

P W - 9 9 8

SEC Registration Number

M A C A Y H O L D I N G S , I N C . &
S U B S I D I A R I E S

(Company's Full Name)

1 3 7 Y A K A L S T R E E T , S A N A N T O N I O
V I L L A G E , M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

1 2 3 1

(Form Type)

C G F D

Department requiring the report

Secondary License
Type, If Applicable

COMPANY INFORMATION

investor.relations@macayholings.com.ph

Company's email address

+632-8893-0733

Company's Telephone Number

n/a

Mobile Number

388

No. of Stockholders

4th Wed of June
Re-scheduled to Sep 30

Annual Meeting(Month/Day)

2019

Fiscal Year

CONTACT PERSON INFORMATION

Renato Jamlang

Name of Contact Person

investor.relations@macayholings.com.ph

Email Address

+632-8893-0733

Telephone Number

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Mobile Number

CONTACT PERSON'S ADDRESS

137 Yakal Street, San Antonio Village, Makati City 1203

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
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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	The Macay(or the "Company's") board is comprised of individuals with a mix of business disciplines in the areas of operations, marketing and finance.	
2. Board has an appropriate mix of competence and expertise.	Compliant	See <u>Business Experience of Directors and Officers</u> under item 9 of the <i>SEC Form 17-A (page 14) filed with the PSE and SEC last July 1, 2020.</i>	
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	<p>http://www.macayholdings.com.ph/sec-filings</p> <p>The qualification See <u>Macay Composition of the Board</u> (Sec. 3.1.1) under the <i>Revised Manual of Corporate Governance.</i> http://www.macayholdings.com.ph/corp-governance-manual-policies</p> <p>See <u>Training Process</u> (Sec. 5b and 5c) under the <i>Revised Manual of Corporate Governance.</i></p>	

Recommendation 1.2

1. Board is composed of a majority of non-executive directors.	Compliant	See <i>2019 General Information Sheet</i> showing the executive positions held by certain directors. Three out of the thirteen directors held an executive position in 2019. http://www.macayholdings.com.ph/disclosures	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	See <i>Training Process</i> (Sec. 5) under the <i>Revised Manual of Corporate Governance</i> . http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Company has an orientation program for first time directors.	Compliant		
3. Company has relevant annual continuing training for all directors.	Compliant		
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	See <i>Composition of the Board</i> (Sec. 3.1.1) under the <i>Revised Manual of Corporate Governance</i> . http://www.macayholdings.com.ph/corp-governance-manual-policies	
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.	Compliant	The Company states on its Revised Manual of Corporate Governance (under Sec 3.1.1) its policy on board diversity whereby to the extent practicable, the composition of the Board should also be diverse in terms of age, gender, ethnicity, and culture.	

Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	See duties of a <u>Corporate Secretary</u> (Sec. 3.3.3) under the <i>Revised Manual of Corporate Governance</i> ; http://www.macayholdings.com.ph/corp-governance-manual-policies <u>Business Experience of Directors and Officers</u> under item 9 of the <i>SEC Form 17-A</i> (page 14) filed with the PSE and SEC last April 30, 2019 and June 30, 2020 http://www.macayholdings.com.ph/sec-filings	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant	Mr. Roberto A. Atendido serves as the Company's Compliance Officer from 2018 to present	
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	<u>Business Experience of Directors and Officers</u> under item 9 of the <i>SEC Form 17-A</i> (page 14).	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	Atty Gabriel Dee attended the corporate governance seminar last May 21, 2019.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Non Compliant		Currently the materials for the board meetings are released a day to three days before the scheduled meeting. The Company is working towards achieving the Code of Corporate Governance Recommendation of five days prior.

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	<p>Mr. Roberto A. Atendido serves as the Company's Compliance Officer from 2018 to present.</p> <p>See Sec. 3.3.4 of the <i>Revised Manual of Corporate Governance</i> for the role and duties of a Compliance Officer. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	Mr. Atendido, the Company's appointed Compliance Officer, is a Non-Executive Board member with over 40 years of business experience with both private and listed companies.	
3. Compliance Officer is not a member of the board.	Non-compliant		Mr. Atendido's business experience, particularly as non-executive director of other entities listed on the PSE, provides the Company with the necessary knowledge and guidance that is crucial to his position as Compliance officer. See Sec. 3.3.4 of the <i>Revised Manual of Corporate Governance</i> for the role and duties of a Compliance Officer.
4. Compliance Officer attends training/s on corporate governance.	Compliant	See December 27, 2019 PSE EDGE Disclosure Form 17-18 - Other SECForms/Reports/Requirements with regard to <i>Advisement Letters</i> on Directors' attendance in Corporate Governance seminars.	

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	At the start of 2019 five board meetings were set for the year 2019, all of which were conducted attended and participated in by a quorum of directors. See <u>General Responsibilities of the Board</u> (Sec. 3.1.2) under the <i>Revised Manual of Corporate Governance</i> ; http://www.macayholdings.com.ph/corp-governance-manual-policies	
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Recommendation 2.2

1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	The business objectives and strategy of the Company are reviewed by members of the Board of Directors.	
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	The Board reviewed the Company's vision, and mission and updated it to what it is today (see Company website http://www.macayholdings.com.ph/about	
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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		In line with the annual review of the business objectives and strategies of the Company and its subsidiaries', the Company is working towards establishing a formal process of monitoring effective management performance.
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	See <u>Business Experience of Directors and Officers</u> under item 9 of SEC Form 17-A filed with the PSE and SEC last April 30, 2019 and June 30, 2020 http://www.macayholdings.com.ph/sec-filings	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Non-compliant		The Board is considering the development of the following programs: 1) a formal succession planning program for directors, key officers and management, and 2) a retirement policy for directors and key officers
2. Board adopts a policy on the retirement for directors and key officers.	Non Compliant		
Recommendation 2.5			

<p>1. Board aligns the remuneration of key officers and board members with long-term interests of the company.</p>	<p>Compliant</p>	<p>The Company created a Compensation and Remunerations Committee (Sec. 3.2.2) with the functions set forth in Sec. 3.2.2.2 of the <i>Revised Manual for Corporate Governance</i>. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	
<p>2. Board adopts a policy specifying the relationship between remuneration and performance.</p>	<p>Non-Compliant</p>		<p>See 2016 Annual Corporate Governance Report on the Company's website the under <u>Remuneration Process</u>.http://www.macayholdings.com.ph/corporate-governance-report</p> <p>No formal policy however, for the President/CEO, Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</p> <p>While for the top 4 highest paid management executives President establishes KPIs and evaluates performance and decides on remuneration</p>
<p>3. Directors do not participate in discussions or deliberations involving his/her own remuneration.</p>	<p>Compliant</p>	<p>The Company created a Compensation and Remunerations Committee (Sec. 3.2.2) with the functions set forth in Sec. 3.2.2.2 of the <i>Revised Manual for Corporate Governance</i>. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	

Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	Non Compliant		<p>See Sec 3.2.2 of the <i>Revised Manual for Corporate Governance</i>. “The Remuneration Committee approves the amount of remuneration which shall be sufficient to attract and retain directors and officers who are needed to run the Corporation successfully”</p> <p>See 2016 Annual Corporate Governance Report on the Company’s website the under <u>Remuneration Process</u>.http://www.macayholdings.com.ph/corporate-governance-report</p> <p>The Board establishes KPI and Compensation of the President/CEO and Remuneration Committee evaluates performance and makes recommendation</p> <p>While for the top 4 highest paid management executives President establishes KPIs and evaluates performance and decides on remuneration</p>
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.	Non Compliant		The Remuneration Committee will review the Company’s standards of measuring that performance-based remuneration align with the long-term interest of the Company.

Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	The Company has a Nomination Committee (Sec. 3.2.1) with the functions set forth in Sec. 3.2.1.2 of the <i>Revised Manual for Corporate Governance</i> . The Manual also contains the qualifications of Directors, and grounds for temporary or permanent disqualifications.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	Further, the Manual specifies that under Sec. 7.1.1b that cumulative voting shall be used in the election of directors. http://www.macayholdings.com.ph/corp-governance-manual-policies	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	The Company enjoins minority shareholders, through the Definitive Information Statements, to submit nominations prior to the Annual Stock Holders meeting. A formal policy will need to be drafted.	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	See page 2 of the Definitive Information Statements http://www.macayholdings.com.ph/disclosures	
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		The Board, will develop a process for the evaluation of the Board's nomination, election and replacement procedures.

<p>6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.</p>	<p>Compliant</p>	<p>See Revised Manual of Corporate Governance Section 3.2.1.2 which details the qualifications of a director that the nominations committee should shortlist. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	
<p>Optional: Recommendation to 2.6</p>			
<p>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.</p>	<p>Non-compliant</p>		<p>In 2019 the company did not need the services of a search firm and will consider the need in the future.</p>

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	The Board is in charge of policies and procedures that will ensure the integrity and transparency of related party transactions. See among the <u>Specific Duties and Functions of the Board</u> (Sec. 3.1.3i) of the <i>Revised Manual of Corporate Governance</i> .	
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	See Section III of the <i>Related Party Transaction Policy</i> disclosure available in the company's website. See Disclosures on Related Party Transaction on the Company's Consolidated Audited Financial Statements http://www.macayholdings.com.ph/corp-governance-manual-policies	

Supplement to Recommendations 2.7

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<p>See Annex A of Revised Related Party Transaction Policy http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Non-compliant</p>		<p>The Corporate Governance Committee is in the process of setting a voting system where by a majority of the non-executive directors shall approve specific types of related party transactions as effectively 89% of the Company is owned by the Yao Family.</p>

Recommendation 2.8			
<p>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).</p>	Compliant	<p>See among the <u>Specific Duties and Functions of the Board</u> (Sec. 3.1.3a) and <u>Management</u> (Sec. 3.3) of the <i>Revised Manual of Corporate Governance</i>. http://www.macayholdings.com.ph/corp-governance-manual-policies</p> <p>See <u>Business Experience of Directors and Officers</u> under item 9 of the SEC Form 17-A filed with the PSE and SEC last April 30, 2019 and June 30, 2020 http://www.macayholdings.com.ph/sec-filings</p>	
<p>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).</p>	Compliant	<p>The Board, thru its Corporate Governance Committee, is responsible for overseeing the performance of the Board and its committees and executive management annually. See <u>Functions</u> of the Corporate Governance Committee (Sec. 3.2.4) in the <i>Revised Manual of Corporate Governance</i>. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	

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.	Non-Compliant		To ensure that management and personnel's performance is at par in terms of discipline and operational conduct, the Board constituted and enforced policies such as <i>Code of Conduct and Discipline, and Policy on Employee Health, Safety, Welfare and Development</i> , both of which are disclosed in the company's website. The Board is in the process of formalizing in written form its performance management framework for management and personnel to ensure that standards are met in terms of financial measures.
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.	Non-Compliant		

Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	Under the <i>Revised Manual of Corporate Governance</i> , the Audit Committee is chartered to oversee internal control systems (Sec. 3.2.3.2) in coordination with management (Sec. 3.3b) and internal audit function (Sec. 3.3.5). See <i>Conflict of Interest Policy</i> as disclosed in the company's website.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	http://www.macayholdings.com.ph/corp-governance-manual-policies	
3. Board approves the Internal Audit Charter.	Compliant	See <u>Annex A: Charter of the Audit Committee</u> of the Company's Revised Manual of Corporate Governance http://www.macayholdings.com.ph/corp-governance-manual-policies	

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.	Compliant	See <i>Enterprise-Wide Risk Management Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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.	Compliant	Through risk management strategies employed by the Company, particularly the Audit Committee, external threats and internal weaknesses of the Company have been identified, analyzed and evaluated. Risks posed by such external and internal factors are being addressed and proper responses are continually determined and enforced.	
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.	Compliant	See <i>Specific Duties and Responsibilities of a Director</i> (Sec. 3.1.4a) under the <i>Revised Manual of Corporate Governance</i> .	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant	http://www.macayholdings.com.ph/corp-governance-manual-policies	
3. Board Charter is publicly available and posted on the company's website.	Compliant	The <i>Revised Manual of Corporate Governance</i> (as of May 2017) which serves as the Board Charter. See copy uploaded in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	

Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	See <i>Insider Trading Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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.	Non-Compliant		There is no policy for loans to directors and no such policy is being considered.
2. Company discloses the types of decision requiring board of directors' approval.	Non-Compliant		The Company may consider disclosing the types of decisions requiring board of director's 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	See the Company's Board Committees as disclosed in the Company's website http://www.macayholdings.com.ph/board-committees	

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	See <u>Annex A: Charter of the Audit Committee</u> of the Company's Revised Manual of Corporate Governance It is the Audit Committee's responsibility to recommend appointment of external auditors (Sec. 3.3.6a of the <i>Revised Manual of Corporate Governance</i>). http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	The Audit Committee has four members, three of whom are non-executives including the Chairman. See website disclosure under <i>Board Committees</i> .	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	All members of the Audit Committee have relevant knowledge and experience in finance/management. See <u>Business Experience of Directors and Officers</u> under item 9 of the 2019 SEC Form 17-A. http://www.macayholdings.com.ph/sec-filings	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Non-Compliant		The Chairman of the Audit Committee is also the Chairman of the Compensation and Remuneration Committee. His chairmanship in two distinct committees does not preclude him from performing his functions effectively and objectively on both or either of roles.

Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	See <u>Duties and Responsibilities</u> (item k) of the Audit Committee in the <i>Charter of Audit Committee</i> . http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-Compliant		The Audit Committee meets with the external audit team twice a year however there are some members of management present when immediate feedback and input is deemed necessary.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Compliant	The Audit Committee met four (4) times in 2019 to approve the release of the Audited and Unaudited Financial Statements of the Company.	
2. Audit Committee approves the appointment and removal of the internal auditor.	Non-Compliant		The Company is in search of an Internal Auditor. As the current function is assigned to the Internal Audit Department of the Company's subsidiary.
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	See Sec. 3.2.4 of the <i>Revised Manual of Corporate Governance</i> . The Corporate Governance Committee undertook the process of identifying quality directors aligned with the company's strategic direction.	

2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Non-Compliant		There are currently two independent directors that each occupy a board seat. The Corporate Governance Committee should be composed of three members two of whom are independent directors. The Board, thru its Nominations Committee, is considering the increase in the number of independent directors from two to three.
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	See the members of the Corporate Governance Committee on the Company's website http://www.macayholdings.com.ph/board-committees	
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		Considering the corporation's size, risk profile and complexity of operations, the Board deems that creation of a BROC is unwarranted for the time being. Functions of the Board Risk Oversight Committee are currently under the Audit Committee. See Sec. 3.2.3.2 of the <i>Revised Manual of Corporate Governance</i> .
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-Compliant		
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Non-Compliant		
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Non-Compliant		

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.	Compliant	The responsibility for transparency and management of related party transactions lies with the Board. Under the Company's RPT Policy The Audit Committee is shall regularly review the implementation of this Policy to assess the adequacy and effectiveness of relevant internal controls. See the Company's website for its RPT Policy http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Non-Compliant		Currently the Audit Committee also functions as the Related Party Transactions Committee, members of which comprise of two Independent directors and one executive director. The replacement of the executive director is under consideration.
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.	Compliant	The <i>Revised Manual of Corporate Governance</i> serves as the charter of each established committee. http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Non-Compliant		Currently, the Committees' charters do not have specific standards for evaluating each Committee's performance. Each Board Committee is currently determining the standards for performance evaluation of each committee.

3. Committee Charters were fully disclosed on the company's website.	Compliant	The <i>Revised Manual of Corporate Governance</i> , which serves as the charter for each committee is disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

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.	Non-Compliant		A quorum was achieved in every scheduled Board meeting. At this time however, the Company is unable to provide reference to a document containing board quorum.
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Board materials are sent to Broad Members and printed for each attending Board member.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	The directors actively participate during the Company's board meetings. Future minutes will provide details on active discussion.	

Recommendation 4.2			
<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	<p>Compliant</p>	<p>Under the <i>Revised Manual of Corporate Governance</i>, a director should devote sufficient time in learning about the business and its operations. For this reason, a non-executive director may concurrently serve as a director to a maximum of five publicly-listed companies.</p> <p>See the list of Board Members with <u>Directorships in Other Reporting Companies</u> is presented on SEC Form 17-A filed with the SEC and PSE. This is also posted on the Company website. <u>http://www.macayholdings.com.ph/sec-filings</u></p>	
Recommendation 4.3			
<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	<p>Compliant</p>	<p>In 2018 Mr. Anonas sent the Company advise that he was nominated as director for SBS Philippines Corporation.</p>	

Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	See Company website for list of Board Members with <u>Directorships in Other Reporting Companies</u> under SEC Form 17-A filed with the SEC and PSE. http://www.macayholdings.com.ph/sec-filings	
2. Company schedules board of directors' meetings before the start of the financial year.	Non-Compliant		The Company scheduled its board of director's meeting's at the first board meeting of the financial year
3. Board of directors meet at least six times during the year.	Compliant	The Board directors for 2019 met five (5) times. If we are to include the stockholders meeting it would total six (6) times.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Non-Compliant		The current quorum for board meetings is 51% with independent directors always present.

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		The Company currently has two independent directors. The Board, through its Nominations Committee, may consider increasing the number of independent directors from two to three.
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Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	See Sec. 3.1.6 of the <i>Revised Manual of Corporate Governance</i> for the qualifications of an Independent Director. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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	There are no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. See the Company's By-Laws under Other Filings on http://www.macayholdings.com.ph/disclosures and Revised Manual of Corporate Governance on http://www.macayholdings.com.ph/corp-governance-manual-policies	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	See <i>2019 Annual Report</i> for the covered period of directorship of each independent director. http://www.macayholdings.com.ph/sec-filings	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	An independent director is perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. See Sec. 3.1.6 of the <i>Revised Manual of Corporate Governance</i> . http://www.macayholdings.com.ph/corp-governance-manual-policies	

<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	<p>Compliant</p>	<p>As of the end of calendar year 2019, no appointed independent director has reached the nine-year maximum period of independent directorship. However, in the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting. See Sec. 3.1.6 of the <i>Revised Manual of Corporate Governance</i>. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	
Recommendation 5.4			
<p>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</p>	<p>Compliant</p>	<p>Chairman of the Board: Alfredo M. Yao Chief Executive Officer: Antonio I. Panajon On the Company's website see list of Board of Directors http://www.macayholdings.com.ph/board-of-directors and Management Team http://www.macayholdings.com.ph/management-team</p>	
<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>Compliant</p>	<p>See Sec. 3.1.5 and 3.3.1 for the responsibilities of the Board Chairman and the Chief Executive Officer (CEO), respectively. http://www.macayholdings.com.ph/corp-governance-manual-policies</p>	

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.	Non-compliant		The Chairman of the Board is not an independent director. However, for all Board Committees the Chairman is an independent director. See Membership of Board Committees on Company website
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	In 2019, there has not been an instance of a corporate transaction with another party with which a director has a material interest. In any case, one of the duties of a Director is to conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interests of the Company. See Sec. 3.1.4a of the <i>Revised Manual of Corporate Governance</i> .	
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		The Audit Committee composed of non-executive directors hold separate meetings with the external auditors
2. The meetings are chaired by the lead independent director.	Compliant	The Chairman of the Audit Committee is an independent director	

Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	No former CEO is a director	
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.			
1. Board conducts an annual self-assessment of its performance as a whole.	Non-compliant		The Company is in the process of establishing a formal system of self-assessment among the Board, Chairman, individual directors, and committees.
2. The Chairman conducts a self-assessment of his performance.	Non-compliant		
3. The individual members conduct a self-assessment of their performance.	Non-compliant		
4. Each committee conducts a self-assessment of its performance.	Non-compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-compliant		Once a system of self-assessment is established, an external facilitator will be assigned to support this.
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		The Company is in the process of developing a formal system to determine the performance of the Board, individual directors and committees in line with its commitment to provide a system for self-evaluation.
2. The system allows for a feedback mechanism from the shareholders.	Compliant	During annual stockholders' meetings, the shareholders are provided an avenue where they are free to communicate their feedback to the Company after a proper presentation of the Company's historical performance.	

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	See <i>Code of Conduct and Discipline</i> as disclosed in the Company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The <i>Code of Conduct and Discipline</i> is uploaded on the Company's website. Board members, senior management and employees, as part of on-boarding, are informed through e-mail to go through the Code within a specified period of time from onboarding.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	http://www.macayholdings.com.ph/manual-on-corporate-governance	

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.	Compliant	Under Sec. 6 of the Company's Code of Conduct and Discipline, the Company clearly emphasizes that integrity must be upheld at all times. Sanctions are therein included for any breach. Further, under the <i>Whistle-Blower Policy</i> , one of the punishable grounds for breach of ethics is the offering and/or receiving of bribes.	
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Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	As a means to enforce compliance with the Code of Conduct and Discipline, the Company encourages the participation of all stakeholders to report any breach of the Code under the protection of the Whistle-blowing program. Further, operational controls are in place to ensure that personnel adhere to the Code in their daily conduct of business. All officers and employees are required to comply with the Code of Conduct and Discipline.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		

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	Sec. 3.3.4 of the <i>Revised Manual of Corporate Governance</i> places upon the Compliance Officer the responsibility of ensuring compliance of the Company with regulatory requirements, which were imposed in order to give a fair and complete picture of a company's financial condition, results and business operations.	

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		In 2019, quarterly financial reports were filed with the PSE EDGE and SEC on or before 45 days from the end of the quarter whereas the annual financial report was filed within 105 days from the end of the fiscal year. Once approved by the PSE/SEC it is published on the company's website.
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant	See the Company's Annual Report and SEC Form 17-A on website http://www.macayholdings.com.ph/disclosures http://www.macayholdings.com.ph/annual-reports	

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.	Compliant	Under Sec. 6 of the <i>Revised Manual on Corporate Governance</i> , the directors and officers are required to disclose/report to the Company any dealings in the company's shares within three business days.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	In 2019 the following directors/officers disclosed to PSE/SEC dealings in company's shares <ul style="list-style-type: none"> • Anotnio I. Panajon • Gerardo T. Garcia • Albert S. Toribio • Rinaldi C. Aves 	

Supplement to Recommendation 8.2			
<p>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).</p>	Compliant	<p>See Item 11 of SEC Form 17-A for 2019 for the security ownership of <u>Certain Beneficial Owners And Management</u>.</p> <p>The Company discloses on its Information Sheet the shareholdings of the Board Directors and Officers of the Company.</p> <p>The Company also uploaded on its website the following:</p> <ul style="list-style-type: none"> - ownership, conglomerate map and http://www.macayholdings.com.ph/group-of-companies - shareholdings of top 100 shareholders. http://www.macayholdings.com.ph/top-stockholders 	
Recommendation 8.3			
<p>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.</p>	Compliant	<p>See <u>Business Experience of Directors and Officers</u> under item 9 of SEC Form 17-A which is filed with the PSE EDGE and SEC and on the Company's website. http://www.macayholdings.com.ph/sec-filings</p>	
<p>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.</p>	Compliant	<p>See <u>Business Experience of Directors and Officers</u> under item 9 of SEC Form 17-A which is filed with the PSE EDGE and SEC and on the Company's website. http://www.macayholdings.com.ph/sec-filings</p>	

Recommendation 8.4			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>See <u>Compensation of Directors and Executive Officers</u> under Item 6 of Definitive Information Statement which is filed with the PSE and SEC and uploaded on the Company's website. http://www.macayholdings.com.ph/sec-filings "Each Director of the Company receives a per diem allowance of Thirty Thousand Pesos (Php30,000.00) as determined by the Board of Directors "</p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Non-Compliant</p>		<p>No formal policy has been established at this time regarding remuneration for executive management. The Corporation, through its Compensation Committee is in the process of establishing such policies.</p>
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Non-Compliant</p>		<p>The group salary of the President and five (5) highest-paid executive officers, are presented on Item 6 <u>Executive Compensation of Macay Holdings</u> on the <i>Definitive Information Statement</i>.</p> <p>The disclosure on individual basis to be considered. http://www.macayholdings.com.ph/sec-filings</p>

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	See Revised <i>Related Party Transaction Policy</i> as published in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Non-Compliant		See Note 19 on Related Party Transactions on SEC Form 17-A for 2019 as published in the company's website. The Board, through the Audit Committee is in the process of enhancing the RPT policy and consider that disclosures include the required approvals by the Board.
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	See <i>Conflict of Interest Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
Optional : Recommendation 8.5			

<p>1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.</p>	<p>Compliant</p>	<p>On the Company's Information Sheet the Acquisition or Disposal of Properties See <u>Transaction with Related Parties</u> under Business and General Information of the Company's latest SEC Form 17-A posted on the Company's website. http://www.macayholdings.com.ph/sec-filings</p>	
<p>Recommendation 8.6</p>			
<p>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.</p>	<p>Compliant</p>	<p>In 2019, no such occurrence took place. See Sec. 6 of the <i>Revised Manual of Corporate Governance</i>. "The Board shall therefore commit at all times to full disclosure of material information dealings."</p>	
<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>Compliant</p>	<p>No acquisition or disposal was made in 2019 hence there was no need to appoint an independent party to evaluate the fairness of a transaction price.</p>	
<p>Supplement to Recommendation 8.6</p>			
<p>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.</p>	<p>Compliant</p>	<p>In 2019, no such occurrence took place hence no disclosure necessary.</p>	
<p>Recommendation 8.7</p>			

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	See <i>Revised Manual on Corporate Governance (2017)</i> . http://www.macayholdings.com.ph/manual-on-corporate-governance	
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	See <i>Revised Manual on Corporate Governance (2017)</i> . http://www.macayholdings.com.ph/manual-on-corporate-governance	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		Please see refer to the Company's website to view the Company's SEC Form 17-A for 2019	
a. Corporate Objectives	Compliant	http://www.macayholdings.com.ph/sec-filings	
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		

d. Dividend Policy	Non-Compliant		The dividend policy is not included in the Company's 17-A. However it is disclosed on the company website under Annual Corporate Governance Report 2015 http://www.macayholdings.com.ph/corporate-governance-report
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	Please see refer to the Company's website to view the Company's SEC Form 17-A for 2019 http://www.macayholdings.com.ph/sec-filings	
f. Attendance details of each director in all directors meetings held during the year	Compliant		
g. Total remuneration of each member of the board of directors	Non-Compliant		The group salary of the Board Directors are presented on Item 10 Executive Compensation of Macay Holdings on the Company's SEC Form 17-A posted on the Company website. http://www.macayholdings.com.ph/sec-filings
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.	Non-Compliant		The Company aims to include these statements/disclosures on the succeeding submission of its 17-A

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.	Non-Compliant		
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.	Non-Compliant		
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).	Non-Compliant		

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

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>The <i>Charter of the Audit Committee</i> as published in the company's website sets forth the Audit Committee's responsibility to ensure that the external auditor is credible, competent, and able to understand relevant complex matters, that selection of the external auditors was based on a fair and transparent tender process and that independence is not compromised. Sec. 3.3.6 of the <i>Revised Manual of Corporate Governance</i> specifies the duties of an external auditor which serve as the guideline for the Audit Committee to evaluate the fitness of an external auditor in performing its function.</p> <p>Annually, the Audit Committee meets to deliberate on the appointment, reappointment, removal and fees of the external auditors.</p>	
<p>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.</p>	<p>Compliant</p>	<p>On June 25, 2019 over 2/3rds of the Company's Shareholders ratified the appointment of SGV & Co. as external auditors for the year 2020.</p>	
<p>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.</p>	<p>Compliant</p>	<p>The Company retained SGV & Co. as external auditor did not change external auditors from the preceding fiscal year.</p>	

Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	See <i>Charter of the Audit Committee</i> as published in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> 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	See <i>Charter of the Audit Committee</i> as published in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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	See <i>Charter of the Audit Committee</i> as published in the company's website. Annually, the Audit Committee meets to deliberate the reappointment of the external auditor.	
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	See <i>Charter of the Audit Committee</i> as published in the company's website http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	An audit planning session is conducted by SGV & Co together with the Audit Committee.	
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	As stated on SEC Form 17-A under Item 8 under <u>Independent Auditors</u> a table showing the aggregate fees for services (audit and non-audit) rendered by the external auditor is presented. The Company engaged the services of the external auditing firm for non-audit engagement comprising agreed-upon procedures and tax consultation.	
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	The Audit Committee is informed of the non-audit related services of the external auditors. See <i>Charter of the Audit Committee</i> .	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	See 2019 SEC Form 17-A as disclosed in the company's website. http://www.macayholdings.com.ph/sec-filings	
Additional Recommendation to Principle 9			

1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	External Auditor information: 1. Name: Ana Lea C. Bergado 2. Accreditation number: 0660-AR-3 3. Date Accredited: March2, 2017 4. Expiry date of accreditation: March 1, 2020 5. Location: SGV & Co., 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).	Compliant	SGV & Co., the Company's external auditor agreed to be subjected to the SOAR. However, as of date, none of the engagement team members has been inspected by SEC.	
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		In 2019 the Company was preparing to secure Board approval to disclose its Sustainability Report together with its Annual Report for 2019 See Sustainability Report submitted in 2020 http://www.macayholdings.com.ph/sec-filings
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-Compliant		

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

<p>1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p>Non-Compliant</p>		<p>The Company uses the following communication channels for information dissemination:</p> <ol style="list-style-type: none"> 1. Corporate website 2. Periodic reporting in regulatory websites 3. Media briefings after the Shareholders Meetings <p>See www.macayholdings.com.ph www.edge.pse.com.ph</p> <p>The investor relations team has yet to implement press releases and analyst briefings as part of its program.</p>
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Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		See http://www.macayholdings.com.ph/sec-filings	
a. Financial statements/reports (latest quarterly)	Compliant		
b. Materials provided in briefings to analysts and media	Non-Compliant		The investor relations officer has yet to implement press releases and analyst briefings as part of its program.
c. Downloadable annual report	Compliant	See http://www.macayholdings.com.ph/sec-filings	
d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	See www.macayholdings.com.ph	

Internal Control System and Risk Management Framework

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

Recommendation 12.1

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>Complaint</p>	<p>The Company's 100% owned and operating subsidiary has an Internal Audit Department (IAD) which is committed to providing independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control, compliance and governance process, and the integrity of the Company's operations. The function is also responsible for monitoring the compliance of the Company and its employees with the law, regulations, and resolutions, as well as internal policies and procedures. Its programs include reviews and consultancy engagements to assist the Company in improving the current state of internal controls.</p> <p>The IAD continuously reviews and monitors the internal control system.</p>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>See <i>Enterprise-Wide Risk Management Policy</i> as disclosed in the company's website.</p> <p>See also Note 23 of the Company's <i>2019 Audited Financial Statements (AFS)</i> as published in the company's website.</p> <p>http://www.macayholdings.com.ph/sec-filings</p>	

Supplement to Recommendations 12.1			
<p>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.</p>	<p>Non-Compliant</p>		<p>Sec. 3 of the <i>Code of Conduct and Discipline</i> mandates that all officers and employees are expected to fully comply with laws and regulations imposed by government agencies. Dissemination of information on changes or introduction of new laws, rules and regulations is done electronically by the department concerned. However, the Company is still in the process of developing a comprehensive enterprise-wide compliance program.</p>
Optional: Recommendation 12.1			
<p>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.</p>	<p>Non-Compliant</p>		<p>The Company's operating subsidiary has in place governance processes for cyber security and business disruption. This will still need to be disseminated on a Group-wide basis.</p>
Recommendation 12.2			
<p>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.</p>	<p>Non-Compliant</p>		<p>The Company's operating subsidiary has an independent internal audit group.</p>

Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-Compliant		With due consideration rendered on the Company's size, risk profile and complexity of operations, the Company does not employ a CAE but an internal audit manager with the roles and responsibilities set forth in Sec. 3.3.5 of the <i>Revised Manual of Corporate Governance</i> .
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.	Non-Compliant		The Company does not have a CAE. The role of a CAE is being performed by the Internal Audit Manager. No portion of internal audit activities is outsourced to a third party provider.
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.	Not applicable		
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Non-Compliant		The Company does not have a separate risk management function; instead the Audit Committee handles risk management. See <i>Charter of the Audit Committee</i> as published in the Company's website.

Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Non-Compliant		In 2019, the Company did not seek non-audit related services of SGV & Co.

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		Considering the corporation's size, risk profile and complexity of operations, the Board deemed that appointment of a CRO is unwarranted for the time being. Risk management is being handled by the Audit Committee. See <i>Charter of the Audit Committee</i> as published in the Company's website.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.			

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	Please see Statement of Management and Responsibility that forms part of the SEC Form 17-A which is filed with the PSE and SEC.	

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	See Sec. 7 of the <i>Revised Manual of Corporate Governance</i> .	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	The <i>Revised Manual of Corporate Governance</i> is uploaded on the Company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	

Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	The Corporation abides by the basic principle of "every stockholder shall be entitled to one vote for each share of stock standing in his name on the books of the company" See Article I, Section 3 of the Company's Amended By-laws. http://www.macayholdings.com.ph/disclosures	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	See Amended Articles of Incorporation on Company's website http://www.macayholdings.com.ph/disclosures	
3. Board has an effective, secure, and efficient voting system.	Compliant	See 2019 Definitive Information Statement on Company's website http://www.macayholdings.com.ph/disclosures	
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 may consider developing an shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders
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	See Sec. 7.1.3 of the Revised Manual of Corporate Governance http://www.macayholdings.com.ph/corp-governance-manual-policies	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	See Sec. 7.1.3 of the Revised Manual of Corporate Governance http://www.macayholdings.com.ph/corp-governance-manual-policies	

7. Company has a transparent and specific dividend policy.	Compliant	See <i>Adoption of Dividend Policy</i> as disclosed in the company's website: http://www.macayholdings.com.ph/corp-governance-manual-policies	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Non-Compliant		The Corporate Secretary, who is the company's external counsel, validated the votes at the ASM
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	In 2019 the Annual Stockholders meeting was scheduled for June 26, 2019 and the notices were released on May 31, 2019. See <i>2019-Definitive Information Statement - Annual Stockholders' Meeting</i> Posted on http://www.macayholdings.com.ph/disclosures	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	See <i>2019-Definitive Information Statement - Annual Stockholders' Meeting</i> Posted on http://www.macayholdings.com.ph/disclosures	
b. Auditors seeking appointment/re-appointment	Compliant		

c. Proxy documents	Non-Compliant		See 2019-Definitive Information Statement - Annual Stockholders' Meeting posted on www.macayholdings.com.ph under Disclosures: Shareholders Meeting. The Company noted that it is not soliciting proxies.
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Non-Compliant		The Company may consider the inclusion of a rational for agenda items for the ASM.
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.	Non-Compliant		The Company uploads on its website the Minutes of the ASM as approved by the stockholders.
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.	Non-Compliant		
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	The Chairman of the Board, CEO, and external auditor were present during the 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		The Company's Board may in the future consider making available alternative dispute mechanisms and include these on its Manual on Corporate Governance.
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-Compliant		
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	Investor Relations Officer 1. Nicole Jayme 2. (02) 8893-0733 investor.relations@macayholdings.com.ph	
2. IRO is present at every shareholder's meeting.	Compliant	IRO was present during the ASM.	
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Non-Compliant		In 2019, there were no instances of take over measures or similar devices.
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-Compliant		The Company's current public float stands at 12%
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Non-Compliant		The Company shall study policies of other Corporations that effectively encourage and engage shareholders to participate beyond the ASM.
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non-Compliant		The Company shall study if there is a need to secure votes in absentia through electronic means.

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	See <i>Revised Manual of Corporate Governance</i> as published on the Company's website http://www.macayholdings.com.ph/corp-governance-manual-policies	
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Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Non-Compliant		The Company to identify policies and programs for the protection and fair treatment of company's stakeholders
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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	<p>On the homepage of the company's website stakeholders are provided with the address and telephone number of the company and can send an email to feedback@macayholdings.com.ph</p> <p>The email address of the company's Investor Relations Officer (investor.relations@macayholdings.com.ph) is also on the website</p> <p>The <i>Whistle-Blower Policy</i> is also published in the Company's website.</p>	
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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's Board may in the future consider making available alternative dispute mechanisms and include these on its Manual on Corporate Governance.
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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	There was no instance that the Company sought exemption from the application of a law or rule.	
2. Company respects intellectual property rights.	Compliant	The Company's registration of Macay Holdings, Inc. with the Intellectual Property Office as well as the registration of the Brands marketed by its operating subsidiary is evidence of the respect the Company has for intellectual property rights.	

Optional: Principle 14

1. Company discloses its policies and practices that address customers' welfare	Non-Compliant		The Company is committed to the welfare and safety of its customers and the communities in which each aspect of the business operates. The Board aims to formalize and disclose the policies and programs that address customers' welfare.
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2. Company discloses its policies and practices that address supplier/contractor selection procedures	Non-Compliant		The Company has institutionalized the practice of supplier/contractor accreditation and parameters for selection. The Board aims to formalize and disclose the policies and programs associated with the aforementioned supplier/contractor selection procedures.
<p>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.</p>			
<p>Recommendation 15.1</p>			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	<p>It is the Company's practice to disseminate company-wide initiatives toward realization of company's goals thru electronic communications.</p> <p>See also <i>Code of Conduct and Discipline</i> and <i>Whistle-blower Policy</i> for the enforcement of good governance from the top.</p>	
<p>Supplement to Recommendation 15.1</p>			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Non-Compliant		The Company will need to study and possibly develop a merit-based performance incentive mechanism that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.

2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	See <i>Policy on Employee Health, Safety, Welfare and Development</i> as disclosed on the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
3. Company has policies and practices on training and development of its employees.	Compliant	See <i>Policy on Employee Health, Safety, Welfare and Development</i> as disclosed on the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
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	See <i>Code of Conduct and Discipline</i> and <i>Whistle-Blower Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Non-Compliant		The Company will need to study and possibly develop a cohesive program for employees across the organization to continually adopt anti-corruption policy through trainings. At present, the Company's operating subsidiary have started by placing anti corrupt posters at their offices.

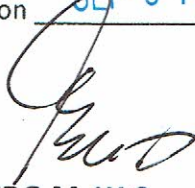
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	Under Sec. 6 of the Company's Code of Conduct and Discipline, the Company clearly emphasizes that integrity must be upheld at all times. Penal sanctions are therein included for any breach. Further, under the <i>Whistle-Blower Policy</i> , one of the punishable grounds for breach of ethics is the offering and/or receiving of bribes.	
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	Compliant	See <i>Whistle-Blower Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	As specified in the <i>Whistle-Blower Policy</i> , <i>in the absence of a Whistle blowing committee the Audit Committee shall preside.</i>	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	See <i>Whistle-Blower Policy</i> as disclosed in the company's website. http://www.macayholdings.com.ph/corp-governance-manual-policies	

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	Please See http://www.macayholdings.com.ph/csr	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Non-Compliant		The Company adheres to the regulations set by the environmental regulatory groups in the locations it operates. It needs to develop robust policies, programs to ensure 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	Compliant	Please See http://www.macayholdings.com.ph/csr	

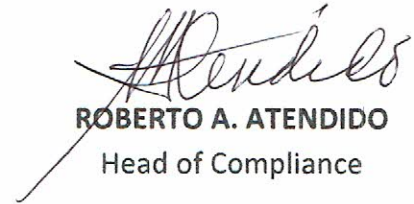
ANNEX A


Process	CEO	Executive Management
Fixed remuneration	Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation	President establishes KPIs and evaluates performance and decides on remuneration
Variable remuneration	n/a	n/a
Per diem allowance	n/a	n/a
Bonus	Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation	President establishes KPIs and evaluates performance and decides on remuneration
Stock Options and other financial instruments	Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation	n/a

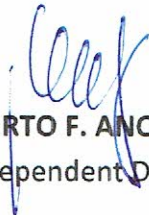
Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on SEP 01 2020, 2020.


ALFREDO M. YAO
 Chairman of the Board


ANTONIO I. PANAJON
 President


ROBERTO A. ATENDIDO
 Head of Compliance

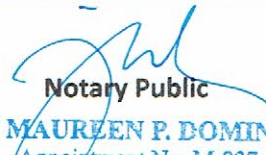

JESUS G. GALLEGOS, JR.
 Independent Director


ROBERTO F. ANONAS, JR.
 Independent Director


GABRIELA A. DEE
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 01 2020 day of _____ 2020, affiants exhibiting to me their passports as follows:

NAME	PROOF OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
Alfredo M. Yao	Passport No. P0349882B	22 Jan 2019	DFA Manila
Antonio I. Panajon	Passport No. P3041107A	15 May 2017	DFA NCR South
Roberto A. Atendido	Passport No. P1009800A	27 Nov 2016	DFA NCR South
Roberto F. Anonas, Jr.	Passport No. 4279751B	20 Jan 2020	DFA NCR South
Jesus G. Gallegos, Jr.	Passport No. P3680844A	13 Jul 2017	DFA NCR South
Gabriel A. Dee	Passport No. P0914860B	5 Mar 2019	DFA Manila


Notary Public
JEAH MAUREN P. DOMINGUEZ
 Appointment No. M-237
 Notary Public for Makati City
 Until December 31, 2021
 Liberty Center-Picazo Law
 104 H.V. Dela Costa Street, Makati City
 Roll of Attorney's No. 73253
 PTR No. 8148400/Makati City/01-20-2020
 IBP No. 101860/Makati City/ 01-07-2020
 MCLE Exempted-Admitted to the bar in 2019

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