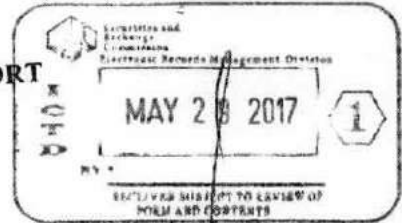


SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for **2016**
2. Exact Name of Registrant as Specified in its Charter **METRO RETAIL STORES GROUP, INC.**
3. **The Vicsal Bldng. Corner of C.D. Seno and W.O. Seno Sts.,
Guizo, North Reclamation Area, Mandaue City, Cebu, Philippines**
Address of Principal Office Postal Code **6014**

4. SEC Identification Number **CRN CS200315877**

5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number **226-527-915-000**

7. **32 236-8390**
Issuer's Telephone number, including area code

8. **N/A**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)
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Actual number of Directors for the year	Seven (7)
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Frank S. Gaisano	ED	Vicsal Development Corporation ("VDC")	VDC	Aug. 28, 2003	May 6, 2016	Annual	13
Edward S. Gaisano	NED	VDC	VDC	Aug. 28, 2003	May 6, 2016	Annual	13
Margaret G. Ang	NED	VDC	VDC	Aug. 28, 2003	May 6, 2016	Annual	13
Jack S. Gaisano	NED	VDC	VDC	Aug. 28, 2003	May 6, 2016	Annual	13
Arthur M. Emmanuel	ED	VDC	VDC	May 1, 2015	May 6, 2016	Annual	1
Guillermo L. Parayno, Jr.	ID	-	Lucille Malazarte / No relationship	July 16, 2015	May 6, 2016	Annual	10 mos.
Ricardo Nicanor N. Jacinto	ID	-	Lucille Malazarte / No relationship	July 27, 2015	May 6, 2016	Annual	10 mos.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize 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.

On 13 April 2015, the Board of Directors has adopted the Company's Manual on

¹ Reckoned from the election immediately following January 2, 2012.

Corporate Governance, which aims to institutionalize the principles of good corporate governance (i.e. fairness, accountability, and transparency) in the entire organization (the “Manual”). In the Manual, the Company recognizes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization. On May 5, 2017, the Company’s Board of Directors has approved and ratified the First Amended Manual on Corporate Governance (the “Amended Manual”) in compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 19 Series of 2016, (the “Code of Corporate Governance for Publicly Listed Companies”)

In line with the foregoing, under Article XIII of the Amended Manual, the Company affirms that it shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders’ rights and provide an adequate venue for them to seek timely redress for violation of their rights. The Board shall be transparent and fair in the conduct of the annual and special stockholders’ meeting of the Company and shall provide accurate and timely information to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Board shall take 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. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- 1.) Right to vote in all matters that require their consent or approval.**
- 2.) Pre-emptive right to all stock issuances of the Corporation, if applicable under the Corporation’s Articles of Incorporation and By-Laws;**
- 3.) Right to Inspect corporate books and records;**
- 4.) Right to information;**
- 5.) Right to dividends;**
- 6.) Appraisal right;**
- 7.) Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders’ Meeting;**
- 8.) Right to nominate candidates to the Board of Directors;**
- 9.) Right to be informed of the nomination process and voting procedures that would govern the Annual and Special Shareholders’ Meeting.**

The Amended Manual also provides that 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 Company.

In addition to the foregoing, under Article XV of the Amended Manual, the Company reiterates its commitment to make all material information about the Company which could affect its viability or the interest of its stockholders and stakeholders, available to the publicly in a timely matter. In this connection, the Company’s Investor Relations Officer is obliged to regularly conduct media and analysts’ briefings to ensure the timely and accurate dissemination of public, material and relevant information to the Company’s shareholders and other investors.

(c) How often does the Board review and approve the vision and mission?

The Board shall review the vision annually and the mission every 5 years.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Frank S. Gaisano	Vicsal Development Corporation	NED
	AB Capital & Investment Corporation	Chairman
	Pacific Mall Corporation	Chairman
	Vicsal Investment, Inc.	Chairman
	Taft Property Venture Development Corporation	NED
	Filipino Fund, Inc.	NED
	Taft Punta Engaño Property, Inc.	ED
	HTLand, Inc.	NED
	Direct Model Holdings, Inc.	ED

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Edward S. Gaisano	Vicsal Development Corporation	ED - Chairman
	Wealth Development Bank Corporation	Chairman
	Hyundai Alabang, Inc.	Chairman
	Hyundai Southern Mindanao, Inc.	Chairman
	Pacific Mall Corporation	ED
	Taft Property Venture Development Corporation	NED
	Taft Punta Engaño Property, Inc.	NED
	HT Land, Inc.	NED
	Trilogy Holdings Corporation	ED

² The Group is composed of the parent, subsidiaries, affiliates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jack S. Gaisano	Vicsal Development Corporation	NED
	Taft Property Venture Development Corporation	ED-Chairman
	Midland Development Corporation	ED-Chairman
	Vsec.com Inc.	Chairman
	HTLand, Inc.	ED
	Pacific Mall Corporation	NED
	Vicsal Investment, Inc.	NED
	JV.Com.Holdings Inc.	ED

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Margaret G. Ang	Vicsal Development Corporation	ED
	Vicsal Securities & Stock Brokerage, Inc.	ED
	Filipino Fund, Inc.	ED
	Taft Property Venture Development Corporation	ED
	Grand Holidays, Inc.	ED
	Manila Water Consortium, Inc.	NED
	Maric Ventures, Inc.	ED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group: N/A

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Ricardo Nicanor J. Jacinto, Jr.	SBS Philippines Corporation	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of

Directors, which links them to significant shareholders in the Company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Frank S. Gaisano	Vicsal Development Corporation	Beneficial owner of VDC shares
Edward S. Gaisano	Vicsal Development Corporation	Beneficial owner of VDC shares
Jack S. Gaisano	Vicsal Development Corporation	Beneficial owner of VDC shares
Margaret G. Ang	Vicsal Development Corporation	Beneficial owner of VDC shares

(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:

Under the Amended Manual, the Board of Directors is given the authority to adopt guidelines on the number of directorships that its members can hold in stock and non-stock corporations. A director is required to notify the Board before accepting a directorship in another company.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director		
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the Company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Frank S. Gaisano	2		0%
Edward S. Gaisano	75,002		0%
Margaret G. Ang	2	1,831,593	.05%
Jack S. Gaisano	2	485,000	.01%
Arthur Emmanuel	1,500,001		.04%
Guillermo L. Parayno Jr.	1		0%

Ricardo Nicanor N. Jacinto	500,001		.01%
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2) Chairman and CEO

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

Yes No

Identify the Chair and CEO:

Chairman of the Board and CEO	Frank S. Gaisano
President and COO	Arthur Emmanuel

The Company's Amended Manual specifically delineated the functions of the Chairman and the Chief Executive Officer, in order to provide checks and balances to ensure that the Board gets the benefit of independent views and perspectives.

The Amended Manual provides further that if the positions of Chairman and CEO are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman shall appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board. The functions of the lead director shall include, among others, the following:

- a) Serves as an intermediary between the Chairman and the other directors when necessary.
- b) Convenes and chairs meeting of the non-executive directors.
- c) Contributes to the performance evaluation of the Chairman, as required.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman and Chief Executive Officer	President and Chief Operating Officer
Role	Manage the entire corporate organization	Primarily in charge of operations and merchandising
Accountabilities	Corporate performance	Operating performance
Deliverables	Net income after tax	Operating income

Based on Article VI of the Amended Manual, the duties and responsibilities of the Chairman in relation to the Board shall include, among others, the following:

- a) Ensure that the meetings of the Board are held in accordance with the By-Laws of the Corporation. The Chairman shall foster an environment conducive for constructive debate and leveraging on the skills and expertise of the individual directors, during each meeting of the Board.**
- b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.**

In the preparation of the agenda, the Chairman must ensure that the Agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.

The Chairman shall ensure that the Board members receive accurate, timely, relevant, insightful, concise, and clear information regarding the agenda items to enable the Board to make sound decisions.

- c) Maintain qualitative and timely lines of communication and information between the Board and Management. The Chairman shall ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.**
- d) The Chairman shall make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.**

The CEO has the following roles and responsibilities, among others:

- a) Be responsible for the general management, direction and control of the Corporation, in consultation with the Board, except for any matters requiring the approval of the stockholders and/or the Board in accordance with the Articles of Incorporation, By-Laws or relevant law;**
- b) Submit reports on the operation of the Corporation to the Board of Directors and an annual report to the Stockholders at the annual meeting;**
- c) Submit to the Board of Directors such statements, reports, memoranda and accounts as the latter may require, and prepare such statements and reports as may be required from time to time by law;**
- d) Coordinate, direct and implement matters related to Government relations; shareholder relations; community relations; and must be consulted before the release of media disclosures;**

- e) **To initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board of Directors, including those for executive training, development and compensation;**
 - f) **Monitor the status of the projects, programs and plans of the Board of Directors as implemented by the President/COO;**
 - g) **Receive feedback from the President/COO and all Department Heads on the status of projects, programs, and plans including execution of projects and general operations of company systems;**
 - h) **Observe the preparation of the budgets, strategies, and the statements of accounts of the Corporation;**
 - i) **Ensure that the strategic, administrative and operational policies of the Corporation are carried out under his supervision and control;**
 - j) **See to it that the orders and resolutions of the Board of Directors are faithfully carried out;**
 - k) **Sign and execute for and in behalf of the Corporation, contracts and agreements of which the Corporation is a party; and**
 - l) **Exercise such other powers, and perform such other duties as the Board of Directors may, from time to time, fix or delegate.**
- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board, through its Nomination & Compensation Committee ensures that there is a succession plan for the CEO, President & COO, and senior executives. The Nomination and Compensation Committee has the authority and obligation to recommend a succession plan for board members and senior officers and establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates, and which shall be commensurate to corporate and individual performance. The remuneration policy should be aligned with the long-term interest of the Corporation and should specify the relationship between remuneration and performance.

4) 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? Please explain.

Yes, it is in the criteria that was used in the selection of the Independent Directors.

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, we have assigned a weight of 15% to “Industry experience and expertise” in the independent director selection criteria that we adopt. It is also indicated as one of the qualifications of our directors based on the Amended Manual.

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

	Executive	Non-Executive	Independent Director
Role	<ul style="list-style-type: none"> • Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company. • Devote the time and attention necessary to properly and effectively perform his duties and responsibilities • Act judiciously, on a fully informed basis, in good faith and with due diligence and care, and in the best interest of the Corporation and all shareholders. • Exercise independent judgment • Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. • Observe confidentiality. 		
Accountabilities	<p>Our directors, whether executive, non-executive or independent, are accountable to the shareholders of the Company. As such, it is clear to them that their duty of care and loyalty is to the Company taken as a whole and so they shall work for its best interests.</p>		
Deliverables	<p>There is no distinction in the deliverables of our directors as they act in a collegial manner.</p> <p>On issues within his/her experience:</p> <ul style="list-style-type: none"> ▪ Helps others to understand the problem ▪ Ensures Board has the right information ▪ Provides ideas and tools for problem solving 		

	<p>On issues beyond his/her experience:</p> <ul style="list-style-type: none"> ▪ Asks questions ▪ Applies values and judgment to the problem ▪ Brings a fresh perspective from outside sources and experiences ▪ Uses consensus-building skills
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Provide the company’s definition of "independence" and describe the company’s compliance to the definition.

The Company’s definition of an independent director is indicated in the Amended Manual:

“– a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.”

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.

Under the Amended Manual, the Board’s independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as non-independent director. In the instance that the Corporation intends to retain an independent director who has served for nine (9) years, as a non-independent director, the Board shall provide meritorious justifications/s and obtain shareholders’ approval during the annual shareholders meeting.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal – **None**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason

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

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<ul style="list-style-type: none"> ▪ The BoD conducts a search via the Nomination and Compensation Committee (“Nomelec”) to manage the selection and hiring process; ▪ The Nomelec will finalize with the Board the proposed criteria as well as source a comprehensive candidates list ▪ The Nomelec will come up with a shortlist of at least three candidates and present the names to the BOD in order of priority/preference; ▪ Upon the approval of the Board of the shortlisted candidates, the Nomelec shall reach out to candidates following the order of preference to ensure that he/she is willing to stand for election; and ▪ When the candidate expresses his/her willingness to stand for election, a “courtesy meeting” shall then be arranged with the Chairman and members of the Nomelec. ▪ After the courtesy meeting, the Search Committee shall then conclude the search and formally nominates the candidate to the board for election 	<p>Under the Company’s Amended Manual, a director shall have the following qualifications:</p> <ul style="list-style-type: none"> a) He must be a holder of at least one (1) share of stock of the Corporation registered under his name; b) He must be a college graduate or holds an equivalent academic degree; c) He must have been engaged in or exposed to the business of the Corporation for at least five (5) years; d) He must be diligent, hardworking, and a person of proven integrity/probity. <p>The Executive Directors are in the board by virtue of their position</p>
(ii) Non-Executive Directors	<ul style="list-style-type: none"> ▪ The BoD conducts a search via the Nomination and Compensation Committee (“Nomelec”) to manage the selection and hiring process; ▪ The Nomelec will finalize with the Board the proposed criteria as well as source a comprehensive candidates list ▪ The Nomelec will come up with a shortlist of at least three candidates and present the names to the BOD in order of priority/preference; 	<p>In addition to the general qualifications of Directors as stated above, the following criteria are considered in the election of the members of the Board:</p> <ul style="list-style-type: none"> • Specific Industry know-how • Knowledge and experience in retail • High/distinguished profile • Distinctive “People Leader” • Believer in leadership development • Board experience in other listed

	<ul style="list-style-type: none"> ▪ Upon the approval of the Board of the shortlisted candidates, the Nomelec shall reach out to candidates following the order of preference to ensure that he/she is willing to stand for election; and ▪ When the candidate expresses his/her willingness to stand for election, a “courtesy meeting” shall then be arranged with the Chairman and members of the Nomelec. ▪ After the courtesy meeting, the Search Committee shall then conclude the search and formally nominates the candidate to the board for election 	<p>companies</p> <ul style="list-style-type: none"> • Independence/integrity
<p>(iii) Independent Directors</p>	<ul style="list-style-type: none"> ▪ The BoD conducts a search via the Nomination and Compensation Committee (“Nomelec”) to manage the selection and hiring process; ▪ The Nomelec will finalize with the Board the proposed criteria as well as source a comprehensive candidates list ▪ The Nomelec will come up with a shortlist of at least three candidates and present the names to the BOD in order of priority/preference; ▪ Upon the approval of the Board of the shortlisted candidates, the Nomelec shall reach out to candidates following the order of preference to ensure that he/she is willing to stand for election; and ▪ When the candidate expresses his/her willingness to stand for election, a “courtesy meeting” shall then be arranged with the Chairman and members of the Nomelec. ▪ After the courtesy meeting, the Search Committee shall 	<p>In addition to the general qualifications of Directors as stated above, the following criteria are considered in the election of Independent Directors:</p> <ul style="list-style-type: none"> a) Is not a director, senior officer, employee, or substantial stockholder of the Corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing); b) Is not a relative of any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister; c) Is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or

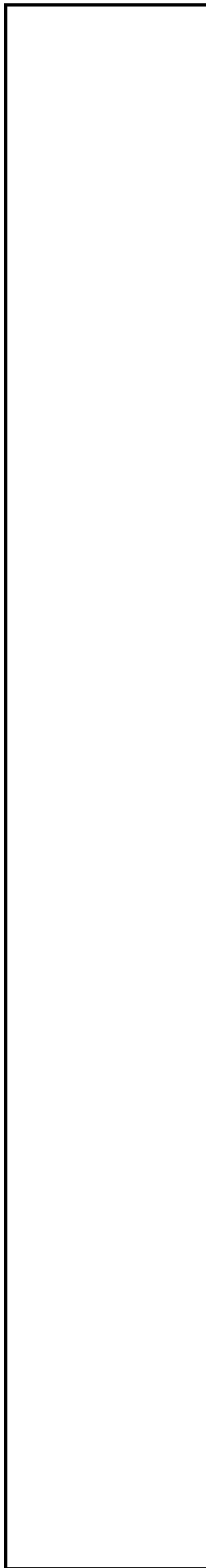
	<p>then conclude the search and formally nominates the candidate to the board for election</p>	<p>any of its substantial shareholders;</p> <p>d) Has not been employed in any executive capacity by the Corporation, any of its related companies or any of its substantial shareholders within the last three (3) years;</p> <p>e) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates, or related companies as Chairman “Emeritus”, “Ex-Officio” Directors/Officers or members of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election.</p> <p>f) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel by the Corporation, any of its related companies or any of its substantial shareholders within the last three (3) years;</p> <p>g) Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm’s-length and are immaterial or insignificant.</p> <p>h) Is not a securities broker-dealer of listed companies and</p>
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		<p>registered issuers of securities. “Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer.</p> <p>i) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders.</p> <p>j) Is not employed as an executive officer of another company where any of the Corporation’s executives serves as directors.</p>
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b. Re-appointment

(i) Executive Directors	Re-appointed on the basis of their position in the Company	
(ii) Non-Executive Directors	Re-appointed on the basis of their shareholdings in the Company	
(iii) Independent Directors	The Board’s independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as non-independent director. In the instance that the Corporation intends to retain an independent director who has served for nine (9) years, as a non-independent director, the	

	Board shall provide meritorious justifications/s and obtain shareholders' approval during the annual shareholders meeting.	
c. Permanent Disqualification		
(i) Executive Directors		<p>No person shall be qualified or be eligible for nomination or election to the Board if:</p> <p>a. He is engaged in any business or activity which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged in any business or activity which competes with or is antagonistic to that of the Corporation –</p> <p>i.If he is a director, officer, manager or controlling person of, or the owner (either of record or beneficially) of 2% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the Corporation; or</p> <p>ii.If he is a director, officer, manager or controlling person of, or the owner (either of record or beneficially) of 2% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business or activity of the Corporation, when in the judgment of the Board, by at least a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or</p> <p>iii.If the Board, in the exercise of its judgment in good faith, determine by at least a majority vote that he is the nominee of any person set forth in (i)</p>
(ii) Non-Executive Directors		



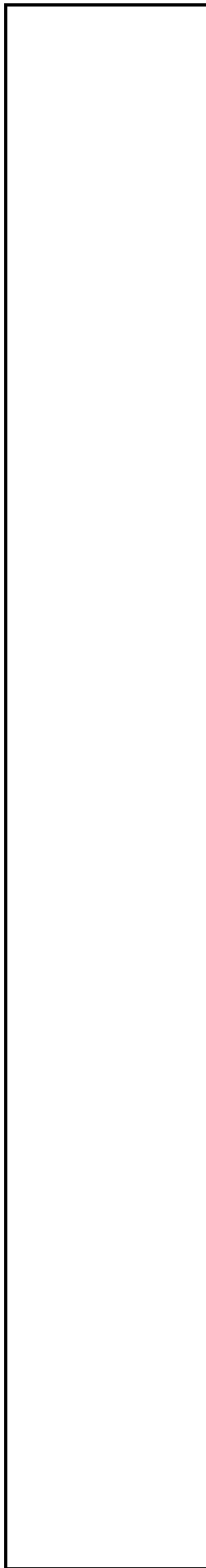
and (ii) directly above.

In determining whether, or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationships.

b. He has any of the disqualifications provided under relevant laws including but not limited to the Revised Code of Corporate Governance of the SEC, or any amendments thereto, such as:

i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

ii. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi- bank, trust company, investment house, or investment company;(iii) engaging in or continuing any conduct or practice in any of the capacities



mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

iii. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (“BSP”), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

v. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

v. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

		<p>vi. Any person judicially declared as insolvent;</p> <p>ii. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (d) above;</p> <p>ix Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;</p> <p>x. Other grounds as the SEC may provide.</p>
<p>(iii) Independent Directors</p>		<p>The Independent Directors have the same grounds for permanent disqualification as the Non-independent Directors. In addition, the following are also grounds for the disqualification of independent directors:</p> <p>a) He becomes an officer or employee of the Company where he is such member of the Board;</p> <p>b) His beneficial security ownership in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of the outstanding capital stock of the Corporation where he is such director. The disqualification from being elected as an independent director is lifted if the limit is later complied with.</p>
<p>d. Temporary Disqualification</p>		
<p>(i) Executive</p>		<p>a) Refusal to comply with the</p>

<p>Directors</p> <p>(ii) Non-Executive Directors</p>		<p>disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>b) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>c) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>d) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
<p>(iii) Independent</p>		<p>Same grounds as the Non-Independent Directors, as enumerated above.</p>

Directors		
e. Removal		
(i) Executive Directors		The commission of a third violation of the Company's Amended Manual by any member of the Board of the Company shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors		The commission of a third violation of the Company's Amended Manual by any member of the Board of the Company shall be a sufficient cause for removal from directorship.
(iii) Independent Directors		The commission of a third violation of the Company's Amended Manual by any member of the Board of the Company shall be a sufficient cause for removal from directorship.
f. Re-instatement – Not available at this time.		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension – Not available at this time.		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual Stockholders' Meeting – May 6, 2016

Name of Director	Votes Received
Frank S. Gaisano	2,503,695,090
Edward S. Gaisano	2,531,900,790
Margaret G. Ang	2,531,900,841

Jack S. Gaisano	2,531,900,840
Arthur Emmanuel	2,531,900,841
Guillermo L. Parayno, Jr.	2,532,815,839
Ricardo Nicanor N. Jacinto	2,532,815,839

6) Orientation and Education Program

First time directors are required to attend an orientation program to be provided by a training provider duly accredited by the Commission and all directors are required to attend an annual continuing training to be provided by such accredited training provider. The courses for the orientation program and continuing training shall comply with the applicable SEC rules and regulations.

- Disclose details of the company's orientation program for new directors, if any.
- State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:
- Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Frank S. Gaisano	3/9/2016	Distinguished Corporate Governance Speaker Series	Institute of Corporate Directors
Arthur Emmanuel	3/9/2016	Distinguished Corporate Governance Speaker Series	Institute of Corporate Directors
Margaret G. Ang	12/20/2016	Corporate Governance	Risks, Opportunities, Assessment and Management, Inc.
Jack S. Gaisano	12/20/2016	Corporate Governance	Risks, Opportunities, Assessment and Management, Inc.
Edward S. Gaisano	12/20/2016	Corporate Governance	Risks, Opportunities, Assessment and Management, Inc.
Ricardo Nicanor N. Jacinto	8/3/2016	Corporate Governance Forum	Securities and Exchange Commission
Guillermo L. Parayno	3/14/2017	Corporate Governance Seminar	Institute of Corporate Directors

B. CODE OF BUSINESS CONDUCT & ETHICS

Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

The Company has a Code of Conduct for Directors and Senior Management and a Manual on Company Rules and Regulations Governing Employee Conduct and Discipline for its employees, with the following rules:.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Board members shall abstain from discussion, voting or otherwise influencing a decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest.	Senior Management shall abstain from discussion, voting or otherwise influencing a decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest.	Employees should not exploit their position with MRS GI for personal gain. They must avoid any personal activity, investment or association which could appear to interfere with good judgment concerning MRS GI's best interest. Any situation, transaction, or relationship that gives rise to actual or potential conflict of interest must be disclosed in writing to the employee's immediate superior.
(b) Conduct of Business and Fair Dealings	A director shall conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.	Senior Managers shall conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.	Employees' private interest should not interfere with the interest of the Company. Therefore, they should not engage in personal business transactions that will interfere with their work. However, they may engage in outside work after office hours such as teaching, lecturing, or writing, provided that such activities shall not in any manner: 1. Interfere or affect the efficient performance of their duties and responsibilities; 2. Compete with the business of MRS GI

			<p>or be interpreted by others as conflicting with MRSGL's interest;</p> <p>3. Involve the use of MRSGL's confidential information; or</p> <p>4. Bring MRSGL into discredit or cause adverse criticism.</p>
(c) Receipt of gifts from third parties	A director shall not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse;	Senior Managers shall not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse;	Employees should not receive monetary favors, gifts, bribes, or kickbacks from a third party as a result of their position in MRSGL.
(d) Compliance with Laws & Regulations	It is the duty of the Directors to ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.	The Company seeks to conduct its business honestly and with integrity. The Company expects all employees to maintain high standards of business conduct and to report any wrongdoing that falls short of these fundamental principles. It is the responsibility of all employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace.	The Company seeks to conduct its business honestly and with integrity. The Company expects all employees to maintain high standards of business conduct and to report any wrongdoing that falls short of these fundamental principles. It is the responsibility of all employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace.
(e) Respect for Trade Secrets/Use of Non-public Information	A director shall not use any information or opportunity received by them in their capacity as Directors or senior managers in a manner that would be detrimental or	Senior Managers shall not use any information or opportunity received by them in their capacity as Directors or senior managers in a manner that would be detrimental or	All Store and Company information, transactions, and documents are deemed confidential and shall not be disclosed to anybody except to and by authorized personnel. It shall be

	<p>prejudicial to the Company's interest.</p> <p>Respect and preserve the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors or senior managers, except when authorized or legally required to disclose such information;</p>	<p>prejudicial to the Company's interest.</p> <p>Respect and preserve the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors or senior managers, except when authorized or legally required to disclose such information;</p>	<p>the responsibility of every employee to keep in strictest confidence all matters pertaining to the Company's operations and transactions during or even after their employment with the Company.</p>
(f) Use of Company Funds, Assets and Information	<p>A director shall not use the Company's property, resources, or position for personal gain</p>	<p>Senior managers shall not use the Company's property, resources, or position for personal gain</p>	<p>All employees must exercise due care and diligence to avoid loss, wastage, damage, or misuse of MRS GI's assets and properties. They should conserve MRS GI's resources and use them only for authorized activities and purposes.</p>
(g) Employment & Labor Laws & Policies	<p>The Company shall strictly observe and comply with the Labor Code and its implementing rules and regulations. The Company recognizes that its employees are its number one asset or resource.</p>	<p>The Company shall strictly observe and comply with the Labor Code and its implementing rules and regulations. The Company recognizes that its employees are its number one asset or resource.</p>	<p>The Company shall strictly observe and comply with the Labor Code and its implementing rules and regulations. The Company recognizes that its employees are its number one asset or resource.</p>
(h) Disciplinary action	<p>To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's</p>	<p>To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's</p>	<p>Violations and infractions of the Company's Manual on Company Rules and Regulations Governing Employee Conduct and Discipline shall subject the employee to disciplinary action which Management</p>

	<p>directors, officers, and employees, in case of violation of any of the provisions of this Manual:</p> <p>1) In case of first violation, the subject personnel shall be reprimanded.</p> <p>2) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>3) For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation of this Manual by any member of the Board of the Corporation shall be a sufficient cause for removal from directorship.</p> <p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review</p>	<p>directors, officers, and employees, in case of violation of any of the provisions of this Manual:</p> <p>1) In case of first violation, the subject personnel shall be reprimanded.</p> <p>2) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>3) For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation of this Manual by any member of the Board of the Corporation shall be a sufficient cause for removal from directorship.</p> <p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p>shall administer in a fair, firm, objective, and consistent manner. Due process in the administration of disciplinary cases shall be safeguarded at all times. Penalties are to be imposed to correct unacceptable conduct and to restore order.</p>
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	and approval of the Board.		
(i) Whistle Blower	The Company seeks to conduct its business honestly and with integrity. The Company expects all employees to maintain high standards of business conduct and to report any wrongdoing that falls short of these fundamental principles. It is the responsibility of all employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace.	The Company seeks to conduct its business honestly and with integrity. The Company expects all employees to maintain high standards of business conduct and to report any wrongdoing that falls short of these fundamental principles. It is the responsibility of all employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace.	The Company seeks to conduct its business honestly and with integrity. The Company expects all employees to maintain high standards of business conduct and to report any wrongdoing that falls short of these fundamental principles. It is the responsibility of all employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace.
(j) Conflict Resolution	The Company is in the process of adopting a Policy on Conflict Resolution	The Company is in the process of adopting a Policy on Conflict Resolution	The Company is in the process of adopting a Policy on Conflict Resolution

- 1) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **Yes**
- 2) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Under the Company’s Code of Ethics, any concern involving malpractice or wrongdoing by any member of the Board of Directors or any senior manager of the Company shall be reported to the Company’s Chief Strategy and Governance Officer. Concerns may be raised orally or in writing and should specify whether the employee or complainant wishes his/her identity to be kept confidential or not. The Company’s Governance Committee shall then proceed to investigate the said concern and report directly, and make the appropriate recommendations, to the Company’s Chairman and Chief Executive Officer.

A Director or senior manager who has concerns regarding compliance with this Code should raise those concerns to the Chairman of the Board and the Chairman of the Audit and Risk Committee, who will determine what action shall be taken to deal with the concern. In the extremely unlikely event that a waiver of this Code for a Director or senior manager would be in the best interest of the Company, said waiver must be approved by the Audit and Risk

Committee and the Board of Directors.

3) Related Party Transactions

(a) Policies and Procedures

Describe 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.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<ol style="list-style-type: none"> 1. It is the responsibility of each director or senior manager to promptly notify the Board, through the Audit and Risk Committee, of any proposed related party transaction as soon as they become aware of it to ensure that potential conflicts of interest are disclosed and brought to the attention of management. 2. The Audit and Risk Committee shall clearly define the thresholds for disclosure and approval of related party transactions and categorize such transactions that need not be reported or announced, those that need to be discussed and those that need prior approval by the Audit and Risk Committee and the Board. In determining the categories of related party transactions, the Audit and Risk Committee shall set the materiality thresholds for each category. 3. For related party transactions which have been determined to require Board approval, the Audit and Risk Committee shall review the proposed related party transaction and determine whether or not the said transaction shall benefit the Company and if the terms of the transaction are at arm's length and at fair market value. 4. After review by the Audit and Risk Committee, the related party transaction under review shall be presented to the Company's Board of Directors for approval.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

	<p>5. To the extent required by applicable laws or regulations, the Company shall disclose all material related party transactions in its annual financial statements and website. Moreover, the Company shall not provide lending to related parties unless done on market terms and conditions (arm's length basis).</p> <p style="text-align: center;">Lending to related parties shall not exceed more than five percent (5%) of the Company's total stockholders' equity.</p> <p>6. The Company's independent external auditor shall be required to review all material related party transactions included in the financial statements to provide assurance as to the accuracy of the information reported.</p>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

		Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Frank S. Gaisano; Margaret G. Ang; Edward S. Gaisano; Jack S. Gaisano	These directors are also directors Vicsal Development Corporation
Name of Officer/s		
Name of Significant Shareholders	Vicsal Development Corporation	VDC is the Lessor of several of the Company's store sites.

(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, officers and significant shareholders.

A director shall conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.

A conflict of interest shall be considered material if the director’s personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

A director who has a continuing material conflict of interest should seriously consider resigning from his position.

4) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ 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: **None**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

- (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:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Vicsal Development Corporation	Lessor	VDC is the Lessor of several of the Company’s store sites.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **None**

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

5) 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 not had any disputes with its stockholders and any regulatory authority in the last three (3) years.**

	Alternative Dispute Resolution System
Corporation & Stockholders	This is being developed.
Corporation & Third Parties	Depends on contractual provisions.
Corporation & Regulatory Authorities	This is being developed.

C. BOARD MEETINGS & ATTENDANCE

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

Regular meetings of the Board of Directors for a particular calendar year are scheduled at the end of the immediately preceding year.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Frank S. Gaisano	May 6, 2016	13	13	100%
Member	Edward S. Gaisano	May 6, 2016	13	11	85%
Member	Jack S. Gaisano	May 6, 2016	13	10	77%
Member	Margaret G. Ang	May 6, 2016	13	10	77%
Member	Arthur Emmanuel	May 6, 2016	13	11	85%
Independent	Guillermo L. Parayno	May 6, 2016	13	12	92%

Independent	Ricardo Nicanor N. Jacinto	May 6, 2016	13	13	100%
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- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **No**
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No, the minimum quorum is determined by a simple majority or, in the case of the Company, at least 4 directors.

5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

At least five (5) calendar days.

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

Yes

- (c) 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?

Under the Company's Amended Manual, the Corporate Secretary shall –

- a) **Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings.**
- b) **Inform the members of the Board, in accordance with the By Laws, of the agenda of their meetings at least five (5) working days in advance and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.**
- c) **Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.**
- d) **Ensure that all Board procedures, rules and regulations are strictly followed by the members.**
- e) **Advise on the establishment of board committees and their terms of reference.**

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- f) **Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation.**
- g) **Be loyal to the mission, vision and objectives of the Corporation.**
- h) **Work fairly and objectively with the Board, Management, stockholders and stakeholders, and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.**
- i) **Have appropriate administrative and interpersonal skills.**
- j) **Keep abreast on relevant laws, regulations, all government issuances, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise.**
- k) **Have a working knowledge of the operations of the Corporation.**
- l) **Oversees the drafting and/or amendments to the Corporation's By-Laws and ensures that they conform with regulatory requirements.**
- m) **Performs such other duties and responsibilities as may be provided by the SEC or delegated by the Board.**

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

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Audit and Risk	All committee members are briefed before a formal committee meeting so as to properly appraise and prepare the Director for the committee meetings. Summary documents are likewise sent to the committee members a day or two before the meetings.
Governance	
Nomination and Compensation	
Investment	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice

and, if so, provide details: **Directors are encouraged to seek external advise when necessary and appropriate.**

Procedures	Details

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: **None**

Existing Policies	Changes	Reason

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<ul style="list-style-type: none"> The Nomination and Compensation Committee deliberates on this and then presents its recommendation to the Company's Board for approval 	<ul style="list-style-type: none"> The Nomination and Compensation Committee deliberates on this and then presents its recommendation to the Company's Board for approval
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package.

Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Fixed monthly compensation plus nominal per diems per board and committee meeting	Fixed monthly compensation plus nominal per diems per board and committee meeting	Fixed monthly compensation plus nominal per diems per board and committee meeting
Non-Executive Directors	Nominal amount as director's fees	Purely board and committee fees	Fixed amount per board and/or committee meeting

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. **Not applicable.**

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	₱ 24,700,000.00	N/A	
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance – BoD Meetings (per meeting)	₱10,000.00 (net)	₱10,000.00 (net)	₱150,000.00 (Gross)
(d) Per diem Allowance – Committee Meetings (per meeting)	₱10,000.00 (net)	₱10,000.00 (net)	Chairman: ₱45,000.00 (Gross) Member: ₱40,000.00 (Gross)
(e) Bonuses	N/A	N/A	N/A
(f) Stock Options	N/A	N/A	N/A

and/or other financial instruments			
(g) Others (Specify)			
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N.A.	N.A.	N.A.
2) Credit granted	N.A.	N.A.	N.A.
3) Pension Plan/s Contributions	N.A.	N.A.	N.A.
(d) Pension Plans, Obligations incurred	N.A.	N.A.	N.A.
(e) Life Insurance Premium	N.A.	N.A.	N.A.
(f) Hospitalization Plan	N.A.	N.A.	N.A.
(g) Car Plan	N.A.	N.A.	N.A.
(h) Others (Specify)	N.A.	N.A.	N.A.
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares: **None**.

Director's Name	Number of Direct Option/Rights / Warrants	Number of Indirect Option/Rights / Warrants	Number of Equivalent Shares	Total % from Capital Stock

(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.**

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify 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:

Name of Officer/Position	Total Remuneration
Vincent E. Tomaneng – Corporate Secretary and Chief Legal Counsel	Php27,825,942.33
Joselito G. Orense – Treasurer and Chief Financial Officer	
Luz A. Bitang – Vice President and Head for Store Operations	
Karen H. Gaviola-Climaco – Compliance Officer / Asst. Corporate Secretary	
Ricardo B. Aguas Jr. – Vice President, Supply Chain	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	
Audit and Risk Management	0	1	2	Yes
Governance	1	2	1	Yes
Nomination and Compensation	1	1	1	Yes
Investment	1	1	1	Yes
Others (specify)				

Committee	Functions	Key Responsibilities	Power
Audit and Risk Management	<p>1) 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.</p> <p>2) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.</p> <p>3) Review the reports submitted by the internal and external auditors.</p> <p>4) Review the financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> • Any change/s in accounting policies and practices • Major judgmental areas • Significant adjustments resulting from the audit • Going concern assumptions • Compliance with accounting standards • Compliance with tax, legal and regulatory requirements. <p>5) 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</p>	<p>1) Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.</p> <p>2) Perform oversight functions over the Company’s internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.</p> <p>3) Organize an Internal Audit Department, and consider the appointment of an independent Internal Auditor and the terms and conditions of its engagement and removal.</p> <p>4) Monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security.</p> <p>5) Coordinate, monitor and facilitate compliance with laws, rules and regulations.</p>	<p>1) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it.</p>

	<p>external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.</p> <p>6) Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real.</p> <p>7) Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost.</p>	<p>6) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee. The Audit and Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p> <p>7) Oversee the implementation of the risk management strategies and policies.</p>	
Governance	<p>The Committee shall have the following functions, among others that may be delegated by the Board:</p> <p>a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments.</p> <p>b) Oversees the periodic performance evaluation of the Board and its committees as well as Management, and conducts an annual self-evaluation of its performance.</p>	<p>The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.</p>	

	<p>c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.</p> <p>d) Recommends continuing education and/or relevant training programs for directors.</p> <p>e) Develop, review and recommend to the Board a set of corporate governance policies and guidelines applicable to the Corporation, including the amendments or revisions to this Manual, and ensures that these are reviewed and updated regularly.</p> <p>f) Responsible for overseeing the Corporation's implementation and effectiveness of its corporate governance, including the annual accomplishment of the scorecard on the scope, nature and extent of the actions undertaken by the Corporation to meet the objectives of this Manual.</p> <p>g) To maintain an informed status on issues related to the Corporation's corporate social responsibility, public policy and philanthropy, and those affecting the name, reputation and goodwill of the Corporation.</p>		
Nomination and Compensation	(1) Review and evaluate the qualifications of all individuals nominated to the Board and other appointments that require Board approval,	(1) Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that	

	<p>and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>(2) Pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications of a director.</p>	<p>their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.</p>	
Investment	<p>1) Evaluate and enhance the Company's investment processes.</p> <p>2) Recommend the hiring and termination of investment managers.</p>	<p>(1) Establish, review and recommend to the Board the policies and strategies to be adopted by the Company regarding the investment activities and portfolios necessary to achieve its goals and objectives.</p>	
Others (specify)	-	-	-

2) Committee Members

(a) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Guillermo L. Parayno, Jr.	May 6, 2016	3	3	100%	1 year
Member (NED)	Margaret G. Ang	May 6, 2016	3	3	100%	1 year
Member (ID)	Ricardo Nicanor N. Jacinto	May 6, 2016	3	3	100%	1 year

Disclose the profile or qualifications of the Audit Committee members.

Guillermo L. Parayno, Jr.

Guillermo L. Parayno, Jr., 68, was elected as an independent Director of the Company on July 16, 2015. Mr. Parayno is also the Chairman and President of E-Konek Pilipinas, Inc. and the Director and Vice Chairman of Philippine Veterans Bank. He is also President of the Parayno Consultancy Services on logistic and distribution, customs, information, technology and taxation, the Project Management Consultant for the Revenue Administration Reform Program, Millennium Challenge Account Philippines, and the Chairman & President of Bagong Silang Farms, Inc. Previously, Mr. Parayno led several Asian Development Bank Missions relating to Trade Facilitation and served as Commissioner of the Bureau of Internal Revenue.

Margaret G. Ang

Margaret G. Ang, 65, has served as Director of the Company since 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a bachelor of science degree, major in accounting (1974, *Cum Laude*), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director and Corporate Secretary of Vicsal Development Corporation, Taft Property Venture Development Corporation and Vicsal Securities & Stock Brokerage, Inc. Ms. Ang is also the President of Filipino Fund, Inc. and of Grand Holidays, Inc. Additionally, she serves as a director of Manila Water Consortium, Inc. and as a Trustee of Vicsal Foundation, Incorporated.

Ricardo Nicanor N. Jacinto

Ricardo Nicanor N. Jacinto, 56, was elected as an independent Director of the Company on July 27, 2015. He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is President & CEO of the Institute of Corporate Directors and the Nicanor P Jacinto Jr Foundation. He is also a Director of LLL Holdings, Inc. and former Director of the Manila Water Company. Mr. Jacinto previously served as Chief Executive Officer and President of Habitat for Humanity Philippines, a foundation supported by Ayala Corp.

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

The Audit and Risk Committee perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

In addition, the Audit and Risk Committee is required 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 his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.

(b) Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Edward S. Gaisano	May 6, 2016	1	1	100%	1 year
Member (ED)	Arthur Emmanuel	May 6, 2016	1	1	100%	1 year
Member (NED)	Margaret G. Ang	May 6, 2016	1	1	100%	1 year
Member (ID)	Guillermo L. Paryno Jr.	May 6, 2016	1	1	100%	1 year
Member						

(c) Nomination and Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Frank S. Gaisano	May 6, 2016	2	2	100%	1 year
Member (NED)	Margaret G. Ang	May 6, 2016	2	2	100%	1 year
Member (ID)	Ricardo Nicanor N. Jacinto	May 6, 2016	2	2	100%	1 year

(d) Investment Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jack S. Gaisano	May 6, 2016	2	2	100%	1 year
Member (ED)	Frank S. Gaisano	May 6, 2016	2	2	100%	1 year
Member (ID)	Ricardo Nicanor N. Jacinto	May 6, 2016	2	2	100%	1 year

3) Changes in Committee Members **None for 2016**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Governance		
Audit		
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Governance	Approval of various corporate governance policies	Identification, formulation, and implementation of corporate governance policies required by the Company.
Audit and Risk	Approval of Audited Financial Statements and appointment of external auditor	Procedure for approval of related party transactions Issues identified by internal and external auditors
Nomination and Compensation	Endorsement of nominees to the Board Succession Planning	Identification of criteria for nominees to the board and top management positions
Investment	Approval of new store sites	Identification of possible store sites
Others (specify)		

5) Committee Program – **This is still being developed.**

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.

Name of Committee	Planned Programs	Issues to be Addressed
Executive		
Audit		
Nomination		
Remuneration		
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Sustaining the Company's Enterprise Risk Management framework are 10 principles and they combine to reinforcing the integrity and functionality of the framework:

- a) **Maintain an effective and relevant framework.** The Company will ensure that the ERM framework's design is reviewed at least on an annual basis to ensure that it is appropriate to the changing businesses needs and is sufficiently dynamic to identify key potential threats within the organization's operating environment. Standards and limits employed in risk and quality measurements, such as on Key Performance Indicators and Key Risk Indicators, should reflect the "latest" business development. The Company will ensure that through the uses of the framework, it will regularly review its appetite for retaining risk. In doing so it will ensure that the appropriate risk treatment strategies are in place to effectively manage inappropriate exposures.
- b) **Establish a clear and accountable governance structure.** The Company will ensure that the framework's ERM governance structure is well defined; that roles and accountability are clear for all risk and risk owners. This enables the appropriate levels of assurance, control and oversight to be utilized in managing the Company's risks.
- c) **Push ownership to the level where decisions can be taken.** Given the time criticality of the operations at the Company, staff that possesses the relevant risk information and knowledge must have the authority and understanding to act. They must be encouraged to own the challenge and not to pass around the responsibility. Good governance means encouraging accountability and decision making at the proper working level.
- d) **Keep the Board informed.** The second criteria for good governance is to keep the Board of Directors informed and where key decisions had been taken, these should be appropriately checked at the proper level and that such information be escalated. Likewise, the Board understands how and when to seek additional information. The Head of Risk Management will have direct access to leaders of each departments and the Board itself.
- e) **Balance risks with opportunities.** The Company will ensure that framework and culture drives behavior of responsible, accountable and transparent decision making. All key decisions will be made through the use of risk-based information and will consider both potential downside impacts and losses as well as upside opportunities.
- f) **Focus on preventive control measures.** Ideally actions should contribute to preventing any form of business interruption. Prevention is much more powerful and cost effective than any cure and every effort should be made to prevent delay or interruption of any key process processes.
- g) **Minimize time and cost in corrective control measures.** In the unfortunate event that one of the business requires the engagement of BCPs; every effort should be taken to return the operation to normality as soon as possible. Time, cost, and systemic risks inevitably will escalate the longer is the recovery.
- h) **Foster a sustainable, positive and robust culture.** The Company will ensure that it creates the optimal environment for the development of a sustainable, positive and robust risk management culture that encourages risk identification, reporting, transparency and accountability across the enterprise. This will be a culture that is fully supported by the Company's board and senior management and one that extends to key stakeholders.

- i) **Facilitate and share isomorphic learning. The Company will ensure that it learns from losses and past experience associated to risk. A bias towards knowledge management, innovation, training and development, and continual refinement will assure the framework will continue to improve and become a living system. The higher the understanding of ERM by staff and participants, the stronger will be the framework. Knowledge management should be a practice and not only a belief.**
 - j) **Communicate openly and proactively. The Company's management and staff will promote and engage in open and proactive communication about key risks at all levels of the organisation. Transparency is critical and helps to strengthen understanding and improve governance.**
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company, in its Amended Manual, formally recognized an Enterprise Risk Management Framework.

- (c) Period covered by the review;

N/A

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The following functions of the Risk Management System, are the criteria to be used in determining the effectiveness of the ERM:

- a. **Defining a risk management strategy.**
 - b. **Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives.**
 - c. **Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters.**
 - d. **Establishing a risk register with clearly defined, prioritized and residual risks.**
 - e. **Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy.**
 - f. **Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee.**
 - g. **Monitoring and evaluating the effectiveness of the organization's risk management processes.**
- (e) Where no review was conducted during the year, an explanation why not.

As stated above, it was only recently, that the Company's Board of Directors formally recognized the Company's Management Risk Oversight Committee, and defined the functions and responsibilities of such Committee. Moving forward, the Company shall review its risk management function regularly.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Company risk register consist of all extreme risk which were identified at departmental level and verified at senior management level.

Twenty five (25) Risk is documented and twenty one (21) risk recorded are extreme risks.

Risk Exposure	Factors Affecting Risk Mitigation Initiatives
Security	Limitation of Fire Protection and Evacuation Paths
Products	Product contamination, food scare and food poisoning
Marketing	Ineffective promotion campaign; Poor customer service and satisfaction
Political	Delay in gov't. Approval and permits; Difficulty in managing and dealing with gov't. official
People	Lack of key staff for store expansion
New Store	Difficulty in securing preferred sites in a highly challenging market; Fire protection system not completed on store opening day
Operational	Delay in stock delivery to stores; Natural Disasters; Overstocking; Shrinkage in Stock; Under Stocking/Out of Stock at Store
Financial	Data Integrity in Finance Applications; Qualified Opinions by Auditors; Surging land acquisition costs
IT	Discrepancies and in price tags and item barcodes and POS; Slow, erroneous or no response from critical IT application
Strategic	Economic slowdown impact on store sales; Fallout with major mall operators; Fierce competition with existing players; High turnover of Senior Mgt. Team; Limited Variety of Products at dept. stores; Major incident at store impact of the Company reputation; Supply chain challenges for new stores

(b) Group – N/A

Give a general description of the Group's risk management policy, setting out and assessing

the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Vicsal Development Corporation, the Company's controlling shareholder effectively owns 2,489,800,000 shares in the Company or a total of approximately 73% of the Company's voting stock.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company:

Risk Exposure	Department Involve	Risk Management and Control	Control Effectiveness
New Store – Difficulty in securing preferred sites in a highly challenging market.	Business Development Group; Land and Space Group	<ol style="list-style-type: none"> Investment Committee delegates certain authority (10% of price) to CEO and/or President/COO to speed up decision making Initial land evaluation by Land and Space Group Valuations above P20m requires verification by 3rd party appraiser Legal and property (technical) due diligence Maintain relationship with government officials 	Moderate

		<ol style="list-style-type: none"> 6. Maintain relationship with property developers and real estate brokers 7. Partnership with property developer (e.g. Ayala) 8. Different expansion strategy depending on region. (e.g. acquire existing retails) 	
Operational - Overstocking	Merchandising; Merchandising Support	<ol style="list-style-type: none"> 1. Inventory level monitoring 2. Sales and promotions 3. Adjustment at the next purchasing 4. Review and adjust replenishment parameters 	Moderate
Political - Delay in gov't. Approval and permits;	Business Development; Construction	<ol style="list-style-type: none"> 1. Relationship with the national and local governments 	Uncontrollable
Strategic - Limited Variety of Products at dept. stores	Merchandising; Store Operations	<ol style="list-style-type: none"> 1. Partnership with well-known brand names (e.g. Sony) 2. Product mix cater to local community 	Moderate
IT - Discrepancies and in price tags and item barcodes and POS	Merchandising; Merchandising Support	<ol style="list-style-type: none"> 1. Pre-scanning of items by stores 2. Verification upon receipts of goods against PO. Re-tag if error and charge back to suppliers 3. Discrepancies escalated to MSG and verify the true price 4. Manual override at check-out counters 	Moderate
Natural Disasters	General Loss Prevention; Store Planning & Engineering; Security	<ol style="list-style-type: none"> 1. Evacuation exercise 3 times a year 2. Construction quality to resist earthquake 3. Emergency procedures upon typhoon (dedicated staff to monitor) 4. Rectification to roof 	Moderate

		<p>structure for typhoon area</p> <p>5. Multiple (3) pumps for basement floor with redundancy</p>	
Shrinkage in Stock	Finance, General Loss Prevention; Merchandising; Store Operations; Supermarket; Supply Chain	<ol style="list-style-type: none"> 1. Stock count and sampling at stores. Increase sampling rate if discrepancies found. 2. Weekly count for food and non-food at stores. Monthly for fresh. 3. Annual count at warehouse 4. Reject damaged goods and return to suppliers 5. Internal auditor (financial) at most stores. Auditor from corporate to perform random check. 6. Security check to prevent theft 7. Logistics and warehouse contractors to compensate if responsible for damaged goods 8. Root cause analysis by GLP on major variation 	Moderate
Out of Stock at Store	Merchandising; Merchandising Support; Store Operations; Supermarket	<ol style="list-style-type: none"> 1. Dedicated replenishment team 2. Weekly sales figures and forecasts 3. Cycle counts at store to rectify inventory records 4. Weekly monitor CSL, in-stock level, suppliers 	Moderate

(b) Group – **Not Applicable**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors ("Board")	Ensure that risk assessment is carried out regularly throughout the organization, as part of the enterprise risk management. Responsible for setting this Risk Management Policy and for monitoring its implementation.	<ul style="list-style-type: none"> • Overall duty of care to ensure that there are adequate systems in place to manage risk and to ensure compliance with laws and regulatory requirements; • Oversee the progress of enterprise risk management (or delegate this role to the Risk Committee); • Approve the ERM Policy; • Periodically review management reports on the overall risk profile and risk treatment plans; • Ensure that a risk management culture is embedded in the Company's culture that is appropriate for the company's objectives; and <p>Ensure that an internal control system and adequate risk management are in operation by providing guidance and oversight on the scope and nature of Risk Management.</p>
Audit and Risk Committee	The Audit and Risk Committee shall be responsible for the oversight of the	<ul style="list-style-type: none"> • Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost.

	<p>Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>	<ul style="list-style-type: none"> • Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real. • Oversee the implementation of the risk management strategies and policies. • Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures. • Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation's prioritized and residual risk exposures based on regular risk management reports and
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		<p>assesses how the concerned units or offices are addressing and managing these risks.</p> <ul style="list-style-type: none"> • Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss. • Advise the Board on its risk appetite levels and risk tolerance limits. • Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation. • Assess the probability of each identified risk becoming a reality and estimates its possible
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		<p>significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders.</p> <ul style="list-style-type: none"> • Provides oversight over Management’s activities in managing credit, market liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management. • Report to the Board on a regular basis, or as deemed necessary, the Corporation’s material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary. •
<p>Senior Management</p>	<p>Undertake and sponsor key risk management activities undertaken by the Risk Management Department and provides adequate support, in terms of availability, budget, resources etc., to risk management initiatives. They must ensure the key risks are effectively assessed, managed and</p>	<ul style="list-style-type: none"> • Ensure that the Risk Registers are maintained effectively and consistently at all levels and departments; • Work with departments by providing support to them to identify, analyze and rank risks; • Aggregate output from all Departments to form an enterprise-level risk register

	<p>communicated to the Board.</p>	<p>and to have all the risks analyzed and evaluated;</p> <ul style="list-style-type: none"> • Communicate and manage the establishment and on-going maintenance of an ERM Policy and Framework • Ensure adequate and feasible risk control measures such as internal process controls are in place; • Update and improve the ERM Framework; • Provide support to ensure that the ERM process is integrated in the routine activities of the business and that all significant risks are being recognised and effectively managed in a timely manner; • Coordinate ERM education, training and certification; • Report on key deviations and changes of key risks indicators and performance indicators (applicable at operation stage only) and ensure that they are effectively monitored, reported, updated, and controlled within a certain range or parameters as decided by the BOD; • Report to the BoD regarding the: <ul style="list-style-type: none"> ○ Progression of the ERM framework and its implementation; ○ Critical risk exposures, analysis and recommendations; <p>Quarterly ERM reports and</p>
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		annually Risk Management Strategy.
<p>Crisis Management Committee (“CMC”)</p>	<p>The implementation agent on behalf of the BoD. CMC shall ensure that the Risk Register is maintained effectively and consistently at all levels and by all sections. CMC is responsible for working with all departments to help aggregating risk outputs from all departments to form an enterprise level risk register, have all the key risks analyzed, evaluated, and report to the Senior Management and Board on critical and emerging risks as per Board requirements.</p>	<ul style="list-style-type: none"> • Adopt the Policy; • Lead his/her department in carrying out risk assessments at least on an annual basis to identify, analyze and evaluate, and to document risks specific to the section. Help may be sought from the CMC; • Assess impact of ad hoc events, policies and decisions that affect the section and consult risk issues with relevant parties; • Keep a latest copy of the risk register and regularly review the risk register for planning, management decisions and setting priorities; • Make the risk register accessible to all staff within the section; • Train staff to recognize risks in their work; • Ensure at least one staff in the section is knowledgeable enough to fill out the section risk register, by going through risk management training or consultation with CMC and to allocate sufficient time for the staff to attend training and to perform risk assessment duties; • Escalate risk that cannot be managed at department level to CMC; • Ensure all staff are aware of this policy and aware of their responsibilities with regard to risk assessment; • Inform staff of the findings of a risk assessment for any task/activity in which they are involved; • Inform staff how and when

		<p>to report incidents and near misses;</p> <p>a. Highlight new risks to CMC for follow up action.</p>
Head of each Department	<p>Responsible for leading his /her departments in carrying out risk assessments on an annual basis to identify analyze and evaluate risks specific to the department. Help may be sought from the Risk Management Department.</p>	<ul style="list-style-type: none"> • Assist in facilitating, coordinating and implementation of risk management activities within the departments; • Maintain and update department risk registers and other risk information from input of relevant staff regularly; • Seek updates from risk treatment owners on the status of risk treatment status; • Communicate and interface with Risk Management Department and other departments on risk related matter; and <p>b. Escalate major changes of risks and significant risk matters within the Department to the respective Department Head and Risk Management Department.</p>
All staff	<p>Responsible for the effective identification and management of risk and to assist their department and overall organization in managing risk.</p>	<ul style="list-style-type: none"> • Shall assist department heads in identifying emerging risks on an annual basis, and as and when needed; • Take part in training so as to meet the requirements of this policy; • Inform department heads if he/she suspects the systems in place for the assessment and management of risks are ineffective or inadequate. • Identify, evaluate, and mitigate risks as everyday work responsibilities; • Proactively alert supervisors to possible problems; • Work with managers and

		<p>supervisors and management to implement corrective actions as needed;</p> <ul style="list-style-type: none"> • Ultimately carry out all their responsibilities in compliance with applicable laws, and policies; • Meet their personal obligations to manage risks through the performance management review process; • Continue to upgrade their own knowledge and skills in ERM; and <p>c. Aim to teach and share their own knowledge with others at the Company or with participants.</p>
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G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal Control System is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.

Through the Audit and Risk Committee, the company considers and monitors the effectiveness of the company's internal control system (including information technology security and control) that ensures achievement of company objectives and compliance with laws, regulations, and internal policies. The committee understands the scope of external auditors' review of internal control over financial reporting, and obtain and evaluate reports of internal auditors' significant findings and recommendations on internal processes and policies, together with management responses.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Yes the Board of directors reviews the effectiveness of internal control system.

(c) Period covered by the review;

The period covered in the review depends on the scope of the audit of a particular operation.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed quarterly concurrently during the review of internal audit and financial reports.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable as review is conducted quarterly.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Provide an independent and objective assurance and consulting services to identify opportunities for process, policy and control improvements	As provided in the Audit Plan	In House Internal Audit	Dione Derrick Kocencio	Reports to the Audit and Risk Committee
Conducts special audit as requested by top management ex. Fraud audit.	As called for in this special audit engagement.	In House Internal Audit	Dione Derrick Kocencio	Reports to the Audit and Risk Committee

(b) 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?

Yes

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Internal Audit reports directly to the Audit and Risk Committee. It has access to the Board of Directors, to the Audit and Risk Committee as well as to all records, properties and personnel.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Hanna Fe Empahsis	Career move to another company
Ronnie Catalan	Career move to another company
Sandara Entero	Career move to another company
Ann Christine Alit	Career move to another company
Isabel Albarando	Retirement
Ma. Jannica Quintana	Migration

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Progress of engagement is in line with plans
Issues⁶	There are no significant issues which will put the company at major risk
Findings⁷	Overall the company’s system of internal controls, risk management and governance processes remains to be generally adequate and effective. With the help of the Systems and Procedures division under the General Loss Prevention group, each functional group is consistently pursuing enhancement of its operating policies and procedures.
Examination Trends	No significant trends have been noted.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;

⁶ “Issues” are compliance matters that arise from adopting different interpretations.

⁷ “Findings” are those with concrete basis under the company’s policies and rules.

- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Audit and Risk Committee Charter	Implemented
Internal Audit Charter	Implemented
Annual Audit Planning	Implemented
Planning the Audit Engagement	Implemented
Fieldwork and Reporting	Implemented
Follow-up and Monitoring of Agreed Actions	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal Audit Head reports functionally to the Audit and Risk Committee; and administratively to the Chairman & CEO.	-	-	-

(h) 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. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chairman & CEO and President & COO are authorized to attest to the Company’s full compliance with the SEC Code of Corporate Governance.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>The Company strictly adheres to the following laws:</p> <ol style="list-style-type: none"> 1. Consumer Act of the Philippines; 2. Food and Drugs Administration Act of 2009; 3. Expanded Senior Citizen Act of 2010; 4. Articles on Quasi-Delict of the Civil Code; 5. Intellectual Property Code of the Philippines; 6. Other pertinent laws protecting the rights of the consumers. 	<p>The Company continuously enhances its processes and systems to further improve quality of products and services for customers by having the freshest and widest assortment of products available on the shelves, as well as ensure that the customers' shopping experience is always safe and pleasant.</p>
Supplier/contractor selection practice	<p>Supplier Accreditation Policy</p>	<p>The Supplier Accreditation policy continued the program of strengthening the process and systems to improve the supplier selling and payment experience.</p> <p>The Company held constant dialogues with suppliers to listen to and address their concerns.</p>
Environmentally friendly value-chain	<p>The Company is compliant with environmental laws</p>	<p>The Company donates plastic, soda cans and bottles, used cooking oil, and other recyclable scrap materials to the Solid Waste Management for Sustainable Livelihood Program, for conversion into bricks used to pave sidewalks.</p>
Community interaction	<p>There is no specific written policy, but the Company has created the Office of Corporate Affairs that implement various programs designed to enhance the Company's long-term social value for its stakeholders, from the management and employees, to</p>	<ul style="list-style-type: none"> • Education <p>MRSGI continues to contribute to the Vicsal Foundation. The funds are utilized for the construction of school classrooms and to provide college scholarships to</p>

	its customers and host communities.	<p>underprivileged yet deserving high school graduates. At present, Vicsal Foundation has 54 existing College scholars.</p> <ul style="list-style-type: none"> • Livelihood <p>The Company has implemented a Skills Training and Employment Program (STEP) to provide free training for skills required by the stores' operations.</p> <ul style="list-style-type: none"> • Environment <p>The Company donates plastic, soda cans and bottles, used cooking oil, and other recyclable scrap materials to the Solid Waste Management for Sustainable Livelihood Program, for conversion into bricks used to pave sidewalks.</p> <ul style="list-style-type: none"> • Community Outreach <p>MRS GI employees are continuously encouraged to volunteer in the Company's various outreach initiatives that span relief operations, medical mission and other community assistance efforts, particularly in areas affected by natural disasters and calamities.</p>
Anti-corruption programmes and procedures?	Whistleblower Policy	
Safeguarding creditors' rights	Not applicable	Not applicable

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

3) Performance-enhancing mechanisms for employee participation.

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

Below are the policies adopted by MRSGI, covering all employees in the Metro chain of stores, in compliance with the legal mandate on employment policies:

Policy	Policy Number	Effective Date
Anti-Sexual Harassment Policy	PM-ELR-14-001	01 January 2014
Drug-Free Workplace Policy	PM-MC-11-001	10 March 2010
Tuberculosis Prevention Program in the Workplace	PM-ELR-11-002	01 May 2011
Workplace Policy and Program on Hepatitis B	PM-ELR-13-003	01 December 2013

In addition to the foregoing, All regular full-time active employees the Company who are between 18 to 64 years old are eligible to participate and are covered by Life, Hospitalization and Accident insurance policies with various insurers.

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

Health and wellness of its employees are a priority for the Company. For the Company, prevention is key to wellness, thus, the need to establish health and safety programs for the welfare of its employees. The Company ensures that its employees are all well and healthy on a regular basis through the Annual Physical Examination given to the Company's employees. Physicians have also been retained for every store on a weekly basis to ensure proper consultation is done. A full shift nurse is likewise assigned to on-site clinics of every store as well as the Corporate Office to ensure delivery of medical services on real time.

Apart from the readily available facilities, employees are covered with hospitalization benefits to cater to cases needing admission.

In addition to the foregoing, the Company offers its employees various programs and activities relative to health and wellness:

Health Talks:

- Hypertension and Obesity
- Urinary Tract Infection
- Diabetes Mellitus
- Tuberculosis
- Pneumonia

Health Bulletins posted at Boards:

- Hand Hygiene Technique

- **DOH Approved Medicinal Plants**
- **Causes and Symptoms of Heart Attack**
- **Breast Cancer Awareness**
- **Zika Virus**
- **Hepatitis Prevention**
- **Chicken Pox**

Other Activities in 2016:

- **Flu Vaccine**
- **Pneumococcal Vaccine**
- **Cervical Vaccine**
- **Hepatitis B Vaccine**
- **Dengue Vaccine**
- **Blood Donation**
- **Race to Beauty Fun Run 2016**
- **Metro Challenge: Beat The Heat, Let's Unite**

To ensure compliance with Labor Standards on health and safety of the Company's employees, the following policies have also been established:

- **Occupational Health and Safety & Administration Standards Manual**
- **Drug Free Workplace Policy**
- **Tuberculosis Prevention Program in the Workplace**
- **Workplace Program and Policy on Hepatitis B**
- **HIV/Aids Workplace Program and Policy**

Safety practices are likewise of priority to the Company. Fire and Earthquake Drills, lectures and orientations are done thrice a year for all Hypermarket and Big Store Formats. The Security Teams are given Lectures on Updates on Safety and Security Practices in coordination with the Fire Department, National Bureau of Investigation (NBI) and the Armed Forces of the Philippines (AFP).

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

The Company prioritizes training and development programs for its employees. Below are the training seminars conducted for 2016:

DATE	TRAINING	# OF ATTENDEES	POSITION LEVEL	# of HOURS
01/14/16	BASIC EXCEL TRAINING	14	Merchandising	4
01/15/16	INTERMEDIATE EXCEL TRAINING	11	Merchandising	4
01/15/16	ADVANCED EXCEL TRAINING	13	Merchandising	4
01/20/16	INTERMEDIATE EXCEL TRAINING	11	HRD	4
01/21/16	BASIC EXCEL TRAINING	40	Merchandising	4
01/22/16	INTERMEDIATE EXCEL TRAINING	21	Merchandising	4

01/28/16	MS EXCEL 2010 TRAINING	13	MOPC	4
01/29/16	EXCEL TRAINING	11	Replenishment	4
01/28/16	UTILITY DASHBOARD AND MATERIALS INVENTORY TRAINING	16	Store Engineers	5
02/04/16	EXCEL TRAINING	30	Replenishment	4
02/05/16	EXCEL TRAINING	32	Plannogramming, Master Data	4
02/11/16	POLICY ON MONITORING AND TREATMENT OF B.O.	34	Store Manager, Assistant Store Manager, Loading Sup, Transfer Clerk, DIG, Sr. Receiving Checker, RTV Clerk, Supermarket Manager	4
02/16/16	CONCESSION INVENTORY MANAGEMENT TRAINING		17	8
02/17/16	AUTOCAD TRAINING	8	SPD	2
04/07/16	BASIC EXCEL TRAINING	9	Food & Beverage	4
04/07/16	EXCEL TRAINING	6	Regulatory Affairs	3
04/14/16	WINE APPRECIATION SEMINAR	14	Merchandising	3
05/16/16	EXCEL TRAINING	30	Treasury, Accounting, Budget, A/P	4
05/23/16	WAREHOUSE GUIDELINES REFRESHER COURSE	24	Store Operations Team	4
06/06/16	EXCEL TRAINING	10	HRD, VSF	4
06/09/16	EXCEL TRAINING	18	Accounting, A/P	4
06/1-3/16	INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) TRAINING	3	IT	16
6/21-22/2016	GMP/GRP & HACCP PRE-REQUISITE COURSE	26	Fresh Manager, Fresh OIC, Team Leader, QC Sup	16
6/21-22/2016	GMP/GRP & HACCP PRE-REQUISITE COURSE - Ancillary	38	Dept. Sup, Team Leader, Food Ave, Suisse	16
06/23-24/16	STORE MANAGERS TRAINING PROGRAM	42	Floor Supevisor, Department Supervisor, Assistant Store Manager	16
07/14/16	PHARMACY PRODUCT ORIENTATION			4
07/15/16	ELECTROLUX PRODUCT ORIENTATION	19	Teamleader, Department Supervisor, Salesclerk	4
07/16-17/16	FOOD SAFETY CONFERENCE	2	Quality Assurance	16
7/19-20/2016	INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) TRAINING	9	Programmer, BI developer, App Support, Sevice Desk	8
07/22/16	BILLING VALUATION	16	Store Engineers	4
07/25/16	EXCEL TRAINING	8	Area Manager, Store Manager, EA	4
7/26/2016	EXCEL TRAINING	10	Area Manager, Store Manager	4
08/02/16	INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) TRAINING	16	Programmer, BI developer, App Support, Sevice Desk	8
08/02/16	EXCEL TRAINING	10	Store Manager, Supermarket Manager,	4

			ISO	
08/03/16	INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) TRAINING	16	Programmer, BI developer, App Support, Sevice Desk	8
08/04/16	EXCEL TRAINING	10	Store Manager, Supermarket Manager, ISO	4
08/04- 05/16	PMAP REGIONAL CONFERENCE	11	HRD	16
08/12/16	GOAL SETTING SEMINAR	12	Marketing, HRD, Accounting, HoldCO	4
08/15/16	RISK COORDINATORS TRAINING	16	Dept. Sup, ASM, TL, Salesclerk, HR, FS, Ads	4
08/18- 19/16	DEMAND PLANNING & SALES FORECASTING BEST PRACTICES	3	Planning, Inventory Management, Research & Development	16
8/24- 25/2016	INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) TRAINING	17	Programmer, BI developer, App Support, Sevice Desk	8
09/19/16	RISK COORDINATORS TRAINING	18	TL, Salesclerks, Security, Dept. Sup, Store Manager, Engineering, Receiving	4
09/20/16	PERMISSIBLE CONTRACTING vs. LABOR ONLY CONTRACTING	14	Capability Dev., Store Operations, Payroll and Benefits, Talent Acquisition	4
09/22/16	EXCEL TRAINING	16	Store Engineers	8
09/22/16	MANPOWER SCHEDULING & PACC ORIENTATION	27	Regional Manager, Area Manager, Store Manager, Store Supervisor,	9
09/25/16	SECURITY COURSE INVESTIGATION	19	Security Supervisor, Chief Security Officer	8
10/04/16	GOAL SETTING SEMINAR	14	GLP, Planning, IT, Security, Merchandising, PSS	4
10/06/16	GOAL SETTING SEMINAR	43	IT, ERM, Engineering, BTC, F&B, HRD, PMO, Merchandising, MOPC	4
10/08/16	BASIC EXCEL TRAINING	16	Store Engineers	8
10/12/16	TIME MANAGEMENT	21	Security, MOPC, Planning, HRD, Merchandising	4
10/13/16	TIME MANAGEMENT	24	Engineering, Trading, Merchandising, Replenishment, Procurement	4
10/17/16	ONLINE SELLING OF GCs	11	Head Cashier, FX Cashier	4
10/19- 21/16	PMAP ANNUAL CONFERENCE	5	HRD	16
10/28/16	EMPLOYEE HANDBOOK CASCADE	21	Management Trainees	8

11/11/16	BUSINESS PROCESS MAPPING	33	CompBen, ERM, Systems & Procedures, Telecom Specialist, Asset Admin, MSS Specialist, Programmer, Planning Manager, BI Specialist	4
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- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company's compensation philosophy is to pay competitive base salaries and to reward employees for their individual performance. Salary increases are dependent upon the company's performance and the employee's performance rating.

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

The Company has approved a Whistleblowing Policy to allow, employees, suppliers/contractors, and those working for and/or dealing with the Company to raise any concerns that they might have about malpractice within the workplace. The following is the disclosure process under the policy:

- a) For the purposes of this procedure, employees, in the first instance, are asked to raise concerns about any form of malpractice or wrongdoing with their line manager or a senior manager in their department. If the employee is unable to do this, he/she should contact the Internal Audit Head of MRS GI or phone the confidential whistle-blowing line at 0908-8956-861;
- b) If the disclosure is extremely serious or in any way involves the Internal Audit Department of the Company, employees should report it directly to the Chairman of the Audit and Risk Committee;
- c) Concerns may be raised orally or in writing and should specify whether the employee wishes his/her identity to be kept confidential or not. Employees shall formalize their concerns in writing either before or after the first meeting (or if no meeting occurs, via email or phone conversation). The immediate superior or the Internal Audit Head will acknowledge receipt of the formal written disclosure and keep a record of further action taken;
- d) MRS GI recognizes that disclosure made under this policy may involve highly confidential and sensitive matters and that employees are allowed to make an anonymous disclosure. The Company shall make best effort to investigate all reported concerns and issues. However, proper investigation may prove impossible if the investigator cannot obtain further information from the reporting employee, provide feedback, or ascertain whether the disclosure was made in good faith.

No employee who raised genuinely-held concerns in good faith under the foregoing procedure will be dismissed or subjected to any detriment as a result of such action. Detriment includes unwarranted disciplinary action and victimization. Should the reporting employee believe that he/she is being subjected to a detriment within the workplace as a result of raising concerns under this procedure, such employee shall immediately inform the Audit and Risk Committee. Employees who victimize or retaliate against those who have raised concerns under this policy will be subjected to disciplinary action.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owners
Vicsal Development Corporation	2,489,800,000	73%	JV. Com. Holdings Inc.; Trilogy Holdings Corp., Direct Model Holdings, Inc.; Maric Ventures, Inc.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			
TOTAL			

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	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme 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

While the details of the Company's Whistle-blowing Policy are not disclosed in the Annual Report, that approval of such Policy is disclosed in the Report.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

2) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV	Php1,800,000.00	Php164,700.00

3) Medium of Communication

- a) **Internet – Company Website**
- b) **Telephone**

4) Date of release of audited financial report: **April 17, 2017**

5) 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

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

6) Disclosure of RPT

RPT	Relationship	Nature	Value (Volume of the year ended December 31, 2016)
Rental Expense	Parent Company	Noninterest-bearing and due in 30 days	Php810,762,065.00
Advances	Parent Company	Noninterest-bearing and due in 30 days	Php6,258,686.00
Management Fee	Parent Company	Noninterest-bearing and due in 30 days	Php21,838,200.00
Purchase, sale of	Entities under	Noninterest-bearing	Php987,740,614.00

goods and services and rental income	Common Control	and due in 30 days	
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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 Policy provide for the following safeguards:

- **All transactions between MRSGI and Related Parties are to be conducted as arm's length, at fair market values, and must always be fair and reasonable under the circumstances.**
- **It is the responsibility of each director or senior manager to promptly notify the Board, through the Audit and Risk Committee, of any proposed related party transaction as soon as they become aware of it to ensure that potential conflicts of interest are disclosed and brought to the attention of management.**
- **The Audit and Risk Committee shall clearly define the thresholds for disclosure and approval of related party transactions and categorize such transactions that need not be reported or announced, those that need to be discussed and those that need prior approval by the Audit and Risk Committee and the Board. In determining the categories of related party transactions, the Audit and Risk Committee shall set the materiality thresholds for each category.**
- **For related party transactions which have been determined to require Board approval, the Audit and Risk Committee shall review the proposed related party transaction and determine whether or not the said transaction shall benefit the Company and if the terms of the transaction are at arm's length and at fair market value.**
- **After review by the Audit and Risk Committee, the related party transaction under review shall be presented to the Company's Board of Directors for approval.**
- **To the extent required by applicable laws or regulations, the Company shall disclose all material related party transactions in its annual financial statements and website. Moreover, the Company shall not provide lending to related parties unless done on market terms and conditions (arm's length basis).**
- **The Company's independent external auditor shall be required to review all material related party transactions included in the financial statements to provide assurance as to the accuracy of the information reported.**

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	Stockholders owning/holding at least a majority of the total outstanding shares of the Company
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting
Description	By voting tickets and proxy forms. Based on the number of shares held.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
1.) Right to vote in all matters that require their consent or approval. 2.) Pre-emptive right to all stock issuances of the Corporation, if applicable under the Corporation's Articles of Incorporation and By-Laws. 3.) Right to Inspect corporate books and records. 4.) Right to information. 5.) Right to dividends. 6.) Appraisal right. 7.) Right to nominate candidates to the Board of Directors.	1.) Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. 2) Right to be informed of the nomination process and voting procedures that would govern the Annual and Special Shareholders' Meeting.

Dividends

Declaration Date	Record Date	Payment Date
March 16, 2016	April 4, 2016	April 20, 2016

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special 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 in 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.

Measures Adopted	Communication Procedure
The Notice and Agenda with Proxy Forms are published at least thirty days before the scheduled date of the Annual Stockholders' Meeting	<ul style="list-style-type: none">• Publication through the PSE Edge;• Publication in a newspaper of general circulation
The Company has established an Investor Relations Department to manage and disseminate relevant information to investors.	<ul style="list-style-type: none">• One on one meetings with various investor groups• Quarterly earnings calls

All stockholders are encouraged to actively participate and ask questions during the proceedings for the Annual Stockholders' Meeting.

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 all assets, which in effect results in the sale of the company

The Company strictly adheres to the pertinent provisions of the Corporation Code of the Philippines.

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

Based on the Company's By-Laws, notices to the AGM are required to be sent to the shareholders by personal delivery, by mail or by electronic means, at least two (2) weeks prior to the date of meeting.

- a. Date of sending out notices: **Not later than the third week of April of each year.**
- b. Date of the Annual/Special Stockholders' Meeting: **First Friday of May of each year.**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
None

5. Result of Annual/Special Stockholders' Meeting's Resolutions **N/A**

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Annual Meeting of Stockholders held on May 1, 2015	2,542,908,490	0	0
Approval of the Annual Report and the Audited Financial Statements for CY 2015	2,542,908,490	0	0
Appointment of SGV & Co. as the External Auditor for 2016	2,542,908,490	0	0
Ratification of all acts and resolutions of the Board of Directors and its Committees, Officers, and management since the last annual stockholders meeting up to the date of the current meeting	2,542,908,490	0	0

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

On the same day as the AGM

(e) Modifications **None**

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

Modifications	Reason for Modification

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<p>Directors:</p> <ol style="list-style-type: none"> 1. Frank S. Gaisano – Chairman/CEO, 2. Edward S. Gaisano, 3. Jack S. Gaisano, 4. Margaret G. Ang; 5. Arthur Emmanuel – President COO; 6. Ricardo Nicanor Jacinto; 7. Guillermo L. Parayno, Jr. <p>Officers:</p> <ol style="list-style-type: none"> 1. Joselito G. Orense – Treasurer/COO 2. Atty. Vincent E. Tomaneng – Corporate Secretary 3. Atty. Karen H. Gaviola-Climaco – Asst. Corporate Secretary and Compliance Officer 	May 6, 2016	By poll through voting tickets	0	74.15 %	74.15%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **Yes, the Company's Stock and Transfer Agent**

(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. **The Company's common shares carry one (1) vote per share. The Company has only one class of shares.**

(g) Proxy Voting Policies

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

It is Company policy to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Subject to the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

	Company's Policies
Execution and acceptance of proxies	At all meetings of stockholders, a stockholder may vote in person or by proxy. Proxies shall be in writing and signed in accordance with the existing laws, rules and regulations of the Securities and Exchange Commission .
Notary	No express requirement, however, the Corporation will abide by existing laws, rules and regulations of the Securities and Exchange Commission.
Submission of Proxy	Proxies, in the form provided by the Company, must be submitted to the Company's Corporate Secretary, at the Principal Office of the Company on or before the date specified in the Notice of Meeting.
Several Proxies	Not prohibited
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.
Proxies executed abroad	No express requirement, however, the Corporation will abide by existing laws, rules and regulations of the Securities and Exchange Commission.
Invalidated Proxy	Invalidated Proxies may not be voted during the meeting.
Validation of Proxy	The proxies shall be validated at the Principal Office of the Company. The Corporate Secretary's decision shall be final and binding on the

	shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised during the Annual Stockholders' Meeting.
Violation of Proxy	-

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<p>The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation and should provide accurate and timely information to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. 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. 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. Subject of the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p>	<p>Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, by mail or by electronic means at least two (2) weeks prior to the date of the meeting to each stockholders of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.</p>

Definitive Information Statements and Management Report

<p>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</p>	<p>Thirteen (13) Registered Stockholders; The beneficial owners of the PCD Nominee shares were also provided copies of the Definitive Information Statements and Management Report and other Materials</p>
<p>Date of Actual Distribution of Definitive Information Statement and Management Report and Other</p>	<p>April 15, 2016</p>

Materials held by market participants/certain beneficial owners	
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 15, 2016
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes.

(i) 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.	This is included in the Definitive Information Statements
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	This is included in the Definitive Information Statement
The amount payable for final dividends.	This is included in the Definitive Information Statement
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights, encourage shareholders to exercise their rights, provide a clear-cut process and procedures to follow, and provide an adequate venue for them to seek timely redress for violation of their rights.</p>	<ul style="list-style-type: none"> • 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. • The Corporation shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.
<p>The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation and should provide accurate and timely information to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. 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.</p>	<ul style="list-style-type: none"> • To encourage active shareholder participation, the Corporation's Corporate Secretary shall disclose and/or publish in the PSE Edge the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-eight (28) days before the meeting. • The Corporation shall make the results of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available in the PSE Edge the next working day. As much as possible, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Corporation's website within five (5) business days from the end of the meeting.
<p>The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the</p>	

<p>stockholders' meaningful participation in meetings, whether in person or by proxy. Subject of the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p>	

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

Yes.

K. INVESTORS RELATIONS PROGRAM

3) 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.

To ensure that investors are maintained and nurtured, MRSGI actively engaged its shareholders by communicating its strategies and performance through its Investor Relations Department. Headed by Joseph Conrad Balatbat, IRD managed and disseminated relevant information to investors through, one-on-one meetings with various investor groups, press releases and regular earnings calls.

A. Internal Communications under Corporate Affairs

The Company's Corporate Affairs department gives the Company's internal stakeholders the knowledge they need to be active partners in building its business. The Company keeps its employees informed of what issues affect the Company and new developments that may interest them.

The department creates dynamic communications around METRO's programs, initiatives and corporate values. The department partners with all areas of the Company to ensure that all communications are consistent with the Mission and Values of Metro's Brand.

Protocols and Policies

- **Corporate Protocols on the Use of the Corporate Name, Corporate Logo and Brand Logos**
- **Corporate Policy on Corporate and Store Posting and Signage**
- **Corporate Protocol on the Use of the Corporate Website and Brands Microsites**
- **Social Media Policy**
- **Quad Media Communications via News Alerts (email blast, text blast)**

Activities

- **Seminars on Communications**
- **Knowledge Data Bank**
- **Infotext and Email Blast on news monitoring and announcements**
- **Monthly Meeting on Internal Communications (for review)**

B. External Communications under Corporate Affairs

The Corporate Affairs department proactively create the corporate identity of METRO through traditional and new media channels. The department oversees the writing and editing of corporate event scripts, speeches of the chairman and president, press releases, interviews, and any other external communications. In the case of an unforeseen issue, crisis or other potentially problematic situation, it generates communications to maintain a positive image for the Company. It reviews public communications to ensure a consistent brand identity and message.

Undertakings

- MRSGI Corporate Website postings
- Metro Brands Microsites postings
- Metro Press Room
- Corporate Profile, Brochures, Collateral
- Correspondences and Communiqués
- Speeches of the Chairman and CEO
- Presentations of the Chairman and CEO
- Crisis Communications
- Monthly Meeting on External Communications

C. Other Means of External Communications under Corporate Affairs

1. Media and Public Relations

The Company seeks to develop and execute comprehensive public relations media outreach strategies that support the mission, objectives and business goals of the Company. The Corporate Affairs department creates and implements a complete PR plan for METRO's key markets, and track its effectiveness. The department serves as a voice of the Company, providing PR guidance to corporate and store management both in formal training program and on an ad hoc basis. The department also answers media questions to help develop a more informed understanding of our company and the size and scope of our mission.

Programs

- Press releases (writing, publication)
- Advertorials (writing, publication)
- 3.3 iSentia Media Banc monitoring (SoE charts, MIS Reports)
- Competitors news monitoring
- Quarterly Media Rounds
- Quarterly Press Conferences
- Media Interviews of the Chairman, President, and Vice President for Corporate Affairs
- TV and Radio Guesting

2. Public Affairs and Government Relations Communications

The Corporate Affairs department aims to develop and enhance relationship with stakeholders such as customers and local communities, clients, shareholders, trade associations, business groups, charities, and the media. The department's public affairs work combines government relations wherein we aim to influence public policy, build and maintain a strong reputation with national and local government units and find common ground with stakeholders. The department also combines public affairs work with corporate social responsibility programs, issue management, information dissemination and strategic communications advice.

Programs

- **Monthly meetings with local government officials**
 - **Representation in trade associations and industry organizations**
 - **Meetings with investors and external stakeholders**
- 4) 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.

	Details
(1) Objectives	To ensure that relations with investors are maintained and nurtured, and that stockholders are informed in a timely manner of important developments in the Corporation.
(2) Principles	Constant and open communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.
(3) Modes of Communications	Media and analysts briefing; press releases; one-on-one meetings with investors
(4) Investors Relations Officer	Mr. Joseph Conrad Balatbat

- 5) 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?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company's rules and procedures is still being developed.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p>A. Community Support Services</p> <p>1. Projects and Services</p> <p>1.1 Medical Missions - METRO distributes medicines, sets up soup kitchens, and provides basic medical assistance</p> <p>1.2 Relief operations - donating and distributing relief goods (basic food supply) to affected residents</p> <p>1.3 Social Service Projects</p> <p>1.3.1 METRO Hanepbuhay - METRO supports livelihood programs of the barangays in areas where a Metro store operates</p> <p>1.3.2 Livelihood Bazaar and Product Display Showcase - Metro has also offered booth display spaces to various cooperatives, which they can use to showcase products exclusively made in their cities.</p>	<ul style="list-style-type: none"> - residents and families residing in the areas wherein METRO operates - METRO stores communities affected by natural disasters and calamities - Out-of-school youth, unwed mothers, other employed residents of the barangay - Antipolo, City Cooperative and Livelihood Office (Antipolo City), Mandaluyong Livelihood Entrepreneurship Advancement Program (Mandaluyong City), and Likhang Kamay ng Kalambenyo Cooperative (Calamba City)
<p>2. Employment Generation</p> <p>2.1 METRO S.T.E.P. (Skill Training and Employment Program) - METRO organizes employment-training programs where beneficiaries will be trained to work part-time at Super Metro stores. Through a partner cooperative, METRO creates a fund per part-timer wherein a certain percentage of his/her salary will be deposited to the fund as forced savings for his/her education.</p>	<ul style="list-style-type: none"> - Out- of-School Youth residing in areas where Metro stores operate
<p>B. Environmental Preservation, Conservation, and Management</p> <p>1. Implementation of Environmental Projects (Recycling) – Metro shall be</p>	

<p>recognized as a retailer that supports the conservation of the ecosystem and the environment by selling eco-friendly and affordable products.</p> <p>1.1 Recyclable Bricks - Metro has partnered with Barangay Bagumbuhay in Anonas, Quezon City, in its Solid Waste Management for Sustainable Livelihood Program. Garbage collected from the Bagumbuhay residents such as plastic, soda bottles, used cooking oil, residues and cans are converted into bricks that are mainly used for sidewalks located in the barangay.</p> <p>1.2 Charcoal Briquettes - Metro will support the livelihood of Barangay Bagumbuhay residents by way of retailing charcoal briquettes in Super Metro Anonas and other Metro Supermarkets</p>	<ul style="list-style-type: none"> - Bgy. Bagumbuhay, Anonas, Quezon City - Proceeds of the purchase of charcoal briquettes from Barangay Bagumbuhay will go to the out-of-school youth of Anonas.
<p>2. Support to Education</p> <p>2.1 Scholarship Program MRSGL, in partnership with Vicsal Foundation - the corporate foundation of Metro chain of stores, supports programs that provide access to quality education.</p> <p>2.2 Construction of School Buildings</p>	<ul style="list-style-type: none"> - The Company contributes to college scholarship grants that are awarded to underprivileged yet deserving high school graduates. - The Company also donates to the construction of school buildings nationwide.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

The appraisal system still being developed.

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

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

N. 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.

Violations	Sanctions
First Offense	In case of first violation, the subject personnel shall be reprimanded.
Second Offense	Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
Third Offense	For third violation, the maximum penalty of removal from office shall be imposed.

- Signature Page Follows -

Pursuant to the requirements of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in Taguig City on May 24, 2017.

SIGNATURES



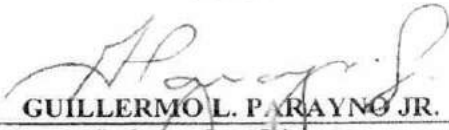
FRANK S. GAISANO

Chairman of the Board/Chief Executive Officer



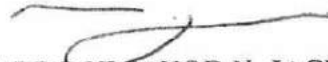
ARTHUR EMMANUEL

President/Chief Operating Officer



GUILLERMO L. PARAYNO JR.

Independent Director



RICARDO NICANOR N. JACINTO

Independent Director



KAREN H. GAVIOI A-CLIMACO

Compliance Officer



SUBSCRIBED AND SWORN to before me this 23 MAY 2017 day of _____ 20____, affiant(s) exhibiting to me their _____, as follows:

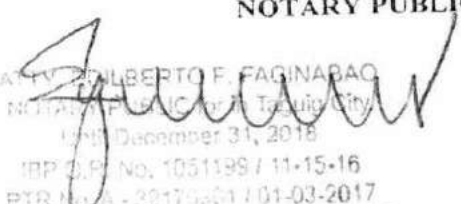
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DATE OF ISSUE

PLACE OF ISSUE

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Page No. 78
Book No. 11
Series of 2017

NOTARY PUBLIC


ATTY. GILBERTO F. FAGINABAO
NOTARY PUBLIC for Taguig City
Term: December 31, 2018
IBP O.P. No. 1051199 / 11-15-16
PTR No. A - 22175201 / 01-03-2017
MCLE Compliance No. V - 0024438
IBP-Reg No. 29548
C/O Riza Gen. Luna St., Tuktukan Taguig

