could have a</p>	
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		<p>significant impact on the organization.</p> <p>f) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation.</p> <p>g) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.</p> <p>h) Evaluates specific operations at the request of the Board or Management as appropriate.</p> <p>i) Monitors and evaluates governance process.</p>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>AMCG, Article X, (4)</p> <p>INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK</p> <p>The Corporation shall have a separate risk management function</p>	

		<p>to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:</p> <ul style="list-style-type: none"> <li>a) Defining a risk management strategy.</li> <li>b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives.</li> <li>c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters.</li> <li>d) Establishing a risk register with clearly defined, prioritized and residual risks.</li> <li>e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy.</li> <li>f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee.</li> <li>g) Monitoring and evaluating the effectiveness of the</li> </ul>	
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		organization's risk management processes.	
<b>Supplement to Recommendations 12.1</b>			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Compliant	<p>AMCG, Article IV, (C), (3)</p> <p>DUTIES AND FUNCTIONS OF THE BOARD:</p> <p>Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>AMCG, Article IX, 2.B and 2.C</p> <p>THE COMPLIANCE OFFICER</p> <p>B. Monitors, reviews, evaluates and ensures compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.</p> <p>C. Reports to the Board if violations are found and recommends the imposition</p>	

		of appropriate disciplinary action.	
<b>Optional: Recommendation 12.1</b>			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	-		
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	AMCG, Article X, (3)  INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK  The Corporation shall have a qualified Internal Audit Head appointed by the Board. The Internal Audit Head shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	
<b>Recommendation 12.3</b>			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	The in-house internal auditor of the Corporation is Ms. Kareen A. Tablizo, CPA, who has at least ten (10) years of audit experience.	
2. CAE oversees and is responsible for the internal audit activity of the organization,	Compliant	AMCG, Article X, (3)	

<p>including that portion that is outsourced to a third party service provider.</p>		<p>INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK</p> <p>The following are the responsibilities of the Internal Audit Head, among others:</p> <ul style="list-style-type: none"> <li>a) Periodically reviews the internal audit charter and presents it to senior management and the Audit and Risk Committee for approval.</li> <li>b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals.</li> <li>c) Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit and Risk Committee for review and approval.</li> <li>d) Spearheads the performance of the internal audit activity to ensure it adds value to the</li> </ul>	
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		<p>organization.</p> <p>e) Reports periodically to the Audit and Risk Committee on the internal audit activity's performance relative to its plan.</p> <p>f) Presents findings and recommendations to the Audit and Risk Committee and gives advice to senior management and the Board on how to improve internal processes.</p>	
<p>3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.</p>	<p>Not Applicable</p>		<p>There was no instance wherein the Corporation had outsourced the internal audit activity.</p>
<b>Recommendation 12.4</b>			
<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Compliant</p>	<p>AMCG, Article X, 4 and 5</p> <p>INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK</p> <p>4. The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:</p>	

		<ul style="list-style-type: none"> <li>a) Defining a risk management strategy.</li> <li>b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives.</li> <li>c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters.</li> <li>d) Establishing a risk register with clearly defined, prioritized and residual risks.</li> <li>e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy.</li> <li>f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee.</li> <li>g) Monitoring and evaluating the effectiveness of the organization's risk management processes.</li> </ul>	
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		<p>5. In managing the Corporation's Risk Management System, the Corporation should have a Risk Management Officer (RMO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resource and support to fulfill his/her responsibilities, subject to the Corporation's size, risk profile and complexity of operations. There should be clear communication between the Audit and Risk Committee and the RMO. The RMO has the following functions, among others:</p> <ul style="list-style-type: none"> <li>a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation.</li> <li>b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Audit and Risk Committee.</li> <li>c. Collaborates with the CEO and President/COO in updating and making recommendations to the</li> </ul>	
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		<p>Audit and Risk Committee.</p> <p>d. Suggest ERM policies and related guidance, as may be needed.</p> <p>e. Provides insights on the following:</p> <p>i) Risk management processes are performing as intended.</p> <p>ii) Risk measures reported are continuously reviewed by risk owners for effectiveness.</p> <p>iii) Established risk policies and procedures are being complied with.</p>	
<b>Supplement to Recommendation 12.4</b>			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	Technical support in risk management is being handled by the Risk Management Officer of the Corporation. She is allowed to seek external help and support when necessary.	
<b>Recommendation 12.5</b>			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	The Corporation's Chief Risk Officer (CRO) is Ms. Floradema Jayme, CPA.	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	The Corporation also has a Crisis Management Committee ("CMC") which is responsible for working with all departments to help aggregating risk outputs from all departments to form an enterprise level risk register, have all the key risks analyzed,	

		evaluated, and report to the Senior Management and Board on critical and emerging risks as per Board requirements.	
<b>Additional Recommendation to Principle 12</b>			
1. Company's 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.	Compliant	The Audit and Risk Committee and the Board of Directors annually discuss, approve, and act on the findings and recommendations of the External Auditor.	
<b>Cultivating a Synergic Relationship with Shareholders</b>			
<b>Principle 13:</b> The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
<b>Recommendation 13.1</b>			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	These are contained under Articles XIII and XIV of the AMCG.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	<a href="http://www.metroretail.com.ph/index.php">http://www.metroretail.com.ph/index.php</a>	
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	Compliant	Stockholders shall have the right to vote the number of shares of stock standing, on record date, in his own name on the stock and transfer book of the Company; and such shareholder may vote such number of shares for as many individuals as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant		

		<p>shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected.</p> <p>This is found in the Voting Ticket that is distributed to all stockholders prior to the Annual Stockholders' Meeting.</p>	
<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Compliant</p>	<p>Section 8, Article III of the Company's Fourth Amended By-Laws provides:</p> <p>A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting (whether physically in person, or to the extent permitted by law, through electronic medium or telecommunications, such as video or teleconferencing in accordance with the existing laws and regulations of the Securities and Exchange Commission, where the directors who are not present are located at a different local or international places) at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a</p>	

		majority of all the members of the Board.	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Not Applicable		The Corporation has no supermajority or "majority of minority" requirements.
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	AMCG, Article XIII  Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Please refer to Article XIII of the AMCG.	
7. Company has a transparent and specific dividend policy.	Compliant	Fourth Amended By-Laws, Article VIII  Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by the, as often and at such times as the Board of Directors may determine in	

		<p>accordance with law.</p> <p>The Corporation has also adopted a Dividend Policy under Board Resolution No. 013B-8-15.</p>	
<b>Optional: Recommendation 13.1</b>			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	This is done by RCBC, the Corporation's stock transfer agent.	
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	<p>Fourth Amended By-Laws, Article II, Section 4 provides:</p> <p>Notice of Meeting – Notices for regular or special meeting of stockholders may be sent by the Secretary by personal delivery, by mail or by electronic means at least two (2) weeks prior to the date of the meeting to each stockholders of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.</p> <p>The Notice of the Annual Stockholders' Meeting of the Corporation was first disclosed to the PSE and the public on February 22, 2019, or seventy (70) days before the Annual Stockholders' Meeting.</p> <p>See PSE Disclosure:</p>	

		<p><a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefd15ec263a54d#sthash.V5hnFTgs.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefd15ec263a54d#sthash.V5hnFTgs.dpbs</a></p> <p>In compliance with the SRC Rules, the Definitive Information Statement, together with the Notice of the Annual Stockholders' meeting was sent to all shareholders of record on April 5, 2019, or at least fifteen (15) business days prior to the scheduled ASM date.</p> <p>See PSE Disclosure on Definitive Information Statement:  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=8c5784bc7d1e43a7efdfc15ec263a54d#sthash.VTz8ZRLi.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=8c5784bc7d1e43a7efdfc15ec263a54d#sthash.VTz8ZRLi.dpbs</a></p>	
<b>Supplemental to Recommendation 13.2</b>			
<p>1. Company's Notice of Annual Stockholders' Meeting contains the following information:</p>			
<p>a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)</p>	<p>Compliant</p>	<p>Profiles of Directors including age, academic qualifications, date of first appointment, experience and directorship in other listed companies are disclosed in Definitive Information Statement which is attached to the Notice of the Annual Stockholders' Meeting.</p> <p>Said Notice and Definitive</p>	

		Information Statement was distributed to stockholders on April 5, 2019.  See PSE Disclosure on Definitive Information Statement: <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=8c5784bc7d1e43a7efdfc15ec263a54d#sthash.d93SUKk1.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=8c5784bc7d1e43a7efdfc15ec263a54d#sthash.d93SUKk1.dpbs</a>	
b. Auditors seeking appointment/re-appointment	Compliant	See PSE Disclosure on Notice of Annual Stockholders' Meeting  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefdcf15ec263a54d#sthash.xJgAmAbW.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefdcf15ec263a54d#sthash.xJgAmAbW.dpbs</a>	
c. Proxy documents	Compliant	See PSE Disclosure on Notice of Annual Stockholders' Meeting  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefdcf15ec263a54d#sthash.xJgAmAbW.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=afc4e09d850b837cefdcf15ec263a54d#sthash.xJgAmAbW.dpbs</a>	
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Non-Compliant		The Corporation's Notice of Annual Stockholders' Meeting does not provide the rationale for the agenda items for these are self-explanatory.
<b>Recommendation 13.3</b>			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting	Compliant	The results of the Annual Stockholders' Meeting are disclosed within ten (10) minutes after the said meeting.	



publicly available the next working day.		See PSE Disclosure <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=f4ce9c9432b4929defdfc15ec263a54d#sthash.ITsGoYcA.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=f4ce9c9432b4929defdfc15ec263a54d#sthash.ITsGoYcA.dpbs</a>	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	<a href="http://www.metroretail.com.ph/index.php">http://www.metroretail.com.ph/index.php</a>	
<b>Supplement to Recommendation 13.3</b>			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	Representatives from Sycip, Gorres Velayo & Co. ("SGV&Co."), the external auditor of the Corporation were present during the Annual Stockholders Meeting.	
<b>Recommendation 13.4</b>			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	AMCG, Article IV, (C),(19)  DUTIES AND FUNCTIONS OF THE BOARD:  The Board should approve and implement a policy on alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant		
<b>Recommendation 13.5</b>			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	AMCG, Article XIII, last paragraph  The Corporation shall establish an Investor Relations Office (IRO) to	

		<p>ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.</p> <p>1. Name of IRO: Mr. Jonathan Juan D.C Moreno</p> <p>2. Telephone number (032) 236-8390</p> <p>3. Fax number (032)</p> <p>4. E-mail address jj.moreno@metroretail.com.ph</p>	
2. IRO is present at every shareholder's meeting.	Compliant	Mr. Jonathan Juan D.C. Moreno was present during the ASM.	
<b>Supplemental Recommendations to Principle 13</b>			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	There are no any anti-takeover measures or similar devices that may entrench ineffective management or existing controlling shareholders group.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-compliant	<p>The public float of the Corporation based on its latest Public Ownership Report is 24.21%.</p> <p>See PSE Disclosure on Public Ownership Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c3eeaab39e218">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c3eeaab39e218</a></p>	The legally required minimum public float is only twenty percent (20%) pursuant to SEC Memorandum Circular No. 13, series of 2017.

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<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	-		
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	-		
<b>Duties to Stakeholders</b>			
<b>Principle 14:</b> The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
<b>Recommendation 14.1</b>			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	See Annual Report <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.XwXri969.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fe7d5c2a90f86221efdfc15ec263a54d#sthash.XwXri969.dpbs</a>	
<b>Recommendation 14.2</b>			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	Please refer to Article XIV of the AMCG.	
<b>Recommendation 14.3</b>			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Please refer to the Corporation's Whistle-Blowing Policy.	

<b>Supplement to Recommendation 14.3</b>			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	AMCG, Article IV, C. 11  Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.	
<b>Additional Recommendations to Principle 14</b>			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company has not sought or is not seeking any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue.	
2. Company respects intellectual property rights.	Compliant	The Company has not violated any intellectual property rights.	
<b>Optional: Principle 14</b>			
1. Company discloses its policies and practices that address customers' welfare	-		
2. Company discloses its policies and practices that address supplier/contractor selection procedures	-		
<b>Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and</b>			

participate in its corporate governance processes.

**Recommendation 15.1**

<p>1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.</p>	<p>Compliant</p>	<p>The Board has adopted a Whistle Blowing Policy, and Code of Conduct for Directors &amp; Senior Management which encourage employees to actively participate in the realization of the company's goals and in its governance.</p>	
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**Supplement to Recommendation 15.1**

<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>Compliant</p>	<p>The Corporation's compensation philosophy is to pay competitive base salaries and to reward employees for their individual performance. Salary increases are dependent upon the company's performance and the employee's performance rating.</p> <p>The employee stock option plan (ESOP) is still being developed.</p>	
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>All regular full-time active employees the Corporation who are between 18 to 64 years old are eligible to participate and are covered by Life, Hospitalization and Accident insurance policies with various insurers.</p> <p>Health and wellness of its employees are a priority for the Corporation. For the Corporation prevention is key to wellness, thus, the need to establish</p>	

		<p>health and safety programs for the welfare of its employees. The Corporation ensures that its employees are all well and healthy on a regular basis through the Annual Physical Examination given to the Corporation's employees.</p> <p>Physicians have also been retained for every store on a weekly basis to ensure proper consultation is done. A full shift nurse is likewise assigned to on-site clinics of every store as well as the Corporate Office to ensure delivery of medical services on real time.</p> <p>Apart from the readily available facilities, employees are covered with hospitalization benefits to cater to cases needing admission.</p> <p>In addition to the foregoing, the Corporation offers its employees various programs and activities relative to health and wellness:</p> <p style="padding-left: 40px;">Health Talks:</p> <ul style="list-style-type: none"> <li>• Hypertension and Obesity</li> <li>• Pneumonia</li> <li>• Common Heart Diseases</li> <li>• Influenza</li> <li>• Cervical Cancer</li> <li>• Eye Care and Safety</li> </ul>	
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		<ul style="list-style-type: none"> <li>• HIV/AIDS Awareness</li> </ul> <p>Health Bulletins posted at Boards:</p> <ul style="list-style-type: none"> <li>• Hand Hygiene Technique</li> <li>• Causes and Symptoms of Heart Attack</li> <li>• Breast Cancer Awareness</li> <li>• Hepatitis Prevention</li> <li>• Chicken Pox</li> <li>• Blood type Diet</li> <li>• How to eat Right</li> <li>• Viral Hepatitis</li> <li>• Malaria Awareness</li> </ul> <p>Other Activities:</p> <ul style="list-style-type: none"> <li>• Flu Vaccine</li> <li>• Cervical Vaccine</li> <li>• Hepatitis B Vaccine</li> <li>• Blood Donation</li> <li>• Race to Beauty Fun Run</li> <li>• Free Eye Check Up</li> <li>• HIV Screening</li> <li>• Ergonomic Exercise</li> <li>• Zumba</li> </ul> <p>To ensure compliance with Labor Standards on healthy and safety of the Corporation's employees, the following policies have also been established:</p> <ul style="list-style-type: none"> <li>• Occupational Health and Safety &amp; Administration</li> </ul>	
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		<p>Standards Manual</p> <ul style="list-style-type: none"> <li>• Drug Free Workplace Policy</li> <li>• Tuberculosis Prevention Program in the Workplace</li> <li>• Workplace Program and Policy on Hepatitis B</li> <li>• HIV/Aids Workplace Program and Policy</li> </ul> <p>Safety practices are likewise of priority to the Company. Fire and Earthquake Drills, lectures and orientations are done thrice a year for all Hypermarket and Big Store Formats. The Security Teams are given Lectures on Updates on Safety and Security Practices in coordination with the Fire Department, National Bureau of Investigation (NBI) and the Armed Forces of the Philippines (AFP).</p>	
3. Company has policies and practices on training and development of its employees.	Compliant	The Corporation, through the Human Resource Department, conducts various trainings and seminars, depending on the needs of the business.	
<b>Recommendation 15.2</b>			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	<p>Code of Conduct for Directors and Senior Management</p> <p>The Board Members and senior managers shall at all times:</p>	



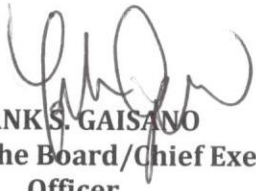
		<p>xxx</p> <ol style="list-style-type: none"> <li>1. Will not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse;</li> <li>2. Not use any information or opportunity received by them in their capacity as Directors or senior managers in a manner that would be detrimental or prejudicial to the interest of the Corporation</li> </ol> <p>xxx</p>	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	All policies adopted by the Board are disseminated to concerned employees across the organization through trainings to embed them in the company's culture.	
<b>Supplement to Recommendation 15.2</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	<p>Code of Conduct for Directors and Senior Management</p> <p>Any concern involving malpractice or wrongdoing by any member of the Board of Directors or any senior manager of the Corporation shall be reported to the Chief Strategy and Governance Officer. The Corporation's Governance Committee shall the proceed to investigate the said concern and report directly, and make the appropriate recommendations, to the Chairman and Chief Executive</p>	

		Officer.	
<b>Recommendation 15.3</b>			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	The Board has adopted a Whistle Blowing Policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	The Board has adopted a Whistle Blowing Policy that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	Please refer to the Whistle-Blowing Policy of the Corporation.	
<b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
<b>Recommendation 16.1</b>			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	The Corporation embraces its civic and social responsibility by continuously supporting communities where it operates through sustainable civic outreach programs, environmental conservation efforts, skills training, livelihood and other employment generating activities.  Please see link on Corporate Social Responsibility	

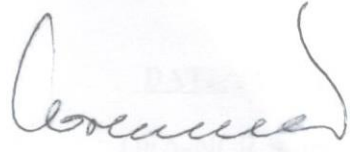
		<a href="http://www.metroretail.com.ph/index.php/corporate-affairs/corporate-social-responsibility">http://www.metroretail.com.ph/index.php/corporate-affairs/corporate-social-responsibility</a>  Yearly, the Corporation donates to Vicsal Foundation, Incorporated, a duly registered non-stock, non-profit organization which is duly accredited with the Philippine Council for NGO Certification.	
<b>Optional: Principle 16</b>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	-		
2. Company exerts effort to interact positively with the communities in which it operates	-		

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in CEBU CITY on 29 MAY 2019.

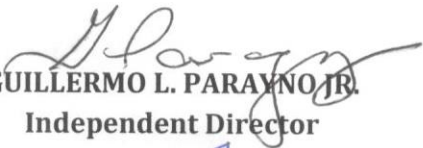
**SIGNATURES**



**FRANK S. GAISANO**  
Chairman of the Board/Chief Executive Officer



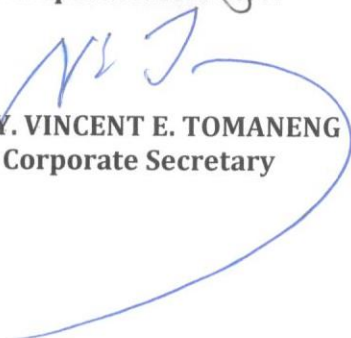
**MANUEL C. ALBERTO**  
President/Chief Operating Officer



**GUILLERMO L. PARAYNO JR.**  
Independent Director



**RICARDO NICANOR N. JACINTO**  
Independent Director



**ATTY. VINCENT E. TOMANENG**  
Corporate Secretary



**ATTY. TARA TSARINA B. PEREZ-RETUYA**  
Compliance Officer

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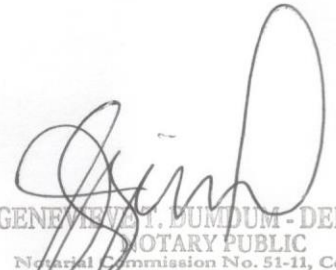


SUBSCRIBED AND SWORN to before me this 29 day of MAY 2019, affiants exhibiting to me the following competent evidence of identities:

<u>NAME</u>	<u>IDENTIFICATION</u>	<u>DATE/PLACE ISSUED</u>
FRANK S. GAISANO		
MANUEL C. ALBERTO		
GUILLERMO L. PARAYNO JR.		
RICARDO NICANOR N. JACINTO		
VINCENT E. TOMANENG		
TARA TSARINA B. PEREZ-RETUYA		

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Book No. VI  
Series of 2019.



  
GENEVIEVE T. DUMDUM-DEIPARINE  
NOTARY PUBLIC  
Notarial Commission No. 51-11, Cebu City  
Until December 31, 2019  
Roll of Attorneys No. 58946  
JRF No. 1084924; 11/10/18 Cebu City  
PTR No. 234828; 1/7/19 Province of Cebu  
TIN No. 410-740-961-000  
MCLE Compliance No. VI-0005042, 11/24/17  
Dumdum Legorio & Deiparine Law Firm  
Unit 9, 2/F Benley Bldg., J. De Veyra St.  
North Reclamation Area, 6000 Cebu City



*Handwritten mark or signature*