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PHILIPPINES

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SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **2017**
2. SEC Identification Number **PW-343** 3. BIR Tax Identification No. **121-145-650-000**
4. Exact name of issuer as specified in its charter **LT Group, Inc.**
5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
   Industry Classification Code:
7. **11th Floor Unit 3, Bench Tower, 30th corner Rizal Dr., BGC Taguig City 1634**
   Address of principal office Postal Code
8. **(632) 816 3311 local 3453**
   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	Please find Annex "A" for the list of academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of the directors.	
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	Under the Company's Revised Manual on Corporate Governance, the following are the "minimum qualification requirements": 1. Holder of at least one thousand (1000) shares of stock of the Company; 2. Bachelor's degree or equivalent experience in managing the business as gained from the profession and/or industry; 3. At least twenty one (21) years of age; 4. Proven to possess integrity and probity; and	

		Have attended an annual seminar on corporate governance with a duly accredited or recognized private or government institution and submitted a copy of his/her certificate of attendance to the Compliance Officer which seminar shall not be less than four (4) hours.	
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	COMPLIANT	The Company's Revised Manual on Corporate Governance which can be downloaded from its website, www.ltg.com.ph., requires that the Board shall consists of a 13 members, majority of whom must be Non-Executive Directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances For a list of the composition of the Board of Directors, please find attached hereto a document marked as Annex "B".	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	NON-COMPLIANT		The Company no longer avails of an in-house training and/or seminar/s for its directors. But, when available, the Company provides the Directors with updates on the seminars and trainings being offered and likewise encourages them to attend the same.

			In compliance with SEC Memorandum Circular No. 20, Series of 2013, all of the Company's current Directors attended a program on corporate governance conducted by training providers duly accredited by the SEC last 2017.
2. Company has an orientation program for first time directors.	COMPLIANT	As a Company practice, a new Director is provided with materials to inform them of the operations of the Company and its subsidiaries. Moreover, they are encouraged to visit and inspect the offices and facilities. The attendees for the Securities and Exchange Commission: Corporate Governance Forum held by the Institute of Corporate Directors last August 10, 2017 are: Lucio C. Tan, Carmen K. Tan, Michael G. Tan, Juanita Tan Lee, Peter Y. Ong, Antonino L. Alindogan, Jr.+, Wilfrido E. Sanchez, and Robin C. Sy; For the Securities and Exchange Commission: Corporate Governance Forum held by the Securities and Exchange Commission last November 22, 2017, the attendees were Harry C. Tan and Florencia G. Tarriela; For the Best Parliamentary Procedures for Board Directors and Top Management held by the Risks, Opportunities, Assessment and Management Incorporated last	
3. Company has relevant annual continuing training for all directors.	COMPLIANT		

		December 21, 2017, Lucio K. Tan, Jr. was an attendee.	
Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	Yes. The Nomination Committee was established to ensure a formal and transparent Board nomination process, and to select, compensate, monitor and, when necessary, replace key executives and oversee succession planning. They evaluate the qualifications of Directors, one of which is that he/she must be a holder of a "Bachelor's degree or equivalent experience in managing the business as gained from the profession and/or industry". They observe the policy of nominating individuals who are experienced and knowledgeable about the different sectors of the Group, such as banking, tobacco, liquor, real estate and beverage companies. In addition, the Committee considers not only the diverse work experience and education of the nominee, but willfully elects women directors with excellent work experience and expertise to the Board. In 2016, the Company has elected three (3) women directors in the person of Ms. Carmen K. Tan, Ms. Florencia G. Tarriela and Ms. Juanita Tan Lee.	

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 Nomination Committee was established to ensure a formal and transparent Board nomination process, and to select, compensate, monitor and, when necessary, replace key executives and oversee succession planning. They evaluate the qualifications of Directors, one of which is that he/she must be a holder of a "Bachelor's degree or equivalent experience in managing the business as gained from the profession and/or industry". They observe the policy of nominating individuals who are experienced and knowledgeable about the different sectors of the Group, such as banking, tobacco, liquor, real estate and beverage companies. In addition, the Committee considers not only the diverse work experience and education of the nominee, but wilfully elects women directors with excellent work experience and expertise to the Board. Last 2016, the Company has elected three (3) women directors in the person of Ms. Carmen K. Tan, Ms. Florencia G. Tarriela and Ms. Juanita Tan Lee. They were carefully and thoughtfully selected based on their knowledge and expertise in their own fields.	

Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	The Corporate Secretary, Atty. Ma. Cecilia L. Pesayco, is a Filipino Citizen and resident of the Philippines. She is loyal to the mission, vision, and business objectives of the Company. She possesses administrative and interpersonal skills and working knowledge of the Company's operations. She is aware of the laws, rules and regulations necessary in the performance of her duties and responsibilities. And, she understands financial and accounting information. She shall have the following functions: 1) Prepare, sign, and log the minutes of the meetings of the Board of Directors; 2) Oversee the delivery of legally required notices to members of Management, shareholders, third parties, state agencies, and others; 3) Inform the members of the Board, in accordance with the corporate By-Laws, of the Agenda of their meetings at least five (5) working days in advance and assist the Directors in obtaining timely and accurate corporate information to make sound business judgment and to perform their responsibilities and obligations;	
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) Assist the President in preparing for and holding meetings of Management; 5) Keep abreast of relevant laws, regulations, all governance issues, relevant industry developments and operations of the Company, and advices the Board and the Chairman on all relevant issues as they arise; 6) Supervise the maintenance, preparation and submission of reports and other documents to state agencies in accordance with applicable legislation; 7) Attend all Board meetings, except when justifiable causes, such as, but not limited to, illness, death in the immediate family and serious accidents, prevent her from doing so; 8) Maintain a record of the minutes of the meetings of the Board and its committees, as well as other official records of the Company; 9) Advice the Board regarding the establishment of board committees and their terms of reference;	

		10) Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements; 11) Ensure that all Board procedures, rules and regulations are strictly followed by the members; 12) Work fairly and objectively with the Board of Directors, Management, stockholders and other stakeholders; and Atty. Marivic T. Moya, the Company's Assistant Corporate Secretary, was elected as the Company's Compliance Officer during its Organizational Meeting held last June 20, 2017.	
4. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	The Corporate Secretary attended the Distinguished Corporate Governance Speaker Series provided by the Institute of Corporate Directors held last August 10, 2017.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	NON-COMPLIANT		Since the Company is a holdings company, it is necessary that all reports from all subsidiaries be collated before Board materials are distributed to the respective Directors. Consequently, by reason of the numerous companies being handled by the Company, and due to the several vetting procedures done on data of subsidiaries, the Office of the Corporate Secretary receives the finalized documents only 3 days before the meeting.

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	Atty. Marivic T. Moya, the Company's Assistant Corporate Secretary, was elected as the Company's Compliance Officer during its Organizational Meeting held last June 20, 2017. In support thereof, please visit the Company's website: www.ltg.com.ph for a copy of the Minutes of the Organizational Meeting.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT		
3. Compliance Officer is not a member of the board.	COMPLIANT		
4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	The Compliance Officer attended, last October 19, 2017, a corporate governance training entitled "Information Security Governance for Board Directors and Management" conducted by the Center for Global Best Practices.	
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	One of the basic functional description of the Board of Directors is to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the shareholders. Annex "A" of the Company's Definitive Information Statement enumerates the resolutions of the Board of Directors during its regular Board meetings.	

		For easy reference please find attached herewith the enumeration of the necessary resolutions by the Board marked as Annex "C".	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT		
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 annually reviews and approves the vision and mission of the Company. During its meeting held on 14 March 2017, the Board reviewed and amended the Vision and Mission statements of the Company to state the following: "VISION: To be a world-class conglomerate at the forefront of Philippine economic growth, successfully maintaining a strong presence and dominant position in key Philippine industries while ensuring continuous benefits to its consumers, communities, employees, business partners and shareholders. MISSION: Anchored to its Vision, the LT Group commits:	

		To increase stockholder values through long term growth in its major business groups. To continuously improve the value of its products and services and to provide consumers with more and better choices. To build the largest, most effective distribution network and widest customer reach in the Philippines. To leverage on synergies between its various businesses to continuously improve revenues and cost structure. To enhance the welfare of our employees and the communities where we live and work."	
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 Company has yet to adopt a strategy execution process. The Board of Directors, however, are tasked to Review, evaluate, monitor, and guide corporate strategy, major plans of actions, risk policy, annual budgets, and business plans periodically, in accordance with the Company's Revised Manual on Corporate Governance.
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	The Company's is headed by its Chairman, Dr. Lucio C. Tan. He holds a Bachelor of Science degree in Chemical Engineering from Far Eastern University. He was awarded the degree of Doctor of Philosophy, major in Commerce, by the University of Santo Tomas in 2003 and is an	

		awardee of several other honorary Doctorate degrees.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	The Company's By-Laws provide that the Board of Directors shall have the sole pleasure of electing all the officers. Accordingly, taking into consideration the principles of good corporate governance, the present members of the Board shall have discretion with respect to the succession of its officers. Moreover, the Nomination Committee ensures a formal and transparent Board nomination process, and to select, compensate, monitor and, when necessary, replace key executives and oversee succession planning.	
2. Board adopts a policy on the retirement for directors and key officers.	NON-COMPLIANT		The Company has yet to adopt a policy on the retirement for directors and key officers.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	To determine the remuneration of the CEO and the most highly compensated management officers in the Company, consideration is basically anchored on the set of skills they possess and their value to the Company. However, the subsidiaries, which are matured companies where salaries and remuneration processes are supervised and monitored by the respective Nomination and Remuneration Committees and vetted by the respective Corporate	
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		

		Governance Committees, have their respective salary structures and remuneration policies. The officers running the offices for said purpose are the most qualified professionals in the field. Moreover, the systems, policies and procedures are in accordance with best policies and practices in the industry. The Directors of the Company receive an allowance of P30,000.00 a month and a per diem of P25,000.00 for every Board meeting and P15,000.00 for every Committee meeting attended. Other than the stated allowance and the per diem of the Directors, no other standard arrangements are received by the Directors of the Company as compensation, directly or indirectly, for any services provided as a Director, including any additional amounts payable for Committee participation or special assignments, for the last completed fiscal year and the ensuing year. Further, the Company's Revised Manual on Corporate Governance provide that no Director shall be involved in discussions regarding his own remuneration.	
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.	COMPLIANT	In item 10 pages 74 to 75 of the Company's Annual Report, the compensation given to the officers and directors for the reporting year was provided.	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	The Nomination Committee was established to ensure a formal and transparent Board nomination process, and to select, compensate, monitor and, when necessary, replace key executives and oversee succession planning. They evaluate the qualifications of Directors, one of which is that he/she must be a holder of a "Bachelor's degree or equivalent experience in managing the business as gained from the profession and/or industry". They observe the policy of nominating individuals who are experienced and knowledgeable about the different sectors of the Group, such as banking, tobacco, liquor, real estate and beverage companies. In addition, the Committee considers not only the diverse work experience and education of the nominee, but wilfully elects women directors with excellent work experience and expertise to the Board.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT		
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT		

		One of the functions of the Nomination and Compensation Committee is to pre-qualify and shortlist candidates for election to the Board of Directors, including candidates for Independent Directors who shall constitute at least thirty (30%) of the members of the Board. In accordance with its charter, the Committee shall conduct the nomination of Directors prior to a stockholders' meeting. All recommendations for nomination shall be signed by the nominating stockholder with the acceptance and conformity of the nominee. For further details on the Company's nomination policy, please visit its website, www.ltg.com.ph, and find its Revised Manual on Corporate Governance and the Nomination and Compensation Committee Charter.	
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.	NON-COMPLIANT		No circumstance arose which required the Company to engage the services of a professional search firm for possible nominees in 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	COMPLIANT	The Board has established the Audit and Risk Management Committee	

transactions (RPTs) and other unusual or infrequently occurring transactions.		which shall have oversight on Related Party Transactions ("RPT"), to wit: 1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties, from non-related to related and vice versa, are captured; 2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) with such related parties than similar transactions with non-Related Parties under similar circumstances and that no corporate or business resources of the Corporation and/or its subsidiaries are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. For this purpose, all RPT transactions that will be submitted to the Board for approval shall be subject to the Committee's prior review and endorsement; 3. Ensure that appropriate disclosure is made, and/or	
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		

		information is provided to the SEC and the PSE relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest; 4. Report to the Board of Directors on a regular basis the status and aggregate exposures to each Related Party, as well as the total amount of exposures to all Related Parties; 5. Ensure that transactions with Related Parties, including write-off of exposures, are subject to a periodic independent review or audit process; and 6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.	
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	NON-COMPLIANT		The Board has established the Audit and Risk Management Committee which shall have oversight on Related Party Transactions ("RPT"), to wit: 1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure

amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.			that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties, from non-related to related and vice versa, are captured; 2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) with such related parties than similar transactions with non-Related Parties under similar circumstances and that no corporate or business resources of the Corporation and/or its subsidiaries are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. For this purpose, all RPT transactions that will be submitted to the Board for approval shall be subject to the Committee's prior review and endorsement; 3. Ensure that appropriate disclosure is made, and/or information is provided to the SEC and the PSE relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest; 4. Report to the Board of Directors on a regular basis the status and aggregate exposures to each Related Party, as well as

			the total amount of exposures to all Related Parties; 5. Ensure that transactions with Related Parties, including write-off of exposures, are subject to a periodic independent review or audit process; and 6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	NON-COMPLIANT		While the Company has already established an Audit and Risk management Committee, it has yet to adopt a voting system for this purpose.
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	The Company, to avoid doubt, resolved that the CEO shall not form part of Management but shall lead, in conjunction with the Board, the development of the Company's vision and strategy; and set the tone and position the Company's brand image. The Company's Revised Manual on Corporate Governance provide that, 1. The Board shall ensure the proper number of Non-	

		Executive Directors to ensure independence of the Board; 2. The Chairman of the Board and the Chief Executive Officer should be separate from the President and Chief Operating Officer; and 3. Management officers and Executive Directors should avoid any situation involving conflict of interest. They should inhibit themselves in decisions wherein their or Related Party's interests are involved. The Chief Operating Officer of the Company, Mr. Michael G. Tan, is tasked to head the management Team. He is primarily accountable for achieving the Company's business objectives. Moreover, the Board established the Nomination and Remuneration Committee which shall have the duty to, among others, designate such amount of remuneration as maybe sufficiently attractive to engage and retain Directors and Officers who are needed to run the Company successfully.	

		Furthermore, the Board also established the Audit and Risk Management Committee which has the following Audit oversight function, among others; "Recommend for the approval of the Board of Directors the annual remuneration of the Chief Audit Executive."	
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	Under the Company's Revised Manual on Corporate Governance, "the Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees no later than 31 December of every year." Moreover, the Board also established the Audit and Risk Management Committee which has the Audit oversight function to, among others, "Review and evaluate the adequacy of the work performed by the Chief Audit Executive."	
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	Management controls the Company's day-to-day operations within the guidelines set by the shareholders and with the oversight of the Company's Board of Directors, the latter assisted by the Board committees. In the discharge of its functions, Management must adhere to the Corporation Code of the Philippines, the Articles of	
2. Board establishes an effective performance management framework that ensures that personnel's performance	COMPLIANT		

is at par with the standards set by the Board and Senior Management.		Incorporation, By-Laws, Corporate Code of Conduct and internal policies	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	The Board has reviewed the effectiveness of the internal control system and has expressed its satisfaction to its efficiency and sound operation during Board meetings. Each of the companies forming part of the conglomerate have their own internal audit department. Said department monitors, assesses and evaluates the operational efficiency and financial condition of their respective companies. Nevertheless, the Company, as a conglomerate, still maintains its own Audit Committee to review, assess and evaluate the work and performance of the respective internal audit departments of its subsidiaries. Under the Company's Revised Manual on Corporate Governance, the Board is tasked to ensure that the Company has good internal control and information management systems that can provide an accurate, timely, and clear financial picture. There should be a continuing review of the internal control system in	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	COMPLIANT		

		order to maintain its adequacy and effectiveness.	
3. Board approves the Internal Audit Charter.	COMPLIANT	The Internal Audit Charter was approved last October 10, 2017. A copy thereof may be downloaded from the Company's website, www.ltg.com.ph.	
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	In compliance with the key principles of Corporate Governance, the Board of Directors exercises an oversight responsibility which includes, among others, ensuring that the Company is appropriately and effectively managed and controlled. To assist the Board in ensuring the appropriate and effective management of the Company, the Audit and Risk Management Committee was created which is authorized, among other things, to exercise oversight responsibilities for the financial reporting process, system of internal control, the management of financial risk, the audit process. The same Committee performs oversight functions over Management's activities in managing credit, market, liquidity, operational legal and other risks of the Company. The function shall include regular receipt from Management of	
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		

		information on risk exposures and risk management activities.	
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	The Board's duties and responsibilities are enumerated under the Company's Revised Manual on Corporate Governance which is made available for viewing and downloading from the Company's website, www.ltg.com.ph.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT		
3. Board Charter is publicly available and posted on the company's website.	COMPLIANT		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	NON-COMPLIANT		The Company has yet to adopt an Insider Trading Policy.
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		While the Company has no policy with respect to the grant of loans to the Directors, there were no instances which required the implementation of the same for the past years.
2. Company discloses the types of decision requiring board of directors' approval.	COMPLIANT	The Company discloses material Board approvals through the PSE website and thereafter uploaded in its website.	
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	COMPLIANT	The Company's Revised Manual on Corporate Governance which may	

the optimal performance of its roles and responsibilities.		be downloaded from the Company's website, www.ltg.com.ph, enumerates the different Board Committees and their functions.	
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	The Board approved last October 10, 2017, the Charter of the Audit and Risk Management Committee, which provides its following basic functions, including, among others: (i) Regularly update the Board about committee activities and make appropriate recommendations; and (2) Assist the Board in the performance of its oversight responsibilities for the financial reporting process, system of internal control, the management of financial risk, the audit process, and compliance with the law, rules and regulations. The Committee also performs audit and risk oversight functions as provided for in its charter. Moreover, as part of its Audit Oversight Functions, the Committee shall recommend to the Board the appointment, dismissal, replacement and re-appointment of the external auditors, duly accredited by the regulators (subject to stockholders ratification), based on fair and transparent criteria as provided in its Charter.	

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 Company's Audit and Risk Management Committee is composed of six (6) appropriately qualified Non-Executive Directors in the persons of Antonio L. Alindogan, Jr.+, Lucio K. Tan, Jr., Wilfrido E. Sanchez, Juanita Tan Lee, Florencia G. Tarriela and Washington Z. Sycip+, four (4) of whom, including the chairman, are independent directors. The Committee's Chairman, Mr. Antonio L. Alindogan, Jr., a Certified Public Accountant and a degree holder of Bachelor of Science in Commerce from De La Salle University where he graduated as Cum Laude, was a former member of the Bangko Sentral ng Pilipinas' (Central Bank) Monetary Board and a former Chairman of a state-owned bank and other financial institutions.	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	COMPLIANT	1. **Antonino L Alindogan Jr.+, 79. Independent Director** (+Deceased: May 6, 2018) First elected: July 31, 2012. He is also the Chairman of the Board of An-Cor Holdings Inc. He serves as Chairman/President of Landrum Holdings Inc.; Independent Director of Philippine Airlines Inc., Eton Properties Philippines Inc., PAL Holdings Inc., Asia Brewery Inc., and Tanduay Distillers Inc. He is the Former President of C55 Inc.; Former Chairman of the Board of Directors of Development Bank of the	

		Philippines (DBP); Former Consultant for Microfinance of DBP; Former Member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) where he contributed his efforts and insights on a wide range of concerns, such as the pursuit of good governance, strengthening inflation targeting as an effective tool in price stability, and crafting innovative solutions to problem banks. He also took part in the BSP reorganization, upgrading and modernization of facilities and bank-wide planning and budgeting process. He is a Certified Public Accountant and holds a Bachelor of Science in Commerce degree in Accounting (Magna Cum Laude) from De La Salle College. 2. **Washington Z. Sycip+, 95. Director** (+Deceased: 07 October 2017) First elected: July 9, 2013. He is the Founder of SyCip Gorres Velayo & Co.; Chairman Emeritus of the Board of Trustees and Governors of the Asian Institute of Management; Chairman of Cityland Development Corp., Lufthansa Technik Philippines Inc., STEAG State Power Inc. and State Properties Corporation; Independent Director of Asian Eye Institute, Belle Corporation, Lopez Holdings Corp.,	

		Commonwealth Foods Inc., First Philippine Holdings Corp., Highlands Prime Inc., Metro Pacific Investments Corp., Philippine Equity Management Inc., Philippine Hotelier Inc., Philamlife Inc., Realty Investment Inc., The PHINMA Group, State Land Inc., and Century Properties Group Inc.; and Director of Philippine Airlines Inc., MacroAsia Corp., PAL Holdings Inc. and Philippine National Bank. Mr. Sycip holds BS and MS degrees from the University of Santo Tomas, which later conferred him a Doctor of Accounting Education, honoris causa degree in 1984. He also obtained a Master of Science in Commerce from Columbia Business School. **3. Lucio K. Tan, Jr., 51. Director** First elected: February 21, 2003. He is a Director/President of Tanduay Distillers Inc. and Eton Properties Philippines Inc.; Director/EVP of Fortune Tobacco Corp.; Director of AlliedBankers Insurance Corp., Philippine Airlines Inc., Philippine National Bank, PAL Holdings Inc., MacroAsia Corp., Victorias Milling Company Inc., PMFTC Inc., Lucky Travel Corp., Air Philippines Corp., Absolut Distillers Inc., Asia Brewery Inc., Foremost Farms Inc., Himmel Industries	

		Inc., Progressive Farms Inc., The Charter House Inc., Grandspan Development Corporation and Shareholdings Inc. He graduated from the University of California, Davis in 1991 with a Bachelor of Science degree in Civil Engineering and has a Master's Degree in Business Administration from the Kellogg School of Management Northwestern University. 4. **Wilfrido E. Sanchez, 80. Independent Director** First elected: July 31, 2012. He is the Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Vice Chairman of The Center for Leadership & Change Inc.; Independent Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corporation, Grepalife Asset Management Corp., Grepalife Fixed Income Fund Corp., House of Investments Inc., JVR Foundation Inc., Kawasaki Motor Corp., Magellan Capital Holdings Corp., Omico Corporation; PETNET Inc., PETPLANS Inc., Transnational Diversified Corp., Transnational Diversified Group Inc., Transnational Financial Services Inc., and Universal Robina Corp.; Independent Director of Eton Properties Philippines Inc., Asia Brewery Inc., and Tanduay Distillers	

		Inc. He holds a Bachelor of Arts degree from the Ateneo de Manila University and has a Post-Graduate degree in Bachelor of Laws from the Ateneo De Manila University and Masters of Law from Yale Law School. 5. **Florencia G. Tarriela, 70. Independent Director** First elected: August 9, 2012. She is the Chairman of the Board of Directors and an Independent Director of Philippine National Bank. She also serves as Chair of PNB Global Remittance and Financial Co. HK Ltd., She is a Trustee/Advisor/Director of Foundation for Filipino Entrepreneurship Inc., Summer Institute of Linguistics, and TulaysaPagunlad Inc.; and a Columnist of Manila Bulletin. She obtained her Bachelor of Science in Business Administration, major in Economics, at the University of the Philippines and her Masters in Economics from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. She is a Life Sustaining Member of the Bankers Institute of the Philippines (BAIPHIL) and the Financial Executive Institute of the Philippines (Finex), a Trustee of Finex Foundation, TSPI Development Corporation,	

		Kilosbayan and the Summer Institute of Linguistics (SIL). She was formerly an Independent Director of the Philippine Depository and Trust Corporation, the Philippine Dealing and Exchange Corporation and the Philippine Dealing System Holdings Corporation. Ms. Tarriela was a former Undersecretary of Finance, and an alternate Member of the Monetary Board of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation. She was formerly Deputy Country Head, Managing Partner and the first Filipino lady Vice President of Citibank N. A., Philippine Branch. **6. Juanita Tan Lee, 75. Director and Treasurer** First elected: May 2, 2012. She is also Director of Eton Properties Philippines Inc., Asia Brewery, Inc., and Tanduay Distillers Inc.; Director/Corporate Secretary of Fortune Tobacco Corp., Corporate Secretary of Absolut Distillers Inc., The Charter House Inc., Foremost Farms Inc., Grandspan Development Corp., Himmel Industries Inc., Landcom Realty Corp., Lucky Travel Corp., PMFTC Inc., and Progressive Farms Inc. and Assistant Corporate Secretary of Basic Holdings Corp. She holds a Bachelor of Science degree in	

		Business Administration major in Accounting from the University of the East.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	COMPLIANT	The Committee's Chairman, Mr. Antonio L. Alindogan, Jr.+, was a Certified Public Accountant and a degree holder of Bachelor of Science in Commerce from De La Salle University where he graduated as Cum Laude. He was a former member of the Bangko Sentral ng Pilipinas' (Central Bank) Monetary Board and a former Chairman of a state-owned bank and other financial institutions. The Company's Audit and Risk Management Committee Charter provides; "The Chairman of the Committee shall be an independent Director who shall be appointed by the Board. The Chairman of the Audit and Risk Management Committee shall not be the Chairman of the Board or of any other committee."	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	COMPLIANT	As provided under its charter, the Audit & Risk Committee is tasked to Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the	

		Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the Corporation's annual report.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	COMPLIANT	The Company's Revised Manual on Corporate Governance requires the Audit & Risk Committee to meet with the External Auditors, without the presence of the Company's Management, at least annually to verify that the External Auditors act independently, and is given unrestricted access to all records, properties and personnel to enable it to perform its audit functions.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	COMPLIANT	While the Audit Committee is tasked to meet only at least every quarter, in 2017, the Committee held nine (9) meetings. For easy reference, please find attached herewith a certification of the list of meetings conducted by the Committee, marked as Annex "D".	
2. Audit Committee approves the appointment and removal of the internal auditor.	COMPLIANT	The Company's Audit and Risk Management Committee Charter provides that the Committee shall have the authority to "Recommend for the approval of the Board of Directors the appointment, dismissal	

		and the annual remuneration of the Chief Audit Executive."	
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	The Company's Revised Corporate Governance Manual Part IV (E) provides the composition and qualifications of the Corporate Governance Committee which shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The same Manual enumerates the duties and responsibilities of the Committee. The Committee has nominated Directors who are of renowned expertise in their respective fields.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	NON-COMPLAINT		The Corporate Governance Committee is composed of five (5) directors, two (2) of whom are Independent Directors in the person of Mr. Antonino L. Alindogan, Jr.+ and its Chairman, Ms. Florencia G. Tarriela. Other members are Mr. Lucio K. Tan, Jr., Mr. Michael G. Tan, and Mr. Joseph T. Chua.
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	The Chairman of the Committee is Ms. Florencia G. Tarriela. Ms. Florencia G. Tarriela is, at present, also a Chairperson of a bank. She previously worked with one of the biggest international banks in the country; was formerly the Undersecretary of Finance of the Philippine Government; and was an alternate member of the Monetary Board of the Bangko Sentral ng	

		Pilipinas (Central Bank). She obtained her Bachelor of Science in Business Administration major in Economics from the University of the Philippines and Masters in Economics from the University of California, Los Angeles.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	NON-COMPLIANT	The Committee held 1 meeting for the year 2017.	The Committee, in accordance with its Revised Corporate Governance Manual, is only required to meet at least once a year or as often as may be necessary to ensure the Board's and its committees' effectiveness and due observance of corporate governance principles and guidelines.
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.	COMPLIANT	Complimentary functions of Audit and Risk Management are merged together, the Company being a Holdings Company with controlled activities. Hence, the formation of the Audit and Risk Management Committee, the functions of which are enumerated in the Company's Revised Corporate Governance Manual and its charter.	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	COMPLIANT	The Company has merged its Risk Committee with its Audit Committee, hence, the Audit & Risk Management Committee. The said Committee is composed of 5 members with 4 independent directors.	

		For a list of their qualifications and type of directorship, see above Recommendation 3.2.3.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	COMPLIANT	The Company's Risk Oversight Committee is consolidated with its Audit Committee, hence, the Audit and Risk Management Committee. As earlier stated, the Committee's Chairman is Mr. Antonio L. Alindogan, Jr.+, an Independent Director and not a Chairman of any other committee.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	The Chairman of the Committee has been in the industry for more than a decade which has allowed him to acquire sufficient experience on risk and risk management. He is a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). For his qualifications, please see above Recommendation 3.2.3.	
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		The Company's Revised Manual on Corporate Governance grants the Audit and Risk Management Committee authority to exercise oversight functions over Related Party Transactions, which includes reviewing and passing upon related party transactions before they are elevated to the Board; and evaluating, on an ongoing basis, the existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties, from non-

			related to related and vice versa, are captured.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	NON-COMPLIANT		The Company has no separate Related Party Transactions (RPTs) Committee as the Audit and Risk Management Committee which is composed of at least four (4) Independent Directors, exercises its oversight functions over Related Party Transactions.
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	For a copy of the Company's different Committee Charters, please visit the Company's website, www.ltg.com.ph.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT		
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	For a copy of the Company's different Committee Charters, please visit the Company's website, www.ltg.com.ph.	
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.	COMPLIANT	The Board conducted twelve (12) meetings for the year 2017. For a summary of their attendance, please find attached table marked as annex "D".	

2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT	The Board of Directors receive the Board Materials three (3) days before the scheduled meeting. Upon receipt, the members of the Board review the materials and ask for clarifications during the meeting.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	The Minutes of the Board Meetings provide the questions raised by the directors and the answers given by the person tasked to report.	
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	No Non-Executive Director has concurrently held more than five (5) publicly-listed companies. For a list of the directorships of the company's directors in both listed and non-listed companies, please find attached Annex "A".	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	The directors had no intended directorship in another Company which required them to notify the Board.	
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	Please see Annex "A".	
2. Company schedules board of directors' meetings before the start of the financial year.	COMPLIANT	Please find attached schedule of Board meetings for the year 2017 marked as Annex "G".	

3. Board of directors meet at least six times during the year.	COMPLIANT	The Board conducted twelve (12) meetings for the year 2017.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	NON-COMPLIANT		The minimum quorum requirement for Board decisions is majority of the members of the Board.
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.	COMPLIANT	The Company has four (4) independent Directors namely, Ms. Florencia G. Tarriela, Mr. Antonino L. Alindogan, Jr.+, Mr. Wilfrido E. Sanchez and Mr. Robin C. Sy as provided in the Company's Annual Report.	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	The Company's Revised Manual on Corporate Governance enumerates the qualifications of the independent directors.	
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	The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	The Company's Revised Manual on Corporate Governance provides that "an Independent Director shall serve for a maximum cumulative term of nine (9) years reckoned from the year 2012. As provided in the Company's Annual Report, Ms. Florencia G.	

		Tarriela was first elected August 9, 2012 (5 years); Mr. Antonino L. Alindogan on July 31, 2012 (5 years); Mr. Wilfrido E. Sanchez on July 31, 2012 (5 years) and Mr. Robin C. Sy was August 18, 2014 (3 years).	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	The Company observes the term limit for Independent Directors, in accordance with SEC Memorandum Circular No. 9, Series of 2011.	
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	As of the year 2017, no Independent Director has reached the nine year limit to serve as such. Hence, there was no need to seek for the shareholders' approval during the annual shareholders' meeting.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	NON-COMPLIANT		The Company's By-Laws provides that the Chairman of the Board of Directors as well as its Chief Executive Officer (CEO) shall be Dr. Lucio C. Tan.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	NON-COMPLIANT		The Company's By-Laws provide that the Chairman of the Board of Directors, in the person of Dr. Lucio C. Tan, shall also be the Company's Chief Executive Officer (CEO) who shall exercise such other powers and perform such other duties as the Board may assign to him. The Chairman/CEO shall preside over the meetings of the Board of directors and the shareholders; he shall guarantee that meetings of the Board of Directors are properly conducted and the powers of the

			Company properly exercised; and he shall perform such other duties as may be assigned to him by the Board of Directors.
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 of Directors is not independent.
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	For the past years, no Director has had any material interest in a transaction which would affect the corporation and would necessarily require him to abstain from taking part in any deliberation on the transaction.	
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.	COMPLAINT	The Audit and Risk Management Committee conducts meetings with the Company's external auditor and heads of the internal audit and compliance functions. In support thereof, the Company's minutes of the meetings provide that the Committee has conducted 9 meetings for the year 2017. The meetings are chaired by Mr. Antonino L. Alindogan, an independent director. A list of the attendance of the members of the Committee and other attendees are attached hereto as Annex "D".	
2. The meetings are chaired by the lead independent director.	COMPLIANT		
Optional: Principle 5			

1. None of the directors is a former CEO of the company in the past 2 years.	NON-COMPLAINT		In compliance with the Company's By-laws, the Company's CEO is Dr. Lucio C. Tan.
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	The Company's Revised Manual on Corporate Governance provides that the Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees no later than 31 December of every year. In the said annual assessment meeting, the Board shall discuss the performances of the Board, as a body; the Board Committees; the Individual Directors; and the Chairman. In 2017, the Board did not conduct any self-assessment meeting.	
2. The Chairman conducts a self-assessment of his performance.	NON-COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	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		The Company has not engaged the services of an external facilitator to support the assessments made by the Board.
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 committee has yet to put in place a system which would provide the criteria for processing the performance of the Board, the individual Directors and Committees.
2. The system allows for a feedback mechanism from the shareholders.	NON-COMPLIANT		In relation to the explanation given above, the Committee is still in the process of

			establishing a system for the criteria and the feedback.
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.	COMPLAINT	The Company's Revised Manual on Corporate Governance provides its Corporate Code of Conduct which includes, among others, the Company acting with integrity in its personal and official dealings and in the discharge of its duties and responsibilities. It shall work hard to establish a good reputation as the cornerstone of its individual and collective success. The Company shall maintain an independent mental attitude by avoiding conflict-of-interest situations. It shall preserve its loyalty to the organization by giving priority to the organization's interest at all times.	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	The Board, senior management and the employees were properly informed of the Code of business ethics through (1) memoranda sent to officers; and (2) discussions during Board meetings.	
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	The company's Code of Business Conduct and Ethics is made part of its revised Manual on Corporate Governance which is uploaded in the Company's website, www.ltg.com.ph.	

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	In the Company's Revised Manual on Corporate Governance, as disclosed in the Company's website, www.ltg.com.ph, any person convicted by final judgment or order by a competent juridical or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or other fraudulent acts shall be permanently disqualified to be nominated/elected as a Director.	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	The Company guarantees compliance with the code of ethics or conduct through its Compliance and Audit functions. Periodic checks are also done by the Board during its meetings. For all its Directors, Senior Management and employees, the Company adopts a policy of, among others, full and prompt disclosure for all cases of conflict of interest; it strictly requires the conduct of business and fair dealings; it highly discourages receipt of gifts from third parties that will tend to undermine the duties of the persons involved; and it highly encourages prompt conflict resolution.	
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	Since the Company is a publicly-listed company, all information shall be disseminated through the disclosure channels of the Philippine Stock Exchange. Shareholders may also get in touch with the Office of the Corporate Secretary for necessary relevant documents. Likewise, the Company has an Investor Relations Officer whose contact details are available in the Company website.	
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.	COMPLIANT	The Company discloses its consolidated report at least 3 weeks before the deadline. While the interim reports are disclosed at least a day before the end of the reporting period.	
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	The Company's Annual Report may be downloaded from the PSE website, www.edge.pse.com.ph and the Company's website, www.ltg.com.ph.	

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	The Company's Revised Manual on Corporate Governance, a copy of which is made available at the Company's website, www.ltg.com.ph, provides that a member of the Board of Directors is obligated to disclose or report to the Company any dealings in the Company's shares within three (3) business days. For the past 3 years, there were no actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT		
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	The shareholdings of directors and management are disclosed in the Company's Definitive Information Statement which was disclosed to the PSE last March 23, 2018. For easy reference, a copy of which is attached hereto as Annex "E". The Company's top 100 shareholders, on the other hand, was disclosed last April 13, 2018 and may be downloaded from the Company's website, www.ltg.com.ph or PSE website, edge.pse.com.ph.	
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	For a list of the Directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended, please find attached Annexes "A" and "E".	
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	Please find attached Annex "A".	
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.	COMPLIANT	To determine the remuneration of the CEO and the most highly compensated management officers in the Company, consideration is basically anchored on the set of skills they possess and their value to the Company. However, the subsidiaries, which are matured companies where salaries and remuneration processes are supervised and monitored by the respective Nomination and Remuneration Committees and vetted by the respective Corporate Governance Committees, have their respective salary structures and remuneration policies. The officers running the offices for said purpose are the most qualified professionals in the field. Moreover, the systems, policies and procedures are in	

		accordance with best policies and practices in the industry.	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	The Directors of the Company receive an allowance of P30,000.00 a month and a per diem of P25,000.00 for every Board meeting and P15,000.00 for every Committee meeting attended. Other than the stated allowance and the per diem of the Directors, no other standard arrangements are received by the Directors of the Company as compensation, directly or indirectly, for any services provided as a Director, including any additional amounts payable for Committee participation or special assignments, for the last completed fiscal year and the ensuing year. The allowance and per diems of Directors are disclosed in the Information Statement furnished to the stockholders before each Annual Shareholders' Meeting. Although the stockholders do not approve the total remuneration of the Board, any questions thereon may be raised during the Annual Shareholders' Meeting.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	COMPLIANT	A copy of the Company's Summary Compensation Table is attached hereto and marked as Annex "F".	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring	COMPLIANT	The Company's Revised Manual on Corporate Governance grants the Audit and Risk Management	

transactions in their Manual on Corporate Governance.		Committee authority to exercise oversight functions over Related Party Transactions, which includes, reviewing and passing upon related party transactions before they are elevated to the Board; and evaluating, on an ongoing basis, the existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties, from non-related to related and vice versa, are captured No conflict of interests was reported in the year 2017.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	As a conglomerate, the Company is compelled to source or acquire some of its supplies from the subsidiaries. Since the businesses under the conglomerate is diverse, it is normally more convenient, expeditious and logical to deal with its subsidiaries. The Company is ensured against the risk of shortage of materials and unfair pricing. In addition, there is better coordination with suppliers on quality, production scheduling and pricing consideration. Transactions with related parties have a stronger basis for trust and confidence in meeting material deadlines.	

		In the normal course of business, the Company and its subsidiaries transact with various related parties. Detailed disclosures are discussed in Note 22 of the Notes to the Consolidated Financial Statement. It is important to note that transactions with these related parties are necessary in the normal course of the Company's business. And while these are substantial in amount, they are still under normal trade practice. There are no special risks or contingencies arising from said transactions. In transacting with related parties, the prices are based on terms that are no less favorable than those arranged with third parties. In addition, since the Company adheres to industry standards and practices, the transactions have been fairly evaluated and no long term contracts have been entered into. There are no long-term supplier contracts. The Company can source any material from third-party suppliers should this be more favorable to the Company. There are no parties that fall outside the definition "related parties" with whom the Company or any of its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be	

		available from other more clearly independent parties on an arm's length basis.	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	Fortunately, since the Company does not foresee any actual or probable conflict of interest, no circumstance warranted the Directors to disclose their interests in transactions or any other conflict of interests.	
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.	COMPLIANT	The Company adheres to industry standards and practices. Hence, the transactions have been fairly evaluated and long term contracts have not been entered into. Without any long term supplier contracts, the Company is free to source its desired material from any third-party suppliers should the need arise.	
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	The Company's disclosures may be found in the PSE website and in its website, www.ltg.com.ph.	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	NON-COMPLIANT		At present, the Company has not yet appointed an independent party to evaluate the fairness of the transaction price.
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder	COMPLIANT	Not applicable. At present, the Company does not have any	

agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.		shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact its control, ownership, and strategic direction.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	The Company's Revised Manual on Corporate Governance may be found in its website: www.ltg.com.ph	
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 on Corporate Governance was filed with the SEC and PSE last May 31, 2017 and June 1, 2017, respectively. The Manual with the stamp mark received may be found in the Company's website: www.ltg.com.ph.	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		The Company's Annual Report is disclosed in its website: www.ltg.com.ph and the PSE website: www.edge.pse.com.ph.	
a. Corporate Objectives	COMPLIANT		
b. Financial performance indicators	COMPLIANT		
c. Non-financial performance indicators	COMPLIANT		

d. Dividend Policy	COMPLIANT		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	COMPLIANT		
f. Attendance details of each director in all directors meetings held during the year	COMPLIANT		
g. Total remuneration of each member of the board of directors	COMPLIANT		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	NON-COMPLIANT		While the Company complies with the Code of Corporate Governance in all its dealings, the Annual Report does not contain a statement of such.
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.	COMPLIANT	The Annual Report discloses the operational and financial statements, compliance controls, including risk management systems per subsidiary.	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	COMPLIANT	For a copy of the Annual Report, please visit the Company's website, www.ltg.com.ph.	
5. The company discloses in the Annual Report the key risks to which the company	COMPLIANT	The Company's Annual Report is disclosed in its website:	

is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).		www.ltg.com.ph and the PSE website: www.edge.pse.com.ph. The subject matter is disclosed in pages 25 to 44 of the Report.	
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	Pursuant to its obligation to make recommendations to the Board regarding the appointment, reappointment, removal, and fees of the External Auditors, the Audit and Risk Management Committee, as provided in its Charter, exercises Audit Oversight Functions which include, among others, the recommendation to the Board the appointment, dismissal, replacement and re-appointment of the External Auditors, duly accredited by the regulators (subject to stockholders ratification), based on fair and transparent criteria such as, but not limited to, core values, culture and high regard for excellence in audit quality and independence. Furthermore, an External Auditor Assessment Tool has been put in place that guides the Audit and Risk Management Committee in the selection process of External Auditors for the Company.	

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	During the Company's Annual Stockholders' Meeting held last June 20, 2017, the stockholders confirmed and ratified all acts and resolutions of the Board of Directors and Management for the year ended 31 December 2016, which included, among others, the appointment of the Auditing firm SGV & Co. as external auditor for the year 2016-2017.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT	The Company's Revised Manual on Corporate Governance provides that the resignation, dismissal, or cessation of engagement of an External Auditor shall be reported in the Company's annual report explaining in detail the reason/s for such move (e.g. disagreement on accounting principles and practices, financial statement disclosure, or auditing scope or procedure). In case of the removal of the External Auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company website and required disclosures. In 2017, no valid reason/s arose which would necessitate the removal or change of the external auditor.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	COMPLAINT	In compliance with Rule 69 (3)(b)(ix) of the Securities Regulation Code, the Company's Revised Manual on Corporate Governance provides that	

		the independent accounting firm or its handling partner shall be replaced every five (5) years or earlier. Moreover, in its Charter, the Committee's functions include ensuring that the rotation process of External Auditors or firms are observed and implemented.	
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	The Committee's Charter provides that its functions to include, among others, (1) discussing with the External Auditor, prior to the commencement of the audit, the nature, scope and expenses of the audit, and ensuring the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts; (2) considering the independence and effectivity of the External Auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company; (3) meeting with the External Auditors, without the presence of the Company's Management, at least annually to verify that the External Auditors act independently, and is given unrestricted access to all records, properties and personnel to enable it to perform its audit functions; and (4) evaluating and determining the non-audit work, if any, of the External	

		Auditor, and the periodic review of the non-audit fees paid to them in relation to their significance to the total annual income of the latter and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to its independence. For further information, please visit the Company's website, www.ltg.com.ph.	
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	Same with the above, please find the Audit & Risk Management Committee at the Company's website, www.ltg.com.ph.	
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	For further information, please visit the Company's website, www.ltg.com.ph.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	The External Auditors of the Company, SGV & Co., observe the following high level quality control procedures: 1. Comply with independence policies applicable to each client servicing professional of the firm. Undergo strict client	

		and engagement evaluation determining the proper service team for each engagement. 2. Its client servicing professionals are qualified on the necessary requirements for services to be provided and are accredited to render the services identified. 3. The firm conducts post audit reviews to ensure that its services are provided based on the firm's Global Audit Methodology. The firm is also registered with the PCAOB, accredited by the Philippine SEC (under SEC memorandum Circular No. 13 Series of 2009 "revised guidelines on accreditation of auditing firms and external auditors" and other ISO certifications in maintaining quality in operations.	
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	By virtue of its charter, the Committee is obligated to disclose, if allowed, matters relating to the non-audit services performed by the External Auditor. In 2017, there were no non-audit services performed by the External Auditor.	

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 Committee's Charter provides that its functions to include, among others, evaluating and determining the non-audit work, if any, of the External Auditor, and the periodic review of the non-audit fees paid to them in relation to their significance to the total annual income of the latter and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to its independence.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLAINT	A computation of the audit and non-audit fees paid to the External Auditors may be found in Annex "F" hereof.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	The Company's external auditor is Sycip Gorres Velayo & Co. with office address at 6760 Ayala Avenue, Makati City, 1226 Metro Manila, Philippines Martin C. Guantes Partner CPA Certificate No. 88494 SEC Accreditation No. 0325-AR-3 (Group A), August 25, 2015, valid until August 24, 2018 Tax Identification No. 152-884-272 BIR Accreditation No. 08-001998-52-2018, February 26, 2018, valid until February 25, 2021	

		PTR No. 6621267, January 9, 2018, 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		The external auditor of the Company, SGV & Co., has not yet been selected by SEC for SOAR.
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		While the Company has no clear policy and practice yet relating to the disclosure of non-financial information, including EESG issues, no such need arose for the past years.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	NON-COMPLIANT		Same as above.
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.	COMPLIANT	In 2017, the Company conducted four (4) analysts' briefing for Full Year 2016 Results, First Quarter 2017 results, First Half 2017 Results and Nine Months 2017 Results. The briefing for Full Year 2017 Results was held on March 16, 2018. LTG disclosed the schedule of	

		these briefings to the PSE at least a week before the briefing date. These were attended by analysts from different brokerages and analysts of local funds. Regular press releases are disclosed to the PSE and SEC and distributed to the media, on quarterly earnings results as well as events that may have a significant impact on the operations of the Company and its subsidiaries. For further information please visit the PSE's or the Company's website at www.edge.pse.com.ph or www.ltg.com.ph, respectively.	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		For further details on the documents, please visit www.ltg.com.ph.	
a. Financial statements/reports (latest quarterly)	COMPLIANT		
b. Materials provided in briefings to analysts and media	COMPLIANT		
c. Downloadable annual report	COMPLIANT		
d. Notice of ASM and/or SSM	COMPLIANT		
e. Minutes of ASM and/or SSM	COMPLIANT		

f. Company's Articles of Incorporation and By-Laws	COMPLIANT		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT		
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	Each of the companies forming part of the conglomerate have their own internal audit department. Said department monitors, assesses and evaluates the operational efficiency and financial condition of their respective companies. Nevertheless, the Company, as a conglomerate, still maintains its own Audit Committee to review, assess and evaluate the work and performance of the respective internal audit departments of its subsidiaries. The internal controls of the Company are reviewed quarterly.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT	The Company believes that a sound, robust and effective enterprise risk management coupled with global best practices were recognized as a necessity and prime responsibility of the Board and senior management.	

		Hence, the risk management system per subsidiary is reviewed annually.	
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.	COMPLAINT	The Company's Audit and Risk Management Committee oversees its compliance programs across all businesses and ensures compliance issues are addressed by the Senior management and/or the respective Board of the bank subsidiaries/affiliates on a timely basis.	
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.	NON-COMPLIANT		The Company, as a conglomerate, requests the IT of its subsidiaries to assist whenever necessary. However, its Subsidiaries which are highly automated, such as the bank, have robust IT governance processes, dedicated cyber security unit and risk management framework.
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 Company has established an Internal Audit activity and appointed a Chief Audit Executive in the person of Mr. Dioscoro Teodorico Lim to provide an independent and objective assurance and consulting services.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	COMPLIANT	In July 11, 2017, the Company appointed Mr. Dioscoro Teodorico Lim as its Chief Audit Executive (CAE).	

		Mr. Lim, a CPA, was the Senior Vice President and Chief Audit Executive of Philippine National Bank - Internal Audit Group (2013 to 2016). He was also the First Vice President and Chief Audit Executive of Allied Banking Corporation - Internal Audit Group (2008 to 2013), both audit activities of PNB and ABC passed their respective External Quality Assurance Reviews by accredited external validators with a rating of "Generally Compliant". He was a Member of the Board of Directors of Rosehill Memorial Management (Phils.) Inc. (2011 to 2013). Also a member of PICPA, IIA, ACFE.	
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	The primary functions of the CAE includes overseeing and maintaining responsibility for the activities of the Company's internal audit function and outsourced services.	
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 Company has established its own audit activity and does not fully outsource the activity.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	The Company created its Audit and Risk Management Committee to exercise the functions of identifying, assessing, and monitoring key risk exposures.	

Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	NON-COMPLIANT		There has been no need for the Company to seek external technical support.
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		Complimentary functions of Audit and Risk Management are merged together, the Company being a Holdings Company with controlled activities. Hence, the formation of the Audit and Risk Management Committee, the functions of which are enumerated in the Company's Revised Corporate Governance Manual and its charter.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	NON-COMPLIANT		Same as above.
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.	NON-COMPLIANT		In July 11, 2017, the Company appointed Mr. Dioscoro Teodorico Lim as its Chief Audit Executive (CAE). The newly established internal audit activity is in the process of assessing the internal control and compliance environment of the Company. The recommended process will be observed annually henceforth.
Cultivating a Synergic Relationship with Shareholders			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Please visit the Company's website, www.ltg.com.ph, and find under Governance/Reports the Company's	

		Revised manual on Corporate Governance.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	www.ltg.com.ph	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT	Yes. For the election of directors, The stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT		
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	Voting is done based on the number of shares present at the Annual Stockholders' Meeting.	
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.	COMPLIANT	The Company determines the number of shares present during the Annual Stockholders' Meeting and bases the votes from such number.	
5. Board allows shareholders to call a special shareholders' meeting and submit a	COMPLIANT	The Company's Revised Manual on Corporate Governance, in	

proposal for consideration or agenda item at the AGM or special meeting.		accordance with its By-laws, grants its shareholders the right to call a Special Shareholders' Meeting by written notice to the Corporate Secretary at least ninety (90) days before the suggested date of the meeting.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	The Company's Revised Manual on Corporate Governance enumerates the rights of the shareholders, including the treatment of minority shareholders. This includes, among others, the right to vote and the right to be furnished with relevant information as required by law about the Company on a timely and regular basis. A copy of the Company's Revised Manual on Corporate Governance may be downloaded from its website: www.ltg.com.ph.	
7. Company has a transparent and specific dividend policy.	COMPLIANT	On March 14, 2017, the Company declared and authorized the distribution of cash dividends of PhP0.15 per share, and a special cash dividend of Php0.03 per share to all stockholders of record as of March 29, 2017, which shall be paid out not later than April 7, 2017. As the Company strictly adheres to the guidance of good corporate governance to distribute the Dividends within 30 days from the time it is approved and declared, the	

		stockholders were paid on April 7, 2017, twenty-four (24) days after it was approved and disclosed.	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	COMPLIANT	The counting of votes shall be conducted by the Corporate Secretary (or his/her duly authorized representative) to be assisted by the Corporation's independent accountant or by the representatives of SGV & Co.	
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 2017, written notice of the annual or special stockholders' meeting were sent to all stockholders of record at least (28) twenty-eight business days prior to the date of the meeting notwithstanding that the Company's By-Laws and the requirements of the Securities and Regulation Code and the New Disclosure Rules of the Philippine Stock Exchange required only fifteen (15) days. The notices were sent out on May 23, 2017 and the date of the Annual/ Special Stockholders' meeting was held last June 20, 2017. As part of the agenda of the meeting, shareholders' approval of remuneration or any changes therein were included in their ratification of all	

		acts, transactions and resolutions by the Board and Management in 2016. For a copy of the Company's Information Statement, please visit www.ltg.com.ph and find the same under PSE 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	For a copy of the Company's Information Statement with Notice of the Annual Stockholders' Meeting, please visit www.ltg.com.ph and find the same under PSE Disclosures.	
b. Auditors seeking appointment/re-appointment	COMPLIANT	Same as above.	
c. Proxy documents	COMPLIANT	Same as above.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	The Company's Information Statement (Other Matters) contains the rationale for the agenda items.	
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	The results of the meeting was made available on the same day, June 20, 2017 via the Philippine Stock Exchange's Online Disclosure System.	

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	9,130,497,849 shares approved the Notation and Approval of the Management Report as reflected in the Company's Annual Report as well as the Ratification of all acts, transactions and resolutions of the Company for the year 2016 without any dissenting and abstaining votes. The voting was done based on the number of shares present during the Annual Stockholders' Meeting. While the Stockholders were allowed to raise questions, there were no questions raised during the last Annual/Special Shareholders' Meeting. A copy of the Minutes of the Meeting may be downloaded from the Company's website: www.ltg.com.ph under PSE Disclosures.	
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 Company sends the External Auditors the necessary invite to inform them of the date of the Annual Stockholders' Meeting.	
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.	COMPLIANT	The Company's Revised Manual on Corporate Governance provides, to wit: "To the extent that it may serve the best interests of the Company, intra-	

		corporate disputes shall be resolved in an amicable and effective manner to prevent excessive litigation and to foster prompt, economical, amicable, and the effective resolution of such disputes." The Manual provides for the procedure to be followed should intra-corporate disputes arise.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	The Company's Manual may be downloaded from its website, www.ltg.com.ph, under Governance/ Reports. The Alternative Dispute Resolution is provided for under Section VIII of the said document.	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	Ms. Annabelle Arceo Telephone No. +632 478 8559 Email: ir@ltg.com.ph or annabelle.arceo@ltg.com.ph	
2. IRO is present at every shareholder's meeting.	COMPLIANT	The IRO was present during the Annual Shareholders' Meeting held last June 20, 2017.	
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		There is none.

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	NON-COMPLIANT		The Company has a public float of 25.64% and is compliant with the current rules requiring a public float of not less than 10%.
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLAINT	The Company has appointed an Investor Relations Officer to ensure active participation of shareholders with regard the activities and policies of the Company, in accordance with its Revised Manual on Corporate Governance.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	NON-COMPLIANT		The Company does not practice electronic voting in absentia.
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	Under the Company's Revised Manual on Corporate Governance, the Board is tasked to, among others, identify the stakeholders in the community in which the Company operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with said stakeholders.	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the	NON-COMPLIANT		While the Company significantly values the best interests of its shareholders and the stakeholders, it has yet to establish

fair treatment and protection of stakeholders.			clear policies and programs to ensure their fair treatment and protection.
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	The stakeholders may voice their concerns and/or complaints for possible violation of their rights through the Corporate Secretary, Atty. Ma. Cecilia L. Pesayco, 2/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Philippines, 810-2451.	
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.	COMPLIANT	Section VIII of the Company's Manual provides for its Alternative Dispute Resolution. The same may be downloaded from its website, www.ltg.com.ph, under Governance/ Reports.	
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 is none.	
2. Company respects intellectual property rights.	COMPLIANT	One of the Company's general policy is to be *transparent* in its activities without sacrificing the confidentiality of its trade secrets, formulae, and other intellectual properties.	
Optional: Principle 14			

1. Company discloses its policies and practices that address customers' welfare	NON-COMPLIANT		While the subsidiaries safeguard the welfare of its customers by ensuring that their requests and complaints are served and/or taken care of, the Company, being a holdings company, does not have a document stating its procedures in doing so. Rest assured, however, that the different subsidiaries ensure that their respective customers are able to get the value of their money and that their transactions are not unduly delayed.
2. Company discloses its policies and practices that address supplier/contractor selection procedures	COMPLIANT	The Company, as a conglomerate, does not engage the services of a supplier/contractor but shares the respective supplier/contractor selection practice of its subsidiaries. In engaging the services of a supplier/contractor, the Company uses as basis the applicant supplier/contractor's competency, qualification as well as the quality of its products. Moreover, the Company ensures that they are paid correctly and on time.	
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.	NON-COMPLIANT		The Company, as a holdings company, has yet to adopt a policy or program to encourage its employees to actively

			participate in the realization of the Company's goals and governance.
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.	COMPLIANT	It is the policy of the Company to promote advancement among its employees for consistently exceeding expectations over two years. The Board grants performance bonus, when so warranted.	
2. Company has policies and practices on health, safety and welfare of its employees.	COMPLIANT	The Company offers health care benefits covered by the health insurance provider of the Company.	
3. Company has policies and practices on training and development of its employees.	COMPLIANT	Employees are sent to seminars and training programs where it is necessary to enhance their knowledge and to acquire new information.	
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.	NON-COMPLIANT		The Company has yet to include a policy against corrupt practices in its Code of Conduct.
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	NON-COMPLIANT		In relation to the above, the Company has not disseminated the subject policy.
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.	NON-COMPLIANT		The Company has yet to include a policy against bribery in its Code of Conduct. For the past years, there were no reported incidents concerning the offering, paying and receiving 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	The Company, being a holdings company, placed an Employee Code of Conduct or Personnel Policies and adopted the "Whistle Blowing Policy".	
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	Employees may complain through key Officers in the Company. Management shall maintain the confidentiality of all concerns and complaints.	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLAINT	The Board ensures that all employees may be able to voice out their concerns without fear of retaliation. Fortunately, in 2017, no circumstance arose which required the Board to enforce the policy.	
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 companies under LT Group, Inc. and other companies majority-owned by the Tan family conduct most of their Corporate Social Responsibilities under the Tan Yan Kee Foundation, Inc. (TYKFI). The Foundation and its partners pursue projects that focus on four (4) advocacies: Education, Health Services, Social Welfare and the Environment.	
Optional: Principle 16			

1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	Same as above.	
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT	Same as above.	

IN WITNESS WHEREOF, we, have hereunto set out hands and seal at the City of Makati, Philippines, this MAY 28 2018 day of May, 2018.

LUCIO C. TAN Chairman/Director TIN 101-914-722	**MA. CECILIA L. PESAYCO** Corporate Secretary TIN 101-913-918
FLORENCIA G. TARRIELA Independent Director TIN 106-906-487	**WILFRIDO E. SANCHEZ** Independent Director TIN 102-096-694
ROBIN C. SY Independent Director TIN 100-827-650	**JOHNIP G. CUA** Independent Director TIN 120-146-639

MARIVIC T. MOYA
Assistant Corporate Secretary/Compliance Officer
TIN 133-996-977

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Book No.
Series: 2018

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS

BEFORE ME, a Notary Public, for and in Makati City, on this MAY 2 8 2018, personally appeared the following:

NAME	COMPETENT EVIDENCE OF IDENTITY	DATE/PLACE ISSUED
LUCIO C. TAN	EC0015255	17 JAN 2017/DFA MANILA
MA. CECILIA L. PESAYCO	EC8362602	20 JULY 2016/MANILA
FLORENCIA G. TARRIELA	P3341932A	09 JUNE 2017/MANILA
WILFRIDO E. SANCHEZ	EC6743810	16 FEB 2016/DFA NCR
ROBIN C. SY	EC1251003	04 DEC 2015
JOHNIP G. CUA	EC4417377	16 JUNE 2015/NCR EAST
MARIVIC T. MOYA	EC6365529	12 JAN 2016/MANILA

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Book No. V;
Series of 2018.

ELVIN S. SALINDO
Notary Public until 31 December 2018
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 6614438, Makati City, 03 January 2018
IBP No. 020801, Makati, 03 January 2018
Roll No. 65645, Commission No. M-23