Securities and Exchange Commission
PHILIPPINES

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: 2018

2. SEC Identification Number : 39652

3. BIR Tax Identification No. : 004-844-938

4. Exact name of issuer as specified in its charter : MEDCO HOLDINGS, INC.

5. Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. 31st Floor, Rufino Pacific Tower, 6784 Ayala Ave., Makati City, Metro Manila Philippines
   Address of Principal Office

   1229
   Postal Code

6. (632) 811-0465 to 66
   Issuer's telephone number, including area code

9. N/A
   Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: 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.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 - 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
2. Board has an appropriate mix of competence and expertise.	Compliant		
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.	Compliant		

Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	Compliant	Out of the 7 Directors of the Corporation, 3 are non-executive directors, 2 executive and 2 are independent. <u>2018 Annual Report</u> **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 - 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Non-Compliant		<u>Revised Manual of Corporate Governance</u> **Article 9 Commitment to Good Corporate Governance: Page 17** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing a Board Charter.

2. Company has an orientation program for first time directors.	Non-Compliant		The Company is in the process of establishing an orientation program for first time directors.
3. Company has relevant annual continuing training for all directors.	Compliant	Certificate of Attendance for Corporate Governance Program for 2018 https://www.medco.com.ph/docus/MHI_Directors_Certificates_2018.pdf https://www.medco.com.ph/docus/Certificates_Corp_Gov_Sem_Dec2018_Caly_Ang_EDR.pdf Revised Manual of Corporate Governance **Article 9 Commitment to Good Corporate Governance: Page 17** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	Out of the 7 Directors of the Corporation, 4 are women. 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf Revised Manual of Corporate Governance **Article 3 (A) Composition of the Board: Page 3** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			

Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	The Company's Corporate Secretary is Atty. Jonas S. Khaw. Ms. Pauline C. Tan is the Company's Compliance Officer. 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 13.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
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		
4. Corporate Secretary attends training/s on corporate governance.	Compliant	2018 Corporate Governance Seminar https://www.medco.com.ph/docus/Certificate_CG_Seminar_Jonas_Khaw.pdf	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.			

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	Ms. Pauline C. Tan is the Company's Compliance Officer. 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant		Ms. Tan has a position equivalent to SVP.
3. Compliance Officer is not a member of the board.	Non-Compliant		Ms. Tan is a director of the Company. The Company has determined that Ms. Tan is best suited to be its Compliance Officer because of her knowledge and expertise in relevant laws, rules, regulations, and regulatory requirements.
4. Compliance Officer attends training/s on corporate governance.	Compliant	Certificate of Attendance for Corporate Governance Program for 2018 https://www.medco.com.ph/docus/MHI_Directors_Certificates_2018.pdf	

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, and in the best interest of the company.	Compliant	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6-8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6-8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company reviews its business objectives and strategy annually and as needed.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		

Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	Company Website https://www.medco.com.ph/medco_business_profile.html Company Mission: We are a holding company that is committed to providing long term value enhancement for our shareholders by constantly being on the look-out for profitable investment opportunities. Company Vision: We aim to be a holding company that is a model of effective corporate governance and a socially responsible member of the business community. The Company reviews its business objectives and strategy annually and as needed.	

2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Non-Compliant		The Board is guided by a strategy execution framework: 1. The Board sets the Company's direction, goals and objectives at the start of the year. 2. Senior management is tasked to disseminate and implement strategic initiatives formulated by the Board. 3. The Board regularly monitors Management performance on a periodic basis.
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	The Company's Chairperson is Mr. Bobby Cheng Sai Chong. 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6-8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

2. Board adopts a policy on the retirement for directors and key officers.	Non-Compliant		The Company has policy on retirement of officers and employees, as approved by the Board on 18 March 2008. However, the Company is still in the process of establishing a policy on retirement of directors.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	Revised Manual of Corporate Governance **Article 3 (J) Remuneration of Directors and Officers: Page 10-11** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
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.			

Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Non-Compliant		The Company is in the process of establishing a formal and transparent board nomination and election policy.
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Non-Compliant		<u>Revised Manual of Corporate Governance</u> **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing a formal and transparent board nomination and election policy.
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Non-Compliant		<u>Revised Manual of Corporate Governance</u> **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing a formal and transparent board nomination and election policy.

4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf 2018 Definitive Information Statement **Item 5. Directors and Executive Officers: Page 9.** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing a formal and transparent board nomination and election policy.

6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing a formal and transparent board nomination and election policy.
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.			
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 infrequently occurring transactions.	Compliant	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6-8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Policies on Related Party	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		

3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	Transactions https://www.medco.com.ph/docus/MHI_Related_Party_Transactions.pdf	
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* 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	Policies on Related Party Transactions https://www.medco.com.ph/docus/MHI_Related_Party_Transactions.pdf Policies on Related Party Transactions Categories are as follows: (1) Directors. (2) Joint Ventures (3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/ children/ siblings/ parents (7) Directors including spouse/ children/ siblings/ parents (8) Interlocking director relationship of Board of Directors	

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	Revised Manual of Corporate Governance **Article 6. Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company does not have significant related party transactions.	
Recommendation 2.8			
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	Revised Manual of Corporate Governance **Article 3 (H) Internal Control Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Management Team of the Company consists of the following: 1. President - Mr. Dionisio E. Carpio, Jr. 2. Chief Compliance Officer - Ms. Pauline C. Tan 3. Chief Audit Executive – Pauline C. Tan	

2. Board is primarily responsible for assessing the performance 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	Revised Manual of Corporate Governance **Article 3 (H) Internal Control Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Board assesses the performance of the Management annually and as needed.	
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	Revised Manual of Corporate Governance **Article 3 (H) Internal Control Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
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		

Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	Revised Manual of Corporate Governance **Article 3 (H) Internal Control Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Policies on Conflict of Interest https://www.medco.com.ph/docus/MHI_Conflict_of_Interest.pdf	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Compliant	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Audit Committee Charter https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf	

Recommendation 2.11			
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 risks.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (H) Internal Control Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Audit Committee Charter https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish an ERM framework at this time.

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.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish an ERM framework at this time.
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Non-Compliant		The Company is in the process of establishing a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.
2. Board Charter serves as a guide to the directors in the performance of their functions.	Non-Compliant		The Company is in the process of establishing a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.
3. Board Charter is publicly available and posted on the company's website.	Non-Compliant		The Company is in the process of establishing a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.

Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	Policies on Business Ethics https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf Policies on Conflict of Interest https://www.medco.com.ph/docus/MHI_Conflict_of_Interest.pdf	
Optional: Principle 2			
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.			
2. Company discloses the types of decision requiring board of directors' approval.			

Principle 3: 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.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 7** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	<u>Revised Manual of Corporate Governance</u> **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf <u>Revised Manual of Corporate Governance</u> **Article 5 Accountability and Audit: Page 14** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation."	

2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	2016 Annual Corporate Governance Report **E. Board Committees: Page 22 – 23.** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf 2018 Definitive Information Statement **Item 7 Appointment of Independent Public Accountants: Page 13 – 14.** https://www.medco.com.ph/docus/MED_DIS_2018.pdf 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf PSE Edge: Material Information/Transactions http://edge.pse.com.ph/openDiscViewer.do?edge_no=a7945e5acf77d41843ca035510b6ec2b#sthash.Y35QVV6k.dpbs The members of the Audit Committee of the Corporation are Ms. Caly D. Ang (Chairman), Mr. Solomon R. B. Castro (Member), and Ms. Edna D. Reyes (Member).	

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	2016 Annual Corporate Governance Report **E. Board Committees: Page 22 – 23.** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf 2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13 – 14.** https://www.medco.com.ph/docus/MED_DIS_2018.pdf 2018 Annual Report **Item 9. Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	2016 Annual Corporate Governance Report **E. Board Committees: Page 22 – 23.** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf 2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13 – 14.** https://www.medco.com.ph/docus/MED_DIS_2018.pdf 2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf The Chairman of the Audit Committee is Ms. Caly D. Ang. She is not the Chairman of the Board or any other Committee.	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant		

2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	For 2018, the Audit Committee held its annual meeting on 29 November 2018.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			
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	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 12 – 13.** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf PSE Edge: Material Information/Transactions http://edge.pse.com.ph/openDiscViewer.do?edge_no=a7945e5acf77d41843ca035510b6ec2b#sthash.Y35QVV6k.dpbs	

2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Non-Compliant		2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13.** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf PSE Edge: Material Information/Transactions http://edge.pse.com.ph/openDiscViewer.do?edge_no=a7945e5acf77d41843ca035510b6ec2b#sthash.Y35QVV6k.dpbs The members of the Corporate Governance Committee are Mr. Solomon R. B Castro (Chairman), Mr. Dionisio Carpio, Jr. (Member) and Ms. Caly D. Ang (Member). Mr. Castro and Ms. Ang are independent directors. The Company has determined that the presence of 2 independent directors (out of 7) is sufficient to ensure the independence of the Board, which allows it to exercise an objective and independent judgment on all corporate affairs.
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	Mr. Solomon R. B Castro, Chairman of the Corporate Governance Committee is an Independent Director.	

Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.			
Recommendation 3.4			
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.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a BROC at this time.
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a BROC at this time.
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a BROC at this time.

4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a BROC at this time.
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a RPT Committee at this time.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a RPT Committee at this time.

Recommendation 3.6			
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.	Non-Compliant		<u>Audit Committee Charter</u> https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf The Company has an Audit Committee Charter, which states in plain terms its respective purposes, memberships, structures, operations, reporting process, resources and other relevant information. The Company is in the process of establishing a Charter for the Corporate Governance Committee.
2. Committee Charters provide standards for evaluating the performance of the Committees.	Non-Compliant		The Company is in the process of establishing a Charter for the Corporate Governance Committee.
3. Committee Charters were fully disclosed on the company's website.	Compliant	The Audit Committee Charter of the Company can be found in https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf	

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<tr><td colspan="4"></td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">Recommendation 4.1</td></tr>
<tr><td>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.</td><td>Compliant</td><td>For 2018, the Board conducted <u>the following meetings:</u><table><tr><th>Date of Meeting</th><th>Attendance</th></tr><tr><td>05 April 2018</td><td>100%</td></tr><tr><td>08 May 2018</td><td>100%</td></tr><tr><td>18 October 2018</td><td>100%</td></tr><tr><td>07 December 2018</td><td>83%</td></tr><tr><td>14 December 2018</td><td>100%</td></tr></table></td><td></td></tr>
<tr><td>2. The directors review meeting materials for all Board and Committee meetings.</td><td>Compliant</td><td><u>Revised Manual of Corporate Governance</u>
Article 3 (G) Specific Duties and Responsibilities of a Director: Page 8-9
https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf</td><td></td></tr>
</table>

3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	Revised Manual of Corporate Governance **Article 3 (G) Specific Duties and Responsibilities of a Director: Page 8-9** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Recommendation 4.2			
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.	Compliant	2016 Annual Corporate Governance Report2016 Annual Corporate Governance Report **A. Board Matters: Page 5.** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf Revised Manual of Corporate Governance **Article 3 (B) Multiple Board Seats: Page 3 –4.** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf None of the Directors concurrently serve in other listed companies	

Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	None of the Directors concurrently serve in other listed companies	
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.			
2. Company schedules board of directors' meetings before the start of the financial year.			
3. Board of directors meet at least six times during the year.			
4. 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		2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf Revised Manual of Corporate Governance **Article 3 (A) Composition of the Board: Page 3** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Under the Manual of Corporate Governance of the Company, "the Corporation 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)."

			Out of the 7 directors of the Board, 2 are independent: Mr. Solomon R. B. Castro And Ms. Caly D. Ang. This constitutes 28.57% or 2/7 of the Board. The Company has determined that the presence of 2 independent directors (out of 7) is sufficient to ensure the independence of the Board, which allows it to exercise an objective and independent judgment on all corporate affairs.

Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf Revised Manual of Corporate Governance **Article 3 (N) Independent Directors: Page 14** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The independent directors shall possess the necessary qualifications and none of the disqualifications for an independent director, as provided for in the Corporation's by-laws."	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16-17** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	Revised Manual of Corporate Governance **Article 3 (N) Independent Directors: Page 14** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The Board's independent directors shall serve for a maximum cumulative term of nine (9) years." Certification of Independent Directors (as Annex D-1 and D-2 to the 2018 Definitive Information Statement] https://www.medco.com.ph/docus/MED_DIS_2018.pdf Both independent directors will have served the maximum term of 9 years on 2021.	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	<u>Revised Manual of Corporate Governance</u> **Article 3 (N) Independent Directors: Page 14** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director."	

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 shareholders' approval during the annual shareholders' meeting.	Compliant	Revised Manual of Corporate Governance **Article 3 (N) Independent Directors: Page 14** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "In the instance that the Corporation wants to retain an independent director who reached the maximum term, the Board shall provide meritorious justification/s and seek shareholders' approval during the shareholders' meeting." Both independent directors will have served the maximum term of 9 years on 2021.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Chairman of the Board is Mr. Bobby Cheng Sai Chong. Meanwhile, the Chief Executive Officer of the Company is Mr. Dionisio E. Carpio, Jr.	

2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Revised Manual of Corporate Governance **Article 3 (C) The Chair and the Chief Executive Officer: Page 4** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Chairman and the CEO are not related.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	Since the Chairman, Mr. Bobby Cheng Sai Chong is not an independent director, the Board has designated Mr. Solomon R.B. Castro as its lead director.	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	Revised Manual of Corporate Governance **Article 3 (G) Specific Duties and Responsibilities of a Director: Page 8.** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf There were no cases of this nature in 2018.	

Recommendation 5.7			
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.	Non-Compliant		During meetings of the Audit Committee with the external auditor, heads of the internal audit, compliance and risk functions, non-executive directors are able to readily and freely ask questions on matters for discussed.
2. The meetings are chaired by the lead independent director.	Non-Compliant		During meetings of the Audit Committee with the external auditor, heads of the internal audit, compliance and risk functions, non-executive directors are able to readily and freely ask questions on matters for discussed.
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.			

Principle 6: 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.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Revised Manual of Corporate Governance **Article 7. Governance Self-Rating System: Page 17** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf 2018 Definitive Information Statement (Annex A: Management Report) **Compliance on the Corporate Governance: Page 10** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	

		2018 Annual Report **Item 13. Corporate Governance: Page 16** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf "The Corporation has accomplished and submitted its Corporate Governance Self-Rating Form ("CG-SRF") to the SEC. The Corporation reviews the specific policies and regulations on the CGSRF and determines whether it fully complies with it. Any deviation is immediately discussed among the members of the management." 2016 Annual Corporate Governance Report https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf	
2. The Chairman conducts a self-assessment of his performance.	Non-Compliant		The Company is in the process of reviewing the policy on the self-assessment of the performance of the members of the Board.
3. The individual members conduct a self-assessment of their performance.	Non-Compliant		The Company is in the process of reviewing the policy on the self-assessment of the performance of the members of the Board.

4. Each committee conducts a self-assessment of its performance.	Non-Compliant		The Company is in the process of reviewing the policy on the self-assessment of the performance of the Board Committees.
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		The Company is in the process of reviewing the policy on the self-assessment of the performance of the members of the Board and the Board Committees, which may also include the appointment of an external facilitator.
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.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6 https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf** The Company is in the process of establishing a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.
2. The system allows for a feedback mechanism from the shareholders.	Non-Compliant		The Company is in the process of establishing a system that system allows for a feedback mechanism from the shareholders.

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	Revised Manual of Corporate Governance **Article 3 (G) Specific Duties and Responsibilities of a Director: Page 8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf Policies on Business Conduct and Ethics https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The Code is properly disclosed in its website.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	Please see below link: https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf	
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Non-Compliant		The Company is in the process of establishing policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.

Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	Given the small size of the Company's personnel, the Board directly monitors their compliance with the Code of Business Conduct and Ethics and internal policies.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	The Directors, Senior Management and all employees of the Company are required to comply with the Company Policies on Business Conduct and Ethics. There have been no findings of non-compliance with Company Policies on Business Conduct and Ethics.	

Disclosure and Transparency			
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			
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.	Compliant	The Company is guided by its Revised Manual of Corporate Governance and disclosure rules set forth by the Securities and Exchange Commission and the Philippine Stock Exchange. <u>Revised Manual of Corporate Governance</u> https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf In addition to current reports and disclosures, the following are periodic reports made available to shareholders: 1. Information Statement 2. Press Release 3. Annual Report 4. Quarterly Report 5. Public Ownership Report 6. List of Top 100 Stockholders 7. Statement of Changes in Beneficial Ownership of Securities 8. Material Information/Transactions 9. Notice of Annual Shareholder's Meeting	

Supplement to Recommendations 8.1			
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.	Non-Compliant		The Company's 2018 Audited Financial Statements were first disclosed on 15 April 2019 to the Securities and Exchange Commission, together with its Annual Report, following the PSE rules, which is 105 days after the end of the fiscal year. The Company's interim reports are published within forty-five (45) days from the end of the reporting period. The latest interim report of the Company, for the quarter ended 31 March 2019, was filed with the Philippine Stock Exchange on 10 May 2019.

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.	Non-Compliant		2018 Annual Report **Item 5: Market for Issuer's Common Equity and Related Stockholder Matters: Page 4 – 5** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf The Company is in the process of assessing the principal risks to minority shareholders associated with the identity of the company's controlling shareholders and any imbalances between the controlling shareholders' voting power and overall equity position in the company.

Recommendation 8.2			
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.	Non-Compliant		The Company is in the process of establishing policies requiring all directors to disclose/report to the company any dealings in the company's shares within three (3) business days. The Company follows the requirement for filing of the PSE, which is five (5) business days of reporting or dealings of the Company's shares. Company Website: Company Disclosure https://www.medco.com.ph/sec_pse_reports.html Actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction are reported with the Philippine Stock Exchange and the Securities and Exchange Commission through SEC Form 23-A and B (Statement of Beneficial Ownership).

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.	Non-Compliant		The Company is in the process of establishing policies requiring all officers to disclose/report to the company any dealings in the company's shares within three business days. The Company follows the requirement for filing of the PSE, which is five (5) business days of reporting or dealings of the Company's shares. Company Website: Company Disclosure https://www.medco.com.ph/sec_pse_reports.html Actual dealings of officers involving the corporation's shares including their nature, number/percentage and date of transaction are reported with the Philippine Stock Exchange and the Securities and Exchange Commission through SEC Form 23-A and B (Statement of Beneficial Ownership)

Supplement to Recommendation 8.2			
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 of its shares from the market (e.g. share buy-back program).	Compliant	Company Website: Company Disclosure/Investor Relations https://www.medco.com.ph/sec_pse_reports.html https://www.medco.com.ph/investor_relations.html Trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders are reported and filed with the Philippine Stock Exchange and the Securities and Exchange Commission through its Public Ownership Reports and List of Top 100 Stockholders. Company Website: Business Profile https://www.medco.com.ph/medco_business_profile.html	

Recommendation 8.3			
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	2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf 2016 Annual Corporate Governance Report **A. Board Matters (6) Orientation and Education Program: Page 12** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf	
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	2018 Annual Report **Item 9: Directors and Positions Held/Business Experience for the last 5 years: Page 12 – 13** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf 2016 Annual Corporate Governance Report **A. Board Matters (6) Orientation and Education Program: Page 12** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf	

Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Non-Compliant		The Company is in the process of establishing a formal policy on Board Remuneration. <u>Revised Manual of Corporate Governance</u> **Article 3 (J) Remuneration of Directors and Officers: Page 10-11** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "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." Current practice of the Company: Executive and Non-Executive Directors are given a per diem allowance only.

2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Non-Compliant		The Company is in the process of establishing a formal policy on Board Remuneration. <u>Revised Manual of Corporate Governance</u> **Article 3 (J) Remuneration of Directors and Officers: Page 10-11** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "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." Current practice of the Company: Executive and Non-Executive Directors are given a per diem allowance only.
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	<u>2018 Annual Report</u> **Item 10: Executive Compensation: Page 14** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	

Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	Policies on Related Party Transactions https://www.medco.com.ph/docus/MHI_Related_Party_Transactions.pdf Policies on Conflict of Interest https://www.medco.com.ph/docus/MHI_Conflict_of_Interest.pdf Revised Manual of Corporate Governance **Article 3 (G) Specific Duties and Responsibilities of a Director: Page 8** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf If an actual or potential conflict of interest may arise on the part of a director, senior management, or employee, they should fully and immediately disclose it and should not participate in the decision-making process.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	2018 Audited Financial Statements (Annual Report) **Item 12. Related Party Transactions: Page 29-30** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	

Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	Policies on Conflict of Interest https://www.medco.com.ph/docus/MHI_Conflict_of_Interest.pdf Policies on Business Conduct and Ethics https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.			
Recommendation 8.6			
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	Company Website: Company Disclosure https://www.medco.com.ph/sec_pse_reports.html	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant		

Supplement to Recommendation 8.6			
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	The Company has no shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company. If there are such agreements, the same will be disclosed to the PSE.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	<u>Revised Manual of Corporate Governance</u> https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf <u>PSE Edge: Other SEC Forms/Reports/Requirements</u> http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f320424f6e7c1c63318251c9257320d#sthash.YR3ZZSrL.dpbs The Company's Revised Manual of Corporate Governance was submitted to the PSE and the SEC on 31 May 2017.	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		

Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	The Company's Revised Manual of Corporate Governance was submitted to the PSE and the SEC on 31 May 2017. <u>PSE Edge: Other SEC Forms/Reports/Requirements</u> http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f320424f6e7c1c63318251c9257320d#sthash.YR3ZZSrL.dpbs	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:			
a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
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			
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.			
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.			
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.			
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).			

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	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11-12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders." Audit Committee Charter https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf 2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	

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	2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf For 2018, Punongbayan & Araullo was reappointed by an affirmative vote of a majority of the common shares of the Corporation.	
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	There is currently no need to replace or rotate the current independent auditor. 2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf Revised Manual of Corporate Governance **Article 5. Accountability and Audit: Page 15-16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	Revised Manual of Corporate Governance **Article 5. Accountability and Audit: Page 15-16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	Audit Committee Charter **Item V. Responsibilities: Page 3** https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	Audit Committee Charter **Item V. Responsibilities: Page 3** https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf	

Supplement to Recommendations 9.2			
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	<u>Audit Committee Charter</u> https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf <u>Revised Manual of Corporate Governance</u> **Article 5. Accountability and Audit: Page 14-16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf <u>2018 Definitive Information Statement</u> **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	

2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	Audit Committee Charter https://www.medco.com.ph/docus/Audit_Committee_Charter.pdf Revised Manual of Corporate Governance **Article 5. Accountability and Audit: Page 14-16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf 2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
Recommendation 9.3			
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	For 2018, the Company engaged its external auditor to provide a Verification Report of the advances of the Company to be converted into equity/shares to be issued out of the increase of its authorized capital stock.	

2. Audit Committee stays alert for any 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.	Compliant	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 12** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Non-Compliant		2018 Definitive Information Statement **Item 7. Appointment of Independent Public Accountants: Page 13-14** https://www.medco.com.ph/docus/MED_DIS_2018.pdf For 2018, the aggregate fees billed for the professional services rendered by Punongbayan &Araullo amounted to Php420,224.00 For 2018, the aggregate fees billed for the non-audit services rendered by Multinational Investment Bancorporation amounted to Php10,000.00.

Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	1. **Name of the audit engagement partner:** Nelson J. Dinio 2. **Accreditation number:** Partner No. 1036-AR-2 3. **Date Accredited:** 15 March 2017 4. **Expiry date of accreditation:** 15 March 2020 5. **Name, address, contact number of the audit firm** Punongbayan & Araullo 20th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue, Makati City	
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).	Non-Compliant		1. **Date it was subjected to SOAR inspection, if subjected:** N/A 2. **Name of the Audit firm:** Punongbayan & Araullo 3. **Members of the engagement team inspected by the SEC:** N/A

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.	Non-Compliant		The Company is in the process of establishing policies 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. However, the Company has a Corporate Social Responsibility program. Its first project is the donation in kind to Caritas Manila, Inc. via its Segunda Mana program, which is a fund raising initiative wherein unused new or second hand items are collected and sold in Segunda Mana stores. The proceeds are used to fund Caritas Manila's programs for the poor. The Company has initially donated three boxes worth of clothing, books, printers and other items, most of which came from the company's employees. This is a continuing project and we will likewise seek other programs that are geared towards uplifting the less fortunate.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-Compliant		The Company is in the process of adopting a globally recognized standard/framework in reporting sustainability and non-financial issues.

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			
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.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to conduct media and analysts' briefings at this time.
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:			
a. Financial statements/reports (latest quarterly)	Compliant	Company Website: Financial Reports https://www.medco.com.ph/financial_reports.html Company Website: Company Disclosures – SEC Form 17-Q (Quarterly Report) https://www.medco.com.ph/sec_pse_reports.html	

b. Materials provided in briefings to analysts and media	Compliant	The Company did not hold any media or analysts' briefings for 2018.	
c. Downloadable annual report	Compliant	https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	
d. Notice of ASM and/or SSM	Compliant	Company Website: Company Disclosures – Notice of Annual Stockholders' Meetings https://www.medco.com.ph/sec_pse_reports.html On 8 May 2018, the Company has approved for a postponement of the Company's 2018 Annual Stockholder's Meeting, which was supposed to be held on the second Friday of May or 11 May 2018, to give the Company more time to prepare the necessary reports and disclosures for the meeting. (Please see disclosure on https://www.medco.com.ph/docus/Postponement_of_Annual_Stockholders_Meeting_2018.pdf) The 2018 Annual Stockholders' Meeting was held on 07 December 2018. (https://www.medco.com.ph/docus/Medco_Notice_of_Annual_Stocholders_Meeting_2018.pdf)	
e. Minutes of ASM and/or SSM	Compliant	Company Website: Company Disclosures – Minutes of All General or Special Stockholders' Meeting https://www.medco.com.ph/sec_pse_reports.html	

f. Company's Articles of Incorporation and By-Laws	Compliant	Company Website: Business Profile – Other Company Documents https://www.medco.com.ph/medco_business_profile.html	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	The Company's website complies with the SEC-prescribed website template. https://www.medco.com.ph/index.html	

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			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	Revised Manual of Corporate Governance **Article 3 (K) Board Committees: Page 11** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf "The Board reviews the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it." The Company implements a Financial Audit Program. The Audit Committee reviews the Company's internal control systems yearly.	

2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Non-Compliant		<u>Revised Manual of Corporate Governance</u> **Article 3 (H) Internal Control and Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf <u>2016 Annual Corporate Governance Report</u> **F. Risk Management System: Page 25** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish an ERM framework at this time.

Supplement to Recommendations 12.1			
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.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (H) Internal Control and Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf 2016 Annual Corporate Governance Report **F. Risk Management System: Page 25** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a comprehensive enterprise-wide compliance program at this time.
Optional: Recommendation 12.1			
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.			

Recommendation 12.2			
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	The Internal audit of the Company is in-house. Revised Manual of Corporate Governance **Article 3 (H) Internal Control and Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	The Company's Chief Audit Executive is Ms. Pauline C. Tan, its treasurer. Amended By Laws https://www.medco.com.ph/docus/MHI_Amended_By-Laws.pdf	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.	Compliant	Amended By Laws https://www.medco.com.ph/docus/MHI_Amended_By-Laws.pdf	

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.	Compliant	The Chief Audit Executive shall be primarily responsible in case of a fully outsourced internal audit activity.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (H) Internal Control and Responsibilities of the Board: Page 9-10** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf 2016 Annual Corporate Governance Report **F. Risk Management System: Page 25** https://www.medco.com.ph/docus/MHI_Revised_ACGR_2016.pdf Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a separate risk management function at this time.

Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a separate risk management function at this time.
Recommendation 12.5			
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).	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a risk management system at this time or appoint a Chief Risk Officer.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-Compliant		Based on the relatively simple nature of its business as a holding company and the small volume and size of its transactions and the minimal degree of risks involved in its business, the Company has determined that it does not need to establish a risk management system at this time or appoint a Chief Risk Officer.

Additional Recommendation to Principle 12			
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	2018 Annual Report https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf	

Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	2018 Definitive Information Statement **Item 4. Voting Securities and Principal Holders Thereof: Page 5** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	2018 Definitive Information Statement **Item 4. Voting Securities and Principal Holders Thereof: Page 5** https://www.medco.com.ph/docus/MED_DIS_2018.pdf Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
3. Board has an effective, secure, and efficient voting system.	Compliant	2018 Definitive Information Statement **Item 4. Voting Securities and Principal Holders Thereof: Page 5** https://www.medco.com.ph/docus/MED_DIS_2018.pdf Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

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.	Non-Compliant		The Company is in the process of the establishing an effective shareholder voting mechanism.
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	Amended By Laws **Article V Meeting of the Stockholders, Section 3: Page 4** https://www.medco.com.ph/docus/MHI_Amended_By-Laws.pdf	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

7. Company has a transparent and specific dividend policy.	Compliant	2018 Definitive Information Statement Annex A **Market Price and Dividends on the Corporation's Common Equity and Related Stockholder Matters: Page 11** https://www.medco.com.ph/docus/MED_DIS_2018.pdf The directors will consider dividend payments after taking into account such factors as the Corporation's cash flow, future expansion plans and prevailing bank interest rates. 2018 Annual Report **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters: Page 4** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf No cash dividends have been declared by the Company on its common stock for the last 10 years.	

Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
Recommendation 13.2			
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	The Notice of the Meeting and Agenda together with the Definitive Information Statement are distributed to the shareholders at least 30 days prior to the meeting. <u>2018 Definitive Information Statement</u> **Notice of Annual Meetings of the Stockholders:_Page 3** https://www.medco.com.ph/docus/MED_DIS_2018.pdf For 2018, Notice of the Meeting (to be held on 07 December 2018) and Agenda were sent to the stockholders on 18 October 2018. The Definitive Information Statement was sent to the stockholders on 14 November 2018.	

Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	2018 Definitive Information Statement **Notice of Annual Meetings of the Stockholders:_Page 3** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	2018 Definitive Information Statement **Item 5. Directors and Executive Officers: Page 7** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
b. Auditors seeking appointment/re-appointment	Compliant	2018 Definitive Information Statement **Item 5. Directors and Executive Officers: Page 7** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
c. Proxy documents	Compliant	2018 Definitive Information Statement **Item 19. Voting Procedures: Page 18** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	

Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	2018 Definitive Information Statement **Notice of Annual Meetings of the Stockholders:_Page 3** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	2018 Minutes of the Annual Stockholders' Meeting https://www.medco.com.ph/docus/MED_ASM_2018.pdf	
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	The Minutes for the ASM held on 07 December 2018 is found in: https://www.medco.com.ph/docus/MED_ASM_2018.pdf	

Supplement to Recommendation 13.3			
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 the Company's External Auditor were present during the 2018 ASM.	
Recommendation 13.4			
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.	Non-Compliant		Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf The Company is in the process of establishing an 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	Revised Manual of Corporate Governance **Article 3 (F) Responsibilities, Duties and Functions of the Board: Page 6** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	**Name of Contact Person:** Dionisio E. Carpio, Jr. **Telephone number:** 811-0465 to 66 **E-mail address:** denniscarpio@ medco.com.ph	
2. IRO is present at every shareholder's meeting.	Compliant	The Company's IRO is Mr. Dionisio E. Carpio, Jr., who is present during the last shareholder's meeting.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	The Company has no anti-takeover measures or similar devices currently being implemented or is in place.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-Compliant		The Company's current public float is 20.12%. The Company is currently exploring the possibility of increasing it public float percentage.

Optional: Principle 13			
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.			

Duties to Stakeholders			
Principle 14: 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.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	2018 Annual Report **Item 5: Market for Issuer's Common Equity and Related Stockholder Matters: Page 4-6** https://www.medco.com.ph/docus/SEC_Form_17A_Annual_Report_2018.pdf 2018 Definitive Information Statement (Management Report) **Market Price and Dividends on the Corporation's Equity and Related Stockholder Matters: Page 11-12** https://www.medco.com.ph/docus/MED_DIS_2018.pdf	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	Revised Manual of Corporate Governance **Article 6 Stockholders' Rights and Protection of Minority Stockholders' Interests: Page 16-17** https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	

Recommendation 14.3			
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	**Name of contact person:** Mr. Dionisio E. Carpio, Jr. **Phone no. or email address:** 811-0465 to 66 denniscarpio@ medco.com.ph Policies on Whistle Blower https://www.medco.com.ph/docus/MHI_Whistle_Blower.pdf	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Non-Compliant		The Company is in the process of establishing an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
Additional Recommendations to Principle 14			
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 does not seek 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		
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
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.	Compliant	Revised Manual of Corporate Governance https://www.medco.com.ph/docus/MHI_Revised_Manual_of_Corp_Gov_2017.pdf	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Non-Compliant		Given the small size of the Company's personnel, the Company has determined that it does not need to establish reward/compensation policy that accounts for the performance of the company beyond short-term financial measures at this time.
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	Policies on Employee Welfare https://www.medco.com.ph/docus/MHI_Policies_on_Employee_Welfare.pdf	

3. Company has policies and practices on training and development of its employees.	Non-Compliant		Given the small size of the Company's personnel, the Company has determined that it does not need to establish reward policies and practices on training and development of its employees at this time.
Recommendation 15.2			
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	Policies on Business Conduct and Ethics https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Non-Compliant		Given the small size of the Company's personnel, the Company has determined that it does not need to establish reward policies and practices on training and development of its employees at this time.

Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	Policies on Whistle Blower https://www.medco.com.ph/docus/MHI_Whistle_Blower.pdf Policies on Business Conduct and Ethics https://www.medco.com.ph/docus/MHI_Business_Conduct_Ethics.pdf There are no findings of violation of Company policies for 2018.	
Recommendation 15.3			
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	Non-Compliant		Policies on Whistle Blower https://www.medco.com.ph/docus/MHI_Whistle_Blower.pdf The Company is in the process of establishing 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. **Name of contact person:** Mr. Dionisio E. Carpio, Jr. **Phone no.:** 811-0465 to 66 **E-mail address:** denniscarpio@medco.com.ph

2. Board establishes a suitable framework for whistle-blowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistle-blowing concerns.	Non-Compliant		The Company is in the process of establishing suitable framework for whistle-blowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistle-blowing concerns.
3. Board supervises and ensures the enforcement of the whistle-blowing framework.	Non-Compliant		The Company is in the process of establishing suitable framework for whistle-blowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistle-blowing concerns.

Principle 16: 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.			
Recommendation 16.1			
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 Company has a Corporate Social Responsibility Program. Its first project is the donation in kind to Caritas Manila, Inc. via its Segunda Mana program, which is a fund raising initiative wherein unused new or second hand items are collected and sold in Segunda Mana stores. The proceeds are used to fund Caritas Manila's programs for the poor. The Company has initially donated three boxes worth of clothing, books, printers and other items, most of which came from the company's employees. This is a continuing project and we will likewise seek other programs that are geared towards uplifting the less fortunate.	

Optional: Principle 16			
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			

IN WITNESS WHEREOF, we have hereunto signed this Certificate this MAY 2 8 2019 in MAKATI CITY.

BOBBY CHENG SAI CHONG
Chairman of the Board

DIONISIO E. CARPIO, JR.
President and
Chief Executive Officer

SOLOMON R.B. CASTRO
Independent Director

CALY D. ANG
Independent Director

JONAS S. KHAW
Corporate Secretary

PAULINE C. TAN
Compliance Officer and
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 28 2019, affiants exhibiting to me the following:

NAME	GOVERNMENT ISSUED I.D. NO.	DATE AND PLACE OF ISSUE
Bobby Cheng Sai Chong	Passport No. K01843092	Oct. 26, 2010/Hong Kong
Dionisio E. Carpio, Jr.	SSS ID No. 03-1710841-7	
Caly D. Ang	SSS ID No. 03-1978770-0	
Solomon R.B. Castro	License No. D14-85-012575	April 10, 2018/Manila
Pauline C. Tan	License No. N03-08-021130	Oct. 5, 2016/Manila
Jonas S. Khaw	License No. N02-98-371127	Jan. 11, 2019/Manila

Doc. No. 351
Book No. 72
Page No. 72
Series of 2019.

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058833/01-3-19-Appointment#M-127
ROLL NO. 28947/ MCLE NO V.0025589/9-8-2017
PTR NO MKT 7333572/01-3-19 MAKATI CITY