

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

CANDY H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

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Month

Day

SEC FORM – ACGR

(Form Type)

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Month

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(Secondary License Type, If Applicable)

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Amended Articles Number/Section

Page 10

Total No. of Stockholders

Total Amount of Borrowing

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Domestic

Foreign

SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Date of Report: **March 1, 2017**
2. SEC Identification Number: **A199813754**
3. BIR Tax Identification Number: **201-277-095**
4. Name of Issuer as specified in its charter: **Puregold Price Club, Inc.**
5. Address of principal office and postal code: **No. 900 Romualdez St., Paco, Manila 1007**
6. Industry Classification Code:
7. Issuer's telephone number: **632 523 3055**
8. Former name: **None**
9. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA: **Outstanding Shares 2,785,362,877 common shares**
10. Indicate the item numbers reported therein: ACGR Report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation:

Seven directors inclusive of two independent directors

Actual Number of Directors for 2013, 2014, 2015 and 2016:

Five regular directors and two independent directors

a. Composition of the Board

Director	Principal	Nominator	Date first elected	Date last elected	Elected when	Term
Lucio L. Co	-	Leonardo B. Dayao/ no relation	09/1998	05/10/16	ASM	18
Susan P. Co	-	Leonardo B. Dayao/ no relation	09/1998	05/10/16	ASM	18
Ferdinand Vincent P. Co	-	Leonardo B. Dayao/ no relation	07/2003	05/10/16	ASM	14
Leonardo B. Dayao	-	Lucio L. Co/ no relation	09/1998	05/10/16	ASM	18
Pamela Justine P. Co	-	Leonardo B. Dayao/ no relation	07/2003	05/10/16	ASM	14
Marilyn V. Pardo	-	Leonardo B. Dayao/ no relation	10/2011	05/10/16	ASM	6
Edgardo G. Lacson	-	Lucio L. Co/ no relation	10/2011	05/10/16	ASM	6

Brief summary of the corporate governance policy that the board of directors has adopted with emphasis on the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

1. On October 5, 2012, the Board of Directors adopted the Revised Manual on Corporate Governance issued by the Securities and Exchange Commission (SEC) which contains stockholders' rights and protection of minority stockholders interests, including the following basic rights of stockholders under the Philippine Corporation Code:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect corporate books and records;
3. Right to information;
4. Right to dividends; and
5. Appraisal right.

2. On July 25, 2014 the Board approved the Revised Manual on Corporate Governance adopting therein the changes and amendments recommended by the Securities and Exchange Commission in accordance with SEC Memorandum Circular No. 9, particularly strengthening the Company's principles on Disclosure and Transparency and extending the term 'stockholders' to all 'stakeholders'.

3. On March 4, 2016, the Board adopted the following Amendments to the Articles of Incorporation (AOI) and By-Laws (By Laws) with the intention of improving the corporate governance practices of the Company:

Amendment of Article 6, Articles of Incorporation

“SIXTH. That the number of directors of the Corporation shall be NINE (9) comprising of six (6) regular members and three (3) independent directors.”

Amendment of Section 6 Article III of the Company’s By Laws:

“Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that at least one independent director be present. Every decision of at least majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board.”

Amendment of Section 4 (1) Article II of the Company’s By Laws:

“Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Office of the Corporate Secretary by personal delivery or mail at least thirty (30) days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purposes for which the meeting is called.”

4. On July 19, 2016, the SEC issued approval of the foregoing amendments on the Company’s Articles and By Laws. The same will take effect in the annual meeting of stockholders to be held in May 2017.

How often does the Board review and approve the vision and mission?

As often as needed.

b. Directorship in other Companies

(i) **Directorship in the Company’s Group.** The following are the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Director	Corporate Name of the Group Company	Type of Dictatorship
Lucio L. Co	Kareila Management Corporation PPCI Subic Inc. Entenso Equities, Inc.	All executive directorship
Susan P. Co	Kareila Management Corporation PPCI Subic Inc. Entenso Equities, Inc.	All executive directorship
Ferdinand Vincent P. Co	Kareila Management Corporation PPCI Subic Inc. Entenso Equities, Inc.	All executive directorship
Pamela Justine P. Co	Kareila Management Corporation PPCI Subic Inc. Entenso Equities, Inc.	All executive directorship
Leonardo B. Dayao	Kareila Management Corporation PPCI Subic Inc. Entenso Equities, Inc.	All executive directorship

(ii) **Directorship in Other Listed Companies.** The following are the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director	Name of Listed Company	Type of Dictatorship
Lucio L. Co	Cosco Capital, Inc. and Da Vinci Capital Holdings, Inc.	Chairman, Executive Directorship

Susan P. Co	Cosco Capital, Inc.	Executive Directorship
Leonardo B. Dayao	Cosco Capital, Inc.	President, Executive Directorship

(iii) Relationship within the Company and its Group. Relationship among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director	Name of Significant Shareholder	Description of the Relationship
Lucio L. Co	Susan P. Co	Wife
	Ferdinand Vincent P. Co	Son
	Pamela Justine P. Co	Daughter
Susan P. Co	Lucio L. Co	Husband
	Ferdinand Vincent P. Co	Son
	Pamela Justine P. Co	Daughter
Ferdinand Vincent P. Co	Lucio L. Co	Father
	Susan P. Co	Mother
	Pamela Justine P. Co	Sister
Pamela Justine P. Co	Lucio L. Co	Father
	Susan P. Co	Mother
	Ferdinand Vincent P. Co	Brother

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines.

No. The Company has not yet set a limit on number of board seats in other companies that a director may hold simultaneously.

Shareholding in the Company

The following are the members of the company's Board of Directors who directly and indirectly own shares in the company:

Beneficial Owner	Nature of Beneficial Ownership	Citizenship	Number of Common Shares	Percentage of Outstanding Shares
Lucio L. Co	Direct	Filipino	211,088,022	7.6%
Susan P. Co	Direct	Filipino	178,242,585	6.4%
Ferdinand Vincent P. Co	Direct	Filipino	26,709,460	0.97%
Leonardo B. Dayao	Direct	Filipino	739,925	0.027%
Pamela Justine P. Co	Direct	Filipino	26,709,460	0.97%
Edgardo G. Lacson	Direct	Filipino	1	0.0000%
Marilyn V. Pardo	Direct	Filipino	1	0.0000%

(h) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and President? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes / x /

No / /

Name of the Chair and the CEO:

Chairman of the Board: Lucio L. Co
 President: Ferdinand Vincent P. Co

(b) Roles, Accountabilities and Deliverables

Define and clarify the notes, accountabilities and deliverables of the Chairman and President.

Role	Chairman 1. Plans growth of the Company 2. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chair may deem necessary. 3. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management and the directors. 4. Maintain the qualitative and timely lines of communication and information between the Board and Management.	President 1. The person in-charge of the daily operation of the business. 2. Heads the management team 3. Seeks approval of the board on corporate matters that affect the operation of the company 4. Budgets and goals of the company are met
Accountabilities	Over-all operation of the Company, execution of the short and long term plan and maintain financial soundness of the Company	1. Budget or target of the company is attained 2. Financial soundness of the Company
Deliverables	1. Execution of yearly audited financial statements and quarterly financial reports and the annual report. 2. Execution of documents necessary for board meetings, minutes of the board meetings, and other documents necessary for the normal operation of the Company.	1. Business plan at the beginning of the year 2. Audited Financial Statements 3. Financial reviews

(i) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board is mandating the management to continuously hire professionals and encourage them to constantly undergo training and seminars.

Other Executive, Non-Executive and Independent Directors. Does the company have a policy of ensuring diversity of experience and background of directors in the board?

Yes, the Company ensures diversity of experience and background of directors in the board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the Company requires that a Director must have practical understanding the business of the Company.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

The Company will establish clear policy on the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the definition of "independence" consistent with the SEC regulations as "one person, who apart from his fees and shareholdings, is independent of management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director".

The Company complies with the said definition as can be proven by the fact that its current independent directors, Mr. Edgardo G. Lacson and Mrs. Marilyn V. Pardo, are indeed independent from the management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out their responsibilities as independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company complies with SEC that limits to five continuous service of independent directors and two cooling off period before bringing back an independent director.

(j) Changes in the Board of Directors

(Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

None

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

None.

Voting Result of the 2016 Annual Stockholders' Meeting:

On May 10, 2016 ASM, stockholders holding 2,302,454,292 (83%) common shares attended the meeting, in person or by proxy. They voted on each of the following agenda items:

Ratification of Corporate Acts made by the Board of Directors and Minutes of the previous meeting	83%
Approval of the Presidents Report and Audited Financial Statements	83%
Election of Directors:	
Lucio L. Co	82%
Susan P. Co	78%
Ferdinand Vincent P. Co	78%
Leonardo B. Dayao	78%
Pamela Justine P. Co	79%
Marilyn V. Pardo	83%
Edgardo G. Lacson	83%

Appointment of R.G. Manabat & Co. as External Auditor for 2016	83%
Amendment of 6 th Article of the Company's Articles of Incorporation	83%
Amendment of Section 6 Article III of the Company's By Laws	83%
Amendment of Section 4 (1) Article II of the Company's By Laws	83%

9.) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.**
- (b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:**
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

The Company is regularly conducting Corporate Governance seminar for its directors and key officers. The seminar is led by an accredited seminar provider of the SEC. Please see below the seminar attended by the Directors and key officers of the Company in the past several years.

1. December 14, 2011
Corporate Governance Seminar
Dusit Hotel, Makati City
Philippine Securities Consultancy Corporation

2. February 5 to 6, 2015
Bankers Institute of the Philippines, Inc.

3. June 22, 2015
Acacia Hotel, Alabang, Muntinlupa City
Center for Training & Development

4. March 4, 2016
Acacia Hotel, Alabang, Muntinlupa City
Center for Training & Development

On February 28, 2017, the Company is holding another corporate governance seminar to be held at the Acacia Hotel, Alabang, Muntinlupa City. It will be conducted by SGV, an accredited seminar provider of the SEC. All directors and key officers of the Company have confirmed to attend in the seminar.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Stated below are the company's policies on the business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Transactions causing conflict of interests are prohibited.	Transactions with members of the senior management causing conflict of interest are prohibited.	Transactions with employees causing conflict of interest are prohibited.

(b) Conduct of Business and Fair Dealings	All dealings with directors are at arms-length basis.	Business and Dealings between the Company and the Senior Management are not encouraged. Prohibited.	Business and Dealings between the Company and the employees are not encouraged. Prohibited.
(c) Receipt of gifts from third parties	Prohibited.		
(d) Compliance with Laws & Regulations	Full compliance is required.	Full compliance is required.	Full compliance is required.
(e) Respect for Trade Secrets/Use of Non-public information	Required.	Required.	Required.
(f) Use of Company Funds, Assets and Information	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.
(g) Employment & Labor Laws & Policies	Full compliance.	Full compliance.	Full compliance.
(h) Disciplinary action	Strictly observed.	Strictly observed.	Strictly observed.
(i) Whistle Blower	Strictly observed.	Strictly observed.	Strictly observed.
(j) Conflict Resolution	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Any person may file any complaint of misconduct against any employee or any violation with the code of ethics or conduct to the Office of the Chairman or the Human Resource Department (HR). The HR will serve notice to the employee concerned and give him chance to explain himself why he should not be given a disciplinary action. Thereafter, the HR in coordination with the Legal Department and Office the Chairman, will resolve whether or not to cite the employee for disciplinary action.

4) Related Party Transactions

(a) Policies and Procedures

The company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board are as follows:

Related Party Transactions

- (1) Parent Company
- (2) Joint Venture
- (3) Subsidiaries

Policies and Procedures

All related party transactions are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors.

- (4) Entities Under Common Control
- (5) Substantial Stockholders
- (6) Officers including spouse/children/siblings/parents
- (7) Directors including spouse/children/siblings/parents
- (8) Interlocking director relationship of Board of Directors

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders. Actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

There are no actual or probable conflict of interest to which directors, officers, or shareholders of the Company may be involved.

(ii) Mechanism. Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors and significant shareholders.

Full disclosure of transaction with the Company is required from the directors, officers and significant stockholders of the Company.

5) Family, Commercial and Contractual Relations

(a) Relationship of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Lucio L. Co	Affinity	Husband of Susan P. Co
Susan P. Co	Affinity	Wife of Lucio L. Co

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Some family members of the Co Family are lessors of the Company.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

6) Alternative Dispute Resolution. Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The Company has yet to establish an Alternative Dispute Resolution System.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, regular board meetings are scheduled at the beginning of the calendar year.

Attendance of Directors for the year 2016:

Board	Name	Date of Election	No. of Meetings held during the year	No. of meetings Attended	%
Chairman	Lucio L. Co	May 10, 2016	6	6	100.00%
Member	Susan P. Co	May 10, 2016	6	5	83.33%
Member	Ferdinand Vincent P. Co	May 10, 2016	6	6	100.00%
Member	Leonardo B. Dayao	May 10, 2016	6	6	100.00%
Member	Pamela Justine P. Co	May 10, 2016	6	5	83.33%
Independent Director	Marilyn V. Pardo	May 10, 2016	6	4	66.66%
Independent Director	Edgardo G. Lacson	May 10, 2016	6	6	100.00%

2) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

3) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes. On March 4, 2016, the Board amended Section 6 Article III of the Company's By Laws, to read as follows:

“Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that at least one independent director be present. Every decision of at least majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board.”

On July 19, 2016, the SEC issued approval of the said amendment.

4) Access to Information

Every stockholder has access to corporate records.

(a) How many days in advance are board papers for board of directors meetings provided to the board?

At least 5 days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary of the Company is a Filipino and a resident of the Philippines. Part of her duties are the safekeeping and preservation of the integrity of the minutes of board meetings; disseminate information to the board on the schedule of meetings, agenda, etc.; attend board and ASM; ensure all board procedures, rules and regulations; and act as Compliance Officer of the Company.

The Corporate Secretary regularly coordinates with the Chairman of the Board in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes.

Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The company secretary, although not formally trained in legal, accountancy and company secretarial services, is always consulting officers of the company who are either legal practitioners or certified public accountants.

(c) Committee Procedures

Directors can avail or get information necessary to be able to prepare them in advance for the meetings of different committees:

Committee	Details of the procedure
Executive	
Audit	
Nomination	Directors are given meeting materials at least 5 days before the meeting.
Remuneration	

5) External Advice

Directors can receive external advice in order to equip themselves with appropriate information or advise on a specific matters that ask for their approval.

6) Change/s in existing policies

No material changes in the policy that have the effect on the business of the company.

D. REMUNERATION MATTERS

1) Remuneration Process

The annual salaries of the Chairman and the four (4) most highly compensated management officers are as follows:

Lucio L. Co	2016	P6,000,000.00
Susan P. Co	2016	P2,400,000.00
Ferdinand Vincent P. Co	2016	P3,900,000.00
Iraida De Guzman	2016	P1,295,000.00
Denise Maria Carolino	2016	P905,000.00
All other officers and directors	2016	P82,738,938.00
As group unnamed		

2) Stock Rights, Options and Warrants

(a) Board of Directors

The Company's Stock Option Plan for Board of Directors will still undergo regulatory approvals.

(b) Amendments of Incentive Programs. Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

None.

3) Remuneration of Management

Identification of the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year 2016:

Antonio Delos Santos II	Php1,885,000.00
Teodoro Polinga, Comptroller	Php1,690,000.00
Iraida B. De Guzman	Php1,295,000.00
Maria Denise Carolino, Vice-President for Administration	Php905,000.00
Andres Santos, Legal Counsel	Php650,000.00

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Executive Committee

Number of Executive Director	4
Number of Non Executive Director	0
Number of Independent Director	0
Committee Charter	None
Functions	It may act on such specific matters which are within the competence of the Board to approve, pass or act upon.
Key Responsibilities	To regularly convene and approve business matters within its authority.

Audit Committee

Number of Executive Director	3
Number of Non-Executive Director	0
Number of Independent Director	1
Committee Charter	Yes

Functions	Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; Perform oversight functions over the Corporation's internal and external auditors; Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation; Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security; Review and reports submitted by the internal and external auditors; Recommend appointment, re-appointment or termination of external auditor; Review and quarterly, half-year and annual financial statements before their submission to the Board; Coordinate, monitor and facilitate compliance with laws, rules and regulations and; 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.
Key Responsibilities	To assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and perform oversight functions over the Corporation's internal and external auditors.

The Audit Committee is headed by an independent director, Mr. Edgardo G. Lacson, a Certified Public Accountant. The members of the Audit Committee are Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Leonardo B. Dayao. Mr. Dayao is also a Certified Public Accountant.

Nomination Committee

Number of Executive Director	3
Number of Non-Executive Director	0
Number of Independent Director	1
Committee Charter	None
Functions	Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
Key Responsibilities	To receive nomination of directors, qualify or disqualify nominated directors before bringing to the Board.

Remuneration or Compensation Committee

Number of Executive Director	2
Number of Non Executive Director	0
Number of Independent Director	1
Committee Charter	
Functions	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment

Key Responsibilities in which it operates.
To assess the compensation package of the officers.

2) Committee Members for the year 2016

(a) Executive Committee

Office	Name	Date of Appointment	No. of meetings held	No. of meetings attended	%	Length of service in the Committee
Chairman	Lucio L. Co	May 2016	6	6	100%	5 years
Member (ED)	Susan P. Co	May 2016	6	6	100%	5 years
Member (NED)	None					
Member	None					
Member	Ferdinand Vincent P. Co	May 2016	6	6	100%	5 years
Member	Leonardo B. Dayao	May 2016	6	6	100%	5 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	%
Chairman	Edgardo G. Lacson (ID)	May 12, 2015	4	100%
Member (ED)	Lucio L. Co	May 12, 2015	4	100%
Member (ED)	Susan P. Co	May 12, 2015	4	100%
Member (ED)	Ferdinand Vincent P. Co	May 12, 2015	3	83.33%
Member	Leonardo B. Dayao	May 12, 2015	4	100%

Disclose the profile or qualifications of the Audit Committee members.

All Audit Committee members have accounting and financial backgrounds. The Audit Committee is headed by an independent director, Mr. Edgardo G. Lacson, a Certified Public Accountant. The members of the Audit Committee are Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Leonardo B. Dayao. Mr. Dayao is also a Certified Public Accountant.

Describe the Audit Committee's responsibility relative to the external auditor.

In compliance with role of the Audit Committee in assisting the Board in overseeing the financial reporting process, internal control, audit process, and monitoring compliance with applicable laws and regulations, the Audit Committee performs oversight function over the work of the external auditor. Specifically, the Audit Committee, under its Charter, is obliged to:

1. Recommend the appointment of the Independent Auditors and their remuneration to the Board.
2. Review and pre-approval of Independent Auditor's plan to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.
3. Monitoring of the coordination of efforts between the external and internal auditors.
4. Review of the reports of the Independent Auditors and the regulatory agencies, where applicable, and ensure that management is taking appropriate

corrective actions in a timely manner, including addressing control and compliance issues.

5. On an annual basis, review the audit and non-audit fees and services provided by the independent accountant. Approve the Company's proxy disclosure with the respect to such fees and approve for the coming year fees to be paid to the independent accountant including non-audit services.
6. Conduct private review sessions with the Independent Auditors at least annually and as otherwise deemed appropriate by the Committee.
7. Assess the effectiveness of the conduct and performance of independent audit. Review the annual audit report which subsequently produced.

(c) Nomination Committee

Office	Name	No. of Meetings Held	No. of Meetings Attended	%
Chairman	Susan P. Co	1	1	100%
Member (ED)	Lucio L. Co	1	1	100%
Member (NED)	None			
Member (ID)	Marilyn V. Pardo	1	1	100%
Member	Leonardo B. Dayao	1	1	100%

(d) Remuneration Committee

Office	Name	No. of Meetings Held	No. of Meetings Attended	%
Chairman	Lucio L. Co	1	1	100%
Member (ED)	Leonardo B. Dayao	1	1	100%
Member (ED)	Ferdinand Vincent P. Co	1	1	
Member (ID)	Marilyn V. Pardo	1	1	100%

(e) Corporate Governance and Risk Management Committee

The Board also constituted Corporate Governance and Risk Management Committee headed by an independent director. The Committee is tasked to ensure the compliance of the Company with the Manual of Corporate Governance and even improve its practices to be at par with other leading companies.

Office	Name	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Marilyn V. Pardo	1	1	100%
Member (ED)	Lucio L. Co	1	1	100%
Member (ED)	Ferdinand Vincent P. Co	1	1	100%
Member (ID)	Leonardo B. Dayao	1	1	100%

3) Changes in Committee Members.

There are no changes in Committee Members.

4) Work Done and Issues Addressed.

Work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	The approval of lease and acquisition transactions for the continued expansion of the Company.	No major issues.
Audit	The passage of annual audited financial statements, quarterly financial statements and transactions with related parties.	No major issues.
Nomination	Nomination of candidates for Board of Directors	No major issues.
Remuneration	None	
Others (specify)	None	

5) Committee Program. Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The Committee intends to implement the following amendments in the AOI and By laws as discussed in pages 4 to 5 of this report.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Internal Control Policy Framework

The Board of Directors is responsible in formulating clearly defined internal control and risk management systems and policies including guidance in the determination of the appropriate nature and extent of business risks that the Company is willing to take to ensure achievement of strategic objectives based on annual and long term business plans.

The Board is assisted by the Executive Committee (ExeCom) which is in charged with accountability and responsibility to design and ensure that risk management policies and procedures are strictly implemented by all business units within the group in the conduct of its day to day business operations and activities. Major policy decisions and actions are elevated to Board of Directors for approval.

The Company's internal controls are designed to provide reasonable assurance regarding the safeguarding of company's resources, reliability of operating and financial records and information, and compliance with policies and regulations.

Internal Controls are designed and continuously enhanced to have reasonable but not absolute assurance against material misstatement, loss or fraud.

Internal control set-up and continuous system enhancements:

Internal control and risk management systems comprise of the following areas:

A. CONTROL SET-UP

Key Officers are identified to establish the proper environment for internal control compliance as policies and procedures approver; ensuring adequate controls are in place based on pre-identified risks; where preventive measures are supplemented in the processes. Departmental management is given responsibility as processes reviewers; with objective of advance detection of improprieties. Each store has an identified Key Personnel for effective Procedure Implementation from the Store Management and Store Auditor; both of which are

accustomed with the processes. Based on pre-defined annual audit plans and timelines, auditors are tasked to perform periodic compliance review, determine process implementation strengths and areas for improvements. Each process-owner ensures adherence on strict implementation and controls based on pre-defined and agreed Key Results Area as part of their accountability.

The management is continuously refining the internal control frameworks to ensure fair business activity in compliance with the related laws and regulations. The directors and management are well-informed of the review and enhancements of the internal control system. Based on the covered areas, stores, scope of transactions and processes reviewed by the company's Internal Audit Division, the internal control systems are fairly effective and adequate.

B. RISK ASSESSMENT

There are constant improvements on risk management processes where enhanced reporting is implemented as one of the tools to easily detect quality of risk information. Risk management features are embedded on the enhanced policies and procedures headed by each functional division and department heads.

On a monthly basis, the Executive Committee aims to review and enhance certain policies, systems and procedures related to operations and financial recording and reporting to continuously assess effectiveness of the internal control and risk management programs.

The Board Audit Committee reviews high risk areas once a year based on internal audit reports; the company aims to increase frequency of reviews on a quarterly basis to determine effectiveness in relation to identified risk on financial reporting process. Regular internal management coordination meetings are held to fully discuss immediate action plans and solutions on identified risks and determine further enhancements on overall risk assessment process through the build-up teamwork of the group.

C. CONTROL ACTIVITIES

A regular and continuing internal audit and review process are implemented by Internal Audit Division covering the group's operating and support organizational structures, systems and processes to ensure compliance with established internal control systems and standards. Identify possible non-compliance on internal controls, financial standard policies and procedures and corrective measures necessary.

Defined internal control standards, are more focused on accountability segregation, established gray areas clarity on functions and responsibilities and early detection of preventive measures and controls.

D. INFORMATION AND COMMUNICATION

Written business policies, procedures and systems manuals are maintained in the Company's online procedures and manual portal and accessible to the authorized users for their reference. Duly approved additions or process enhancements are added to the portal by authorized Business Process personnel on a regular basis.

These new processes are also communicated through email to the responsible department heads and key personnel in-charge of training.

E. MONITORING

Internal financial reporting is improved on an ongoing basis; policies and procedures are aligned within the companies. Monthly financial reports are submitted and presented to the Executive Committee as basis for the conduct of monthly financial and operating reviews and analysis, identify possible non-compliance on internal controls, financial standard policies and procedures and corrective measures necessary.

The Board Audit Committee follows up on the corrective actions to ensure internal control weaknesses identified are corrected. Internal Audit performs follow up audit engagement on areas with identified high risks areas to ensure internal controls are strengthen based on the recommended solutions and actions.

SECTION B. Internal Audit Division (IAD) - Role, Scope and Function

The Company's Internal Audit Division's core objective is to establish reasonable assurance that the Company's governance, risk management, internal and management controls over efficiencies and effectiveness of operations, reliability of financial management are adequate to ensure, among others:

- Risks are appropriately identified and managed
- Significant financial, managerial and operational information is accurate, reliable and timely
- Employees' performance and actions are in compliance with set policies
- Resources are acquired economically, efficiently utilized and adequately protected
- Quality and continuous enhancements are fostered in the Company's procedures, guidelines and control processes.
- Programs, plans, objectives and timelines are defined and communicated to ensure achievement of the set goals

The IAD employs both Risk-Based Audit methodology and transactional audit. The scope of internal audit functions are divided into three areas, as follows:

- **Financial Audit**

Aim to assess effectiveness of an entity's suite of controls over record keeping and reporting are adequate and effective; concentrating on such areas as proper authorization, the safeguarding of assets, and the segregation of duties.

Major scope is the sales audit in the stores, for the timely checking and assurance of completeness, timeliness and adequate loading to financial modules.

- **Store Operations Audit**

To evaluate compliance with policies, procedures, methods and standards; determine control weaknesses and provide guidelines for procedure documentation or enhancement; evaluate if controls are in place that eliminates opportunity for damage, loss, fraud or irregularities; and appraise units or functions effectiveness and efficiency.

- **Computer Information System Audit**

To evaluate internal controls in the computerized systems and identify control weaknesses, risks and deviations; identify the nature and extent of risks to financial reporting posed by the use of information technology; review new systems/software development and ensure coordinated and proper implementation; identify risks of fraud, errors, irregularities, accidental and deliberate damage.

The Audit Manager reports to the Audit Committee, the Executive Committee and to the Chairman and the President. The internal auditors have direct and unfettered access to the Board of Directors, the Audit Committee, store management and access to all records, properties, and personnel.

Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The Audit Committee approval is required for the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced.

Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct access to the board of directors and the audit committee?

The Audit Manager reports to the Audit Committee, the Executive Committee and to the Chairman and the President. The internal auditors have direct and unfettered access to the Board of Directors, the Audit Committee, store management and access to all records, properties, and personnel.

- Resignation, Re-assignment and Reasons.
- Progress against Plans, Issues, Findings and Examination Trends
Risk-Based audit is embedded on the audit activities based on Annual Audit Plan.
- Store Auditors identified key high risk areas where regular audit is performed; subject for review on a monthly basis.
- Inventory Management
- Quality Assurance
- Policies and procedures
- Tenants accounts and contracts
- Functions and Plantilla
- Financial Process
- Major financial accounts are audited and established controls and systems and processes are enhanced based on risk identified.
- Information Systems
- system access and security
- Pre-implementation and post implementation reviews of in-house systems
- Data integrity across systems

Progress against Plans:

Volume of transactions, manpower staffing, level of new stores opening and launching and on-going enhancements of the Company's operating IT systems as well as certain in-house programs, among others, were duly considered in the formulation of the annual internal audit plans and programs during the year.

Nevertheless, the audit activities are considered adequate to determine the effectiveness of the system and compliance in the procedures, especially when we focused on the process stated above. The audited activities have further provided new and enhanced insights on improvements of procedures and controls, and development of new systems.

Issues and Findings:

The fast expansions and launching of new stores also mean increase in manpower and extensive retraining of procedures. Certain issues are raised on how immediate the

organization (and stores) must adapt to these changes and the challenge of aligning the process, people and the functions (procedures).

Audit findings include existence of various non-value processes and non-compliance on certain procedures that rendered lag in the process. These are gradually being resolved by each unit or department's efforts to restructure and improve. IAD is also working with Business Process Department for the continuous process assessments and improvements.

Examination Trends

The current challenges to adapt to changes, to keep up with the ongoing expansion, while doing implementation of new systems, are very much expected by everyone in the management. The issues and findings are pervasive as expected, but the Company's management is committed to keep abreast and be on top of these changes by doing incessant evaluation and finding solutions to the demands of these challenges.

Audit Control Policies and Procedures

Internal Audit Controls, policies and procedures

Audit assessments have resulted to various major and minor updates and enhancements in controls and policies, and streamlining of store procedures. The following areas have significant new and enhanced policies and procedures implementation, among others:

1. General
 - 1.1 KPI reporting and evaluation process
 - 1.2 Annual Meeting with Operations Key Officers
2. Finance related processes
 - 2.1 Payment processes and recording
 - 2.2 Collection processes and recording
 - 2.3 Assets management – ongoing
 - 2.4 Cash and equivalents
3. Business Operation related processes
 - 3.1 Mother Purchase Order
 - 3.2 Cycle and Annual Inventory Count
 - 3.3 CRM
 - 3.4 Transaction Shrink

Mechanism and Safeguards

The Audit Division has been an independent functional business unit. The internal auditors, although substantially based at the stores, are functionally reporting to the Audit Officers and Managers at the head office.

The scope of the audit works and activities are directed and supervised by the division based on annual audit planning. Any requests for audit investigation, analysis or store-related auditing are approved first with the Audit Officers. Performance of the internal auditors is rated solely by the Audit Managers and not by Store Managers.

State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance.

The Chairman, based on the recommendations of the Company's Compliance Officer, attests that the Company, under his chairmanship, always strives to be in full compliance with the SEC Code of Corporate Governance, and that all directors, officers and other key employees of the Company have been given proper guidance on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure compliance.

H. ROLE OF STAKEHOLDERS

1) The company's policy and activities relative to the following:

	Policy	Activities
Customer's welfare	Total satisfaction for our customers from the kind of service to the prices of our merchandise	It can be shown in the daily operation in all of the Company's stores
Supplier/contractor selection practice	Supplier must be accredited, we make sure that their goods are safe, genuine and registered with government bodies regulating them	Consistently practiced by the vendors in the merchandising department
Environmentally friendly value-chain	All our stores have sufficient environment compliance certificate and continuously observing environmental laws	From the construction of the stores up to its opening, the Company ensures to have all the environmental permits required
Community interaction	Supportive of educational foundations and small enterprise	The Company is in coordination with LCKK Foundations granting scholarships to well deserving students and the Aling Puring Program is reaching out to sari sari store owners to enhance their businesses.
Anti-corruption programmes and procedures?	Strictly no bribery to any agency and no bribery within the Company.	Gift or any form of consideration from any party with dealings in the Company are prohibited and this policy is widely known especially among suppliers.
Safeguarding creditors' gifts	The policy of not accepting gifts or any form of consideration from any party with dealings in the Company are widely known to all the employees.	Any complaint for such is strictly monitored by the Company.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

This is jointly administered by the Office of the Vice-President for Administration and Human Resource Department.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employee's safety, health and welfare?

The company complies with the following workplace policies mandated by Department of Labor and Employment (DOLE):

1. Company Safety Policies
2. Contingency Plans and Procedures
3. Company Policy and Rule on STD/HIV/AIDS
4. Drug-Free Workplace Policy
5. Anti-sexual Harassment Policy
6. Workplace Policy and Program on Tuberculosis (TB) Prevention and Control

7. Workplace Policy and Program on Hepatitis B
8. Workplace Policy and Program on Maternity Leave
9. Workplace Policy and Program on Paternity Leave
10. Workplace Policy and Program on Solo Parents
11. Workplace Policy and Program on Special Leave for Women
12. Workplace Policy and Program on Leave for Victims of Violence against Women and their Children
13. Breastfeeding Policy

Together with above company policies, the company submits annual report on Safety and Health Organization, Medical Report and Accident/Illness Report to DOLE.

(b) Show data relating to health, safety and welfare of its employees.

The Company has 273 accredited first aiders, 254 safety officers. There are 1,827 employee-members enrolled in health maintenance program under Maxicare. Total claims amounted to ₱4,240,570,697.58.

There are 5,700 enrollees on Group Personal Accident Insurance Plan and total claims for the past coverage period is ₱784,429.95.

(c) State the company's training and development programmes for its employees. Show the data.

1. Training Course for Management Trainees. In 2016, there were 159 Management Trainees who underwent this course.
2. Training Course for Section Supervisor. Last year, there were 420 participants trained in this program.
3. Customer Service Program. In 2015, 1,524 newly hired employee attended this program.
4. Supervisors Must Haves. In 2016, there is no supervisory skills program conducted, instead short courses were facilitated.
5. Short Course Programs – Programs that enhance basic skills of employee's communication skills, and personal development like email etiquette attended by 3,505 employees, Grammar 101 attended by 37 attendees, and personal development attended by 446 participants.
6. Departmental Training Course. In 2016, 737 employees have undergone this program.
7. Customer Service Campaign. It is a short pep talk activity that required people to be reminded on how to provide good customer service.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

Currently, the Company is working on the Key Performance Indicators measures which is a device to eventually account for every employee's performance.

(a) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Any person may file any complaint of misconduct against any employee or any violation of company's Code of Discipline to the Office of the Chairman or the Human Resource

Department (HRD). The HRD will serve notice to the employee involved and give him the chance to explain himself why he should not be given a disciplinary action. Thereafter, the HRD in coordination with the Legal Department and Office of the Chairman, will resolve whether or not to cite the employee for disciplinary action.

In addition to the initiatives on the non-terminable cases, the company started administering counseling to employees charged of tardiness. The HRD is planning to implement the use of counseling session to all offenses to ensure efficient corrective measure.

The Management respects the wish of the complainant if he prefers that his identity be kept Confidential. In this case, the Management will conduct its own investigation and gather evidence on its own.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Lucio L. Co	211,088,022	7.63%	None
Susan P. Co	178,242,585	6.44%	None
Total	389,330,607	14.07%	

(b) Member of Senior Management

Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	% of Capital Stock
Leonardo B. Dayao	739,925	None	0.03%
Ferdinand Vincent P. Co	26,709,434	0	0.97%
Total	27,449,359	None	1.00%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education program attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

3) External Auditor's fee

The External Auditor for the year 2015 is R.G. Manabat & Company, (KPMG).

2015 Audit Fee
Php4,680,000.00

2015 Non-Audit Fee
None

4) Medium of Communication

The following are the modes of communication that the company is using for disseminating information.

For Corporate events for stockholders - the Company website and PSE website.
For store promos and store openings – the Company website, all forms of media, print, television, radio and text blast.

5) Date of release of audited financial report

For the year 2013, the Audited Financial Statement was released on April 15, 2014.
For the year 2014, it was released on April 14, 2015.
For the year 2015, it was released on April 14, 2016.

6) Company Website

Does the company have a website disclosing up-to-date information about the following:

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Disclosure of RPT

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company's related party transactions, its nature and value are itemized in the financial statements.

When RPTs are involved, the Company ensures that transactions are objective and are on an arm's length basis in a manner similar to transactions with non-related parties. All RPTs are reviewed as to its business purpose, its terms and its benefits, and it requires approval process to safeguard the interest of the Company and shareholders.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-Laws.

Quorum Required	Majority except those specified under the Corporate Code that requires 2/3 approval
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	During board meetings where directors personally attend and approve corporate acts
Description	Personal meetings; corporate acts are approved by majority decision

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders rights are those laid down in the Corporation Code.

Dividends declared in 2012, 2013, 2014, 2015 and 2016

Dividend and Declaration Date	Record Date	Payment Date
Php0.20 per share / May 8, 2012	May 22, 2012	June 5, 2012
Php0.20 per share / December 27, 2012	January 14, 2013	February 7, 2013
Php0.30 per share / December 16, 2013	January 6, 2014	January 30, 2014
Php0.30 per share / December 18, 2014	January 12, 2015	February 5, 2015
Php0.30 per share / December 18, 2015	January 8, 2016	January 18, 2016
Php0.30 per share/ December 22, 2016	January 12, 2017	January 20, 2017

(d) Stockholders' Participation

- 1. State, if any, the measures adopted to promote stockholder participation in the Annual/Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Before the ASM: The Company issues an information statement to the stockholders where the all the matters for approval to the stockholders are fully discussed. In case they cannot attend in person, stockholders are given proxy forms where they can manifest their approval or disapproval to any matter on the agenda.

During the ASM:

Measures Adopted: Question and Answer during the ASM Communication Procedure: The Chairman always opens the floor to all stockholders who may want to raise question in any agenda item of the ASM.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially assets, which in effect results in the sale of the company

The Company is in full compliance with the provisions of the Corporation Code specially on the rights of the stockholders to appraisal rights, and any amendment of the Company's articles of incorporation where stockholders representing at least 2/3 of the capital stock must vote in the affirmative.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AM where items to be resolved by shareholders are taken up?

Yes.

- a. Date of sending out notices – April 18, 2014
- b. Date of the Annual/Special Stockholders' Meeting – May 13, 2014
- a. Date of sending out notices – April 15, 2015
- b. Date of the Annual/Special Stockholders' Meeting – May 12, 2015
- a. Date of sending out notices – April 8, 2016
- b. Date of the Annual/Special Stockholders' Meeting – May 10, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The Chairman opened the floor for questions and answers portion but no significant question was raised during Annual/Special Stockholders' Meeting in 2016.

5. Result of 2016 Annual Stockholders' Meeting Resolutions

Please see pages 8 to 9 of the report.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Result is not published in newspapers but posted in Company's website.

(e) Modifications. State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None.

(f) Stockholders' Attendance

(i) Attendance in the Annual/Stockholders' Meeting held:

All directors and key officers of the Company were present in the ASM. Stockholders representing a total of 2,302,454,292 or 83% of the outstanding capital stock of the Company were present in the ASM held on May 10, 2016.

The voting through ballot was waived considering that substantial votes were already made and casted in favor of the matters approved by the major stockholders and proxy.

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The stock transfer agent, BDO-Trust, is the official partner of the Company in verifying and counting votes during ASM.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Stockholders are fully informed
Notary	Not required, but for corporations, the authority of the representative must be stated in a board resolution under oath by the Corporate Secretary
Submission of Proxy	Liberal implementation
Several Proxies	Allowed
Validity of Proxy	Done through the stock transfer agent
Proxies executed abroad	Allowed
Invalidated Proxy	Not counted
Validation of Proxy	Done through the stock transfer agent
Violation of Proxy	Not counted

- (h) Sending of Notices.** State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting.

At least 30 calendar days before the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All stockholders as of record date
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	30 days before the Stockholders Meeting
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	30 days before the Stockholders Meeting
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

- (j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or reappointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Please see below provisions in the Revised Manual on Corporate Governance:

"The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely;

Right to vote on all matters that require their consent or approval;
Right to inspect corporate books and records;
Right to information;
Right to dividends; and
Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company

announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company adheres to the principle of transparency. It makes sure that the external and internal communication processes reflect such guiding principle. Company announcements are handled by the offices of the Corporate Secretary and Investor Relations Officer.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

The Investor Relations Officer is Mr. John Hao with telephone no. 632-522-8801 local 255 and 0917-8028878, with email address john.hao@puregold.com.ph

The Company always participates in investors education program and conduct regular briefings to adequately inform the investors and stockholders of the status and developments in the Company. It is also the strategy of the Company to constantly update the website of the Company and reflect thereon all projects and disclosures made to the Philippine Stock Exchange.

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

Opportunistic approach, as long as beneficial and consistent with the Company's expansion plan, and made after compliance with all regulatory approvals required by the Securities and Exchange Commission and Philippine Stock Exchange. Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Punongbayan and Araullo were designated to evaluate the fairness of the transaction price during the acquisition of Kareila Management Corporation in 2012.

M. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Initiative undertaken by the Company.

Initiative	Beneficiary
Educational scholarships	Deserving students in state universities and Dela Salle universities
Effective Solid Waste Management by re-using throw-away fax paper core tube into an office tray or pencil holders	Preserving the environment for us and for the next generation to come.
Use of biodegradeable plastic shopping bags, paper bags, and re-usable eco-bags	
Use of light emitting diode (LED) instead of neon or flourescent lightings.	

N. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director and the CEO/President.

Assessment is yet to be done.

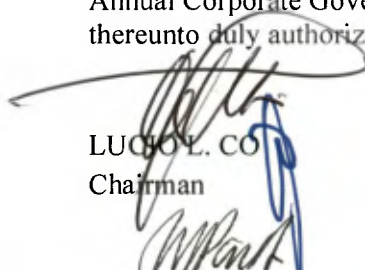
O. INTERNAL BREACHES AND SANCTIONS

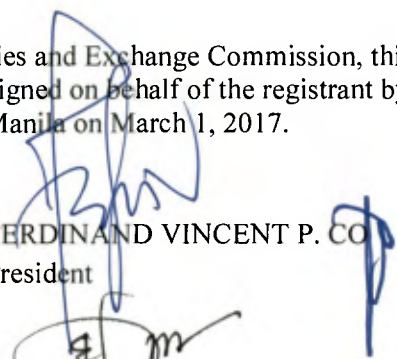
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

After due notice and hearing, any director, officer or employee who have been found in violation of the corporate governance manual shall have the following penalties: First Offense, warning/reprimand; Second offense, suspension from office and the duration shall be determined by the Board of Directors and; Third offense, the maximum penalty of removal from office.

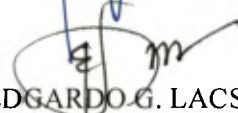
SIGNATURES

Pursuant to the requirement of the Securities and Exchange Commission, this Updates on Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Manila on March 1, 2017.


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


MARILYN V. PARDO
Independent Director


EDGARDO G. LACSON
Independent Director


BABY GERLIE I. SACRO
Corporate Secretary


ATTY. CANDY H. DACANAY-DATUON
Compliance Officer

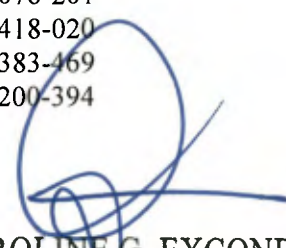
MAR 01 2017

SUBSCRIBED AND SWORN to before me this _____ day of March 2017 affiants exhibiting to me their identification card as follows:

Name
Lucio L. Co
Ferdinand Vincent P. Co
Edgardo G. Lacson
Marilyn V. Pardo
Baby Gerlie Sacro
Candy H. Dacanay-Datuon

Identification Card
TIN No. 108-975-971
TIN No. 208-381-185
TIN No. 116-078-201
TIN No. 127-418-020
TIN No. 914-383-469
TIN No. 233-200-394

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Page No. 23
Book No. 11
Series of 2017.


CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 5993454 MANILA 01-03-17
IBP NO. 1062578/2-2-17/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007