

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM - I-ACGR

### INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended  
Dec 31, 2017
2. SEC Identification Number  
1746
3. BIR Tax Identification Number  
000-126-853-000
4. Exact name of issuer as specified in its charter  
STI Education Systems Holdings, Inc.
5. Province, country or other jurisdiction of incorporation  
Philippines
6. Industry Classification Code(SEC Use Only)
  
7. Address of principal office  
7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City  
Postal Code  
1226
8. Issuer's telephone number, including area code  
(632) 844-9553
9. Former name, former address, and former fiscal year, if changed since last report  
-

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**STI Education Systems Holdings, Inc.**  
**STI**

***Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard***

**Description of the Disclosure**

Integrated Annual Corporate Governance Report of STI Education Systems Holdings, Inc. for the year 2017

**Filed on behalf by:**

<b>Name</b>	Arsenio Cabrera, Jr.
<b>Designation</b>	Corporate Secretary

# COVER SHEET

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STI EDUCATION SYSTEMS  
HOLDINGS, INC.

(Company's Full Name)

7TH FLOOR, STI HOLDINGS CENTER  
6764 AYALA AVENUE  
MAKATI CITY

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

ARSENIO C. CABRERA, JR.

Contact Person

(6 3 2) 8 1 3 7 1 1 1

Company Telephone Number

0 3    3 1  
Month    Day

Fiscal Year

SEC FORM - ACGR

FORM TYPE

Last Friday of September  
Month    Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stocholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document I.D.

\_\_\_\_\_  
Cashier

STAMPS



## SEC FORM – I-ACGR

### INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **2017**
2. SEC Identification Number **1746** 3. BIR Tax Identification No. **000-126-853-000**
4. Exact name of issuer as specified in its charter **STI Education Systems Holdings, Inc.**
5. **Makati, Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (Use Only)  
Industry Classification Code:
7. **7<sup>th</sup> Floor STI Holdings Center, 6764 Ayala Ave, Makati City 1200**  
Address of principal office Postal Code
8. **632 844-9553**  
Issuer's telephone number, including area code
9. **ITH Davies Holdings, Inc., 7<sup>th</sup> Floor i-ACADEMY Building, 6764 Ayala Ave. Makati City,  
31 December**  
Former name, former address, and former fiscal year, if changed since last report.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<p><b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.</p>			
<b>Recommendation 1.1</b>			
<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.</p>	Compliant	<p>1. Please refer to the link below for the Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors (pages 10-16, Item 5 of the STI Holdings 2017 Definitive Information Statement.</p>	
<p>2. Board has an appropriate mix of competence and expertise.</p>	Compliant	<p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>	Compliant	<p>2. Please refer to the link below for the Qualification standards of the directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance (pages 8-10, item 5 of the STI Holdings 2017 Definitive Information Statement).</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	

## Recommendation 1.2

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<p>The Company defines Non-Executive Director as one who has no executive responsibility and does not perform any work related to the operations of the Corporation.</p> <p>The 2017 Manual on Corporate Governance provides that a majority of the Members of the Board should be comprised of Non-Executive Directors and Independent Directors, who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.</p> <p>STI Holdings 2017 Definitive Information Statement, pages 10-15 identify the directors.</p> <p>The type of their directorships (i.e. executive director/non-executive director) will be indicated opposite their names in our future filings.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
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**Recommendation 1.3**

<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>The Board recognizes the importance of continuing education of its members. All Directors of the Corporation should take at least four (4) hours of continuing education or training on the following matters:</p> <ul style="list-style-type: none"><li>a. Developments in the business environment;</li><li>b. Developments in rules and regulations of concerned regulatory agencies;</li><li>c. Corporate governance matters such as, but not limited to, audit, internal controls, risk management, sustainability, and strategy.</li></ul> <p>The Board acknowledges that the continuing education of its Directors may be provided in a variety of different forms, including external or internal education programs, presentations or briefings on particular topics, educational materials, meetings with key management and visits to Corporation facilities. The Corporation, under the direction of the Corporate Governance Committee, will assist the Board in pursuing continuing education programs for its Directors.</p> <p>The STI Holdings 2017 Manual on Corporate Governance, pages 39-40, provides the policy on training, orientation and continuing education of its directors.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>2. Company has an orientation program for first time directors.</p>	<p>Compliant</p>	<p>All first-time Directors should undergo an eight (8) hour orientation program on the following matters:</p> <ul style="list-style-type: none"> <li>a. Duties and responsibilities of a Director;</li> <li>b. Roles of a Director;</li> <li>c. Accountabilities of a Director;</li> <li>d. Code of Conduct of Directors;</li> <li>e. Background on the business and industry of the Corporation <ul style="list-style-type: none"> <li>a. SEC-mandated topics on Corporate Governance.</li> </ul> </li> </ul> <p>Such new Director shall, as appropriate, attend outside Director education courses sponsored by recognized organizations. It shall also include meetings with and presentations by key management and visits to Corporation facilities.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171127_STI%20Holdings%20%20Letter%20to%20SEC%20re%20Compliance%202017%20Corporate%20Governance%20Seminar_JALapus_JGCua.pdf">http://stiholdings.com/administration/uploads/pdf/20171127_STI%20Holdings%20%20Letter%20to%20SEC%20re%20Compliance%202017%20Corporate%20Governance%20Seminar_JALapus_JGCua.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171205_STI%20Holdings%20%20Letter%20to%20SEC%20re%20Compliance%202017%20Corporate%20Governance%20Seminar_EHTanco.pdf">http://stiholdings.com/administration/uploads/pdf/20171205_STI%20Holdings%20%20Letter%20to%20SEC%20re%20Compliance%202017%20Corporate%20Governance%20Seminar_EHTanco.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171208_STI%20Holdings%20Letter%20to%20SEC%20re_Compliance%202017%20Corporate%20Governance%20Seminar_MVJacob.pdf">http://stiholdings.com/administration/uploads/pdf/20171208_STI%20Holdings%20Letter%20to%20SEC%20re_Compliance%202017%20Corporate%20Governance%20Seminar_MVJacob.pdf</a></p>	
<p>3. Company has relevant annual continuing training for all directors.</p>	<p>Compliant</p>	<p><a href="http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf">http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf</a></p>	



**Recommendation 1.4**

<p>1. Board has a policy on board diversity.</p>	<p>Non-Compliant</p>	<p>Gender composition of the board. 1. Male - 10 2. Female - 1</p>	<p>The Company does not have yet a set policy on board diversity. It has only one (1) female director.</p> <p>However, it is the responsibility of the Corporate Governance Committee to determine the nomination and election process for the Corporation's Directors and has the special duty of defining the general profile of the Board Members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board.</p> <p>The Directors shall possess such qualifications for membership in the Board as prescribed by the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations. In addition, the Corporation shall require all of its Directors before assuming office as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institute. Each Director of the Corporation must possess all the following qualifications:</p> <ul style="list-style-type: none"><li>i. A holder of at least one (1) share of stock of the Corporation;</li><li>ii. At least a college graduate;</li><li>iii. At least twenty one (21) years of age;</li><li>iv. Possessing proven integrity and probity; and</li><li>v. Of good moral character</li></ul>
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Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Non-Compliant	The 2017 Manual on Corporate Governance provides that the board shall have to develop the policies on board diversity (page 5, xii (e))  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	The Company will endeavor to develop policies on board diversity.
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	Atty. Arsenio C. Cabrera, Jr. is the Corporate Secretary and Compliance Officer of the Company. The functions, duties and responsibilities as corporate secretary are included on pages 28-30 of the 2017 Manual on Corporate Governance and page 8 of the Company By-Laws;  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>  <a href="http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf">http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf</a>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Non-Compliant		The Company has only one (1) Corporate Secretary and Compliance Officer. As such, he is expected to perform all the duties and responsibilities as provided for in the 2017 Manual on Corporate Governance, page 30, No. 3.2.7, xiii.
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a>	

4. Corporate Secretary attends training/s on corporate governance.	Compliant	Atty. A. C. Cabrera, Jr. attended a 4-hour Corporate Governance – Adapting Changes in the Corporate Governance Code and Internal Control Environment on 14 December 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf">http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf</a>	
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Non-Compliant	The corporate secretary normally distributes notice of board meetings at least five business days before a scheduled meeting to the members of the board via email.	The Company endeavors to transmit the board materials at least 5 days before the scheduled board meetings in 2018.
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	Compliant	The Company has only one Compliance Officer and Corporate Secretary in the person of Atty. Arsenio C. Cabrera, Jr. He gives assistance to the Board when there is need to do so. The duties and Responsibilities of the Compliance Officer can be found in pages 2-4 of the 2017 Manual on Corporate Governance of the Company.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-Compliant	<a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	The Board of Directors of the Company should appoint a Compliance Officer to ensure adherence to corporate principles. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer (Page 2, No. 3.1.1 of 2017 Manual on Corporate Governance of the Company).
3. Compliance Officer is not a member of the board.	Compliant		

4. Compliance Officer attends training/s on corporate governance.	Compliant	<p>Atty. A. C. Cabrera attended a 4-hour Corporate Governance – Adapting Changes in the Corporate Governance Code and Internal Control Environment on 14 December 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf">http://stiholdings.com/administration/uploads/pdf/20171220_STI%20Holdings%202017%20Compliance%20Corporate%20Governance%20Seminar.pdf</a></p>	
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**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	<p>Our directors perform their duties well especially during board meetings.</p> <p>At the Regular Meeting of the Board of Directors held on 14 December 2017, Ms. Maria Vanessa Rose L. Tanco presented the operations updates for iACADEMY, a subsidiary of STI Holdings, for SY 2017-2018. She also replied to the query of Mr. Rainerio Borja, that the College curriculum provides for six (6) months internship program and most of iACADEMY's college graduates are hired prior to graduation.</p> <p>This is just one of the various matters that the board had discussed during board meetings which shows that they are performing their duties well and for the best interest of the company.</p>	
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<b>Recommendation 2.2</b>			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	The STI Holdings 2017 Manual on Corporate Governance, pages 4-5, under 3.2.1 (b) (i.- v.) - provides the functions, duties and responsibilities of the Board pertaining to Corporate objectives and strategies. They are required to oversee the development of and approve the Corporation's business objectives and strategy, monitor their implementation, in order to sustain the Corporation's long term visibility and strength.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	<p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The company's business objectives and strategy are being reviewed by the Board regularly during its Board meetings.</p>	
<b>Supplement to Recommendation 2.2</b>			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	<p>The Company's updated vision and mission can be viewed at the Company's website <a href="http://www.stiholdings.com">www.stiholdings.com</a>. The core values of the Company are summarized in our mission statement.</p> <p><a href="http://stiholdings.com/mission_vision.php">http://stiholdings.com/mission_vision.php</a></p> <p>The vision, mission and core values of the Company are being reviewed by the board annually.</p>	

<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<p>The Board monitors the implementation of the strategy execution process, in order to sustain the Corporation's long term viability and strength and to have an effective management performance and alignment to the Company's business environment and culture (pages 4-5, i – ix of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>This is done during regular Board meetings when the reports on the operations of the business are presented to the Board.</p>	
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**Recommendation 2.3**

<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Compliant</p>	<p>Mr. Eusebio H. Tanco is the Chairman of the Board of Directors of STI Holdings since 17 March 2010. Mr. Tanco earned his Master of Science in Economics degree from the London School of Economics and Political Science and his Bachelor of Science degree in Economics from the Ateneo de Manila University. He was also awarded a Doctorate of Humanities degree, honoris causa, from the Palawan State University.</p> <p>His qualifications can be viewed on page 10 of the 2017 Definitive Information Statement.</p> <p>Source:  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
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Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	<p>IX. RETIREMENT AND SUCCESSION POLICY</p> <p>9.1 Any Director, Management and other Key Officers of the Corporation may be retired upon reaching the retirement age, set by the Board in consultation with Management. However, on justifiable grounds, the Board may retain a Director, Management and other Key Officers in the same position/remuneration even after attaining the retirement age, for the benefit of the Corporation.</p> <p>9.2 The Board, through the Corporate Governance Committee, shall identify the key knowledge, skills and abilities pertaining to the Directors, Officers and Management Personnel covered by this Section. The key knowledge, skills and abilities identified by the Board shall serve as the benchmark for the succession by new Directors, Officers, and Management Personnel and shall serve as guide in formulating the programs for seminars and training of the Directors, Officers, and Management Personnel.</p> <p>9.3 The Board should ensure that leadership in the Corporation shall be transferred to highly competent and qualified individuals.</p> <p>9.4 The Corporation shall disclose its succession, termination and retirement policy pertaining to its Directors and Key Officers.</p> <p>Please refer to page 47, IX of the 2017 Manual on Corporate Governance</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
2. Board adopts a policy on the retirement for directors and key officers.	Compliant		

<b>Recommendation 2.5</b>			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent Directors and officers. The remuneration of Officers and employees of the Corporation exercising control functions, such as risk management, compliance, and internal audit, shall be determined independently of any business line being overseen.	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	To avoid compromising their independence, performance measures of these Officers and employees shall be based on the achievement of their objectives.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	No Director shall participate in deciding on his/her remuneration. The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its Directors and top four (4) management officers during the preceding fiscal year.  Please refer to page 15, letter g, of the 2017 Manual on Corporate Governance  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
<b>Optional: Recommendation 2.5</b>			
1. Board approves the remuneration of senior executives.	Non-Compliant	Please refer to page 93, Item 10, 1-5, of the SEC Form 17-A for the Fiscal Year Ended 31 March 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a>	The senior executives of the Company do not receive compensation. Three senior executives namely Messrs. Monico V. Jacob, Paolo Martin Bautista and Joseph Augustin Tanco only receive per diems in their capacity as directors of the Company.  Source: Board Resolution approving the increase in Per Diem of the members of the board for each board meeting (approved on 28 June 2010 board meeting)



<p>2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.</p>	<p>Non-Compliant</p>		<p>There is no arrangement for compensation of directors and executive officers. The CEO and top four (4) executive officers as a group, do not receive compensation from the Company (page 93, Item 10, 1-2, of the SEC Form 17-A for the Fiscal Year Ended 31 March 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>
<b>Recommendation 2.6</b>			
<p>1. Board has a formal and transparent board nomination and election policy.</p>	<p>Compliant</p>	<p>The Corporate Governance Committee or a separate Nomination Committee shall conduct the nomination of Directors prior to the annual Stockholders' meeting. All recommendations shall be signed by the nominating Stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty five (45) calendar days before the date of the actual meeting (please refer to pages 38-39 of the Company's STI Holdings 2017 Manual on Corporate Governance.)   <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p>2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.</p>	<p>Compliant</p>	<p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	<p>All Stockholders, including minority Stockholders, have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code and the By-Laws of the Corporation (page 55, XIV, 14.1 of the 2017 Manual on Corporate Governance.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	<p>The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates for Directors and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for Directors (page 38, IV, 4.2 of the 2017 Manual on Corporate Governance).</p>	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	<p>In case of failure of election, resignation, disqualification or cessation of independent Directorship, the vacancy shall be filled by the vote of at least a majority of the remaining Directors, if still constituting a quorum; otherwise, said vacancy shall be filled only by candidates approved by the Corporate Governance Committee. An independent Director so elected to fill a vacancy shall serve only for the unexpired term of his/her predecessor in office (page 39, IV, 4.8 of the 2017 Manual on Corporate Governance).</p>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	<p>The Board should be composed of such members so as to create a collective working knowledge, experience and expertise in the Corporation's industry. It should have an appropriate mix of competence and expertise to enable the Board to fulfil its roles and responsibilities, and to respond to the needs of the Corporation based on the evolving business environment and strategic direction (page 4, III, 3.2, 3.2.1a of the 2017 Manual on Corporate Gov.)</p>	

Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	Non-Compliant		The Company does not use a professional search firm when searching for candidates to the board of directors.
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	The Company's policy on related party transaction, including policy on review and approval of significant RPTs can be found on pages 40-43 of the company's 2017 Manual on Corporate Governance.  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	Transactions that were approved pursuant to the policy – please refer to pages 25-26, Note 12 of the Notes to Parent Company Financial Statements and pages 77-79, Note 29 of the Audited Consolidated Financial Statements for the year ending 31 March 2017  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf</a>	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		

**Supplement to Recommendations 2.7**

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<p>The following natures of transactions will be deemed to be pre-approved by the Board of Directors, will not be reviewed by the Board of Directors and do not require approval or ratification – please refer to page 47 of the company's 2017 Manual on Corporate Governance:</p> <ul style="list-style-type: none"> <li>i. Transactions in the ordinary course of business that do not exceed ₱200,000.00 in any fiscal year;</li> <li>ii. Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as Director of another Corporation or organization that is a party to the transaction;</li> <li>iii. Transactions in which the Related Party's interest is derived solely from his or her direct or indirect ownership of an entity (other than a general partnership) that is a party to the transaction when such ownership interest is less than ten percent (10%) of the equity interest of such entity; and</li> <li>iv. Transactions available to all employees generally.</li> </ul> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Compliant</p>	<p>No Director shall participate in the evaluation or approval of any Related Party Transaction for which he or she is a Related Party and will abstain from voting on the approval of the Related Party Transaction, except that the Director shall provide all material information concerning the Related Party Transaction to the Board of Directors and may otherwise participate in some or all of the Board of Directors' discussions of so requested by the Board of Directors (page 42, 7.4, letter e of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<b>Recommendation 2.8</b>			
<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>The board sets the standards in the selection and hiring of the Corporation's Officers, giving due consideration to the integrity, technical expertise and experience – please refer to page 5, b, x. of the company's 2017 Manual on Corporate Governance..</p> <p>The Board may from time to time delegate the Executive Committee to take charge of the selection and hiring of the corporation's officers.</p> <p><a href="http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Executive-Committee-Charter.pdf">http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Executive-Committee-Charter.pdf</a></p>	

<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>The Board controls the functions of the Management through its respective heads, and assesses the performance of the Management, led by the Chief Executive Officer by establishing a performance management framework that will measure the performance of the Management and personnel and ensure that the same is at par with the standards set by the Board – please refer to page 5, b. vii – ix of the company's 2017 Manual on Corporate Governance.</p> <p>Also, the Corporate Governance Committee oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance. – Please refer to page 23, b, iii of the company's 2017 Manual on Corporate Governance.</p> <p>The Company has no Chief Risk Officer and Chief Audit Executive.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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**Recommendation 2.9**

<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>	<p>It is the duty of the Board to establish a performance management framework that will measure the performance of the Management and personnel and ensure that the same is at par with the standards set by the Board (page 5, letter b, ix, of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The Company established a Performance Management System to regularly monitor work progress and positively assist in the development of the Employees. The job description discussed between the employee and his/her immediate coach defines the general work responsibilities. In addition, specific projects, assignments and activities together with the respective deadlines are mutually agreed upon. These represent the work commitments of the employee and serve as the basis against which the performance of the employee will be measured.</p> <p>Ref: STI Holdings Policy on Performance of Employees.</p>	
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<p>2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>	<p>It is the duty of the Board to establish a performance management framework that will measure the performance of the Management and personnel and ensure that the same is at par with the standards set by the Board (page 5, letter b, ix, of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The performance reviews bring about a definite action plan to correct performance deficiencies, reinforce strengths and fully develop potential.</p> <p>Key elements of the Performance Management System</p> <ol style="list-style-type: none"> <li>1. Having a shared strategy which communicates the corporate objectives of the business to all partners;</li> <li>2. A process that involves the employee and his/her immediate coach in setting the performance objectives which relate both to business needs and wider organization objectives;</li> <li>3. Conducting regular reviews of progress towards the targets; and</li> <li>4. Using the review process to identify training, development and reward outcomes.</li> </ol> <p>Ref: STI Holdings Policy on Performance of Employees.</p>	
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Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	The Board develops and oversees an appropriate internal control system to identify, monitor and manage potential conflicts of interest of Management, Board members and Stockholders; page 5, xiii, of the 2017 Manual on Corporate Governance.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	Adopts a system of internal checks and balances. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness – page 6, xxi, and pages 35-36, 3.2.14, a – b, of the 2017 Manual on Corporate Governance.  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
3. Board approves the Internal Audit Charter.	Compliant	The Board through its Audit Committee recommends the approval of the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the Internal Audit Charter; page 18, iv of the 2017 Manual on Corporate Governance and page 4, 4.4, 4.4.1 – 4.4.5 of the Audit Committee Charter.  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>  <a href="http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf">http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf</a>	

**Recommendation 2.11**

<p>1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.</p>	<p>Compliant</p>	<p>The Board develops and implements a sound enterprise risk management framework to identify, monitor and manage key business risks; and to help the board identify units/business lines and enterprise-level risk exposures (page 6, xv of the 2017 Manual on Corporate Governance;</p> <p>The board through its Audit Committee develops a formal enterprise risk management plan which contains the following elements:</p> <ul style="list-style-type: none"><li>• Common language or register of risks;</li><li>• Well-defined risk management goals, objectives and oversight;</li><li>• Uniform processes of assessing risks and developing strategies to manage prioritized risks;</li><li>• Designing and implementing risk management strategies;</li><li>• Continuing assessments to improve risk strategies, processes and measures. – page 20 of the 2017 Manual on Corporate Governance.</li></ul> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	<p>Compliant</p>	<p>The Board and/or the Management shall operationalize an Enterprise Risk Management Framework, which shall be guided by the following:</p> <ul style="list-style-type: none"> <li>a. Establish Risk Profile and determine external and internal factors which can influence the Corporation's Risk Profile;</li> <li>b. Identify and characterize specific threats/ risks;</li> <li>c. Assess the vulnerability of critical assets to specific threats/ risks;</li> <li>d. Determine the risks (i.e. expected likelihood and consequences of specific threats/ risks on specific assets);</li> <li>e. Identify ways on how to minimize said threats/ risks;</li> <li>f. Prioritize risk reduction measures based on strategy;</li> <li>g. Implement and monitor</li> <li>h. Assess effectiveness, conduct reviews and evaluation and make necessary adjustments. Page 45 of the 2017 Manual on Corporate Governance.</li> </ul> <p>Below are some of the benefits of establishing, implementing and maintaining an Enterprise Risk Management Framework:</p> <ul style="list-style-type: none"> <li>a. More effective strategic and business planning;</li> <li>b. More effective utilization of resources;</li> <li>c. Better cost control;</li> <li>d. Enhances stockholder value by minimizing losses and maximizing opportunities;</li> <li>e. Increases knowledge and understanding of exposure to risks;</li> <li>f. Increases preparedness for third-party/ outside review resulting to more effective and less costly audits;</li> <li>g. Minimizes business disruptions; and</li> <li>h. Strengthens culture for continued improvement.</li> </ul> <p>Page 44-45 of the 2017 Manual on Corporate Governance.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	For Recommendation 2.12, Numbers 1 – 3, please refer to pages 4 – 15, 3.2.1, a – h, of the 2017 Manual on Corporate Governance  Source: <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
<b>Additional Recommendation to Principle 2</b>			
1. Board has a clear insider trading policy.	Compliant	Please refer to below link for a clear insider trading policy – pages 4-5, No. 4, 4.1, B:  <a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a>  <a href="http://stiholdings.com/corporate-governance-policies.php#insider-trading">http://stiholdings.com/corporate-governance-policies.php#insider-trading</a>	
<b>Optional: Principle 2</b>			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Non-Compliant		The Company does not grant loans to its Board of Directors.

2. Company discloses the types of decision requiring board of directors' approval.	Compliant	<p>Indicate the types of decision requiring board of directors' approval and where there are disclosed.</p> <p>The Board of Directors approves the execution of major contracts and loan documents, the disposition/acquisition of assets, resignation/election of directors and officers and the appointment of external auditors. These decisions are disclosed in SEC Forms 17C and on PSE Edge.</p>	
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**Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

**Recommendation 3.1**

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	<p>The Board should establish Committees so as to aid in performing and implementing specialized functions and tasks. The Board should establish such Committees it may deem necessary to aid in complying with the principles of good corporate governance. If a Committee recommended by the Code of Governance is not established, the functions of such Committee may be performed by the whole Board or by another Committee (pages 17-24, 3.2.3, a – b of the 2017 Manual on Corporate Governance).</p> <p>The Company has the following committees:</p> <ol style="list-style-type: none"> <li>1. Audit Committee</li> <li>2. Corporate Governance Committee</li> </ol> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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**Recommendation 3.2**

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>The Company's 2017 Manual on Corporate Governance provides the duties and responsibilities of the Audit Committee, specifically, to assist the Board by overseeing the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;</p> <p>It is the Audit Committee's responsibility to recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the Stockholders.</p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>The Audit Committee of STI Holdings is composed of the following:  Chairman:  Johnip G. Cua (Independent Director[ID] and Non-Executive Director [NED])  Members:  Jesli A. Lopus – ID and NED  Robert G. Vergara – ID and NED  Martin K. Tanco - NED  Paolo Martin O. Bautista  Source:  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a></p>	

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	Please refer to pages 12-15 of the 2017 Definitive Information Statement of the Company on the background, knowledge, skills, and/or experience of the members of the Audit Committee. Source: <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a>	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	Source: <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a>	
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Non-Compliant		The Company endeavors to secure the approval of the Audit Committee for all non-audit services conducted by the external auditor.
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-Compliant		The Audit Committee meets with the external auditor and with management for audit planning and the review of the Company's audited financial statements.  Moving forward, the Audit Committee will endeavor to set a meeting with the external audit team without anyone from management present in the third quarter of 2018.

<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	Non-Compliant		The Audit Committee held a meeting on 6 July 2017.  Source: Secretary's Certificate issued in connection with the Completeness of Minutes for the period from 1 January 2017 up to the present date
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	The Audit Committee oversees the Internal Audit Department and recommends the appointment and/or grounds for approval of an internal audit head/Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services.	
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	<p>The Company's 2017 Manual on Corporate Governance provides information on the Corporate Governance Committee, including its duties and responsibilities. Please refer to page 23-24, b, i -iii of the Manual.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The Board should be composed of such members so as to create a collective working knowledge, experience and expertise in the Corporation's industry. It should have an appropriate mix of competence and expertise to enable the Board to fulfil its roles and responsibilities, and to respond to the needs of the Corporation based on the evolving business environment and strategic direction.</p>	



<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>The Corporate Governance Committee of STI Holdings is composed of the following:  Chairman:  Jesli A. Lapus (Independent Director[ID] and Non-Executive Director [NED])  Members:  Johnip G. Cu – ID and NED  Robert G. Vergara – ID and NED  Arsenio C. Cabrera, Jr. – Corporate Secretary and Corporate Information Officer</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a></p> <p>Please refer to pages 12-16 of the 2017 Definitive Information Statement of the Company on the background, knowledge, skills, and/or experience of the members of the Corporate Governance Committee.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
<p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	<p>Compliant</p>	<p>Secretary Jesli A. Lapus, an Independent Director of the Company was elected Chairman of the Corporate Governance Committee at the Organizational Meeting of the Board held on 29 September 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a></p>	

<b>Optional: Recommendation 3.3.</b>			
1. Corporate Governance Committee meet at least twice during the year.	Non-Compliant		The Corporate Governance Committee met once in 2017.  Source: Secretary's Certificate issued in connection with the Completeness of Minutes for the period from 1 January 2017 up to the present date
<b>Recommendation 3.4</b>			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	The Audit Committee also serves as the Corporation's Board Risk Oversight Committee (BROC), in case none has been separately established. The Company has no separate BROC. Its duties and responsibilities are being performed by the Audit Committee. Please refer to page 20-21 of the 2017 Manual on Corporate Governance:  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	The Company has the Audit Committee, which is composed of five (5) members, the majority of whom are independent directors, including the Chairman.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	All members of the Audit Committee have relevant thorough knowledge and experience on risk and risk management.	

<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	<p>The Audit Committee also serves as the Corporation's Related Party Transaction's Committee (RPTC), in case none has been separately established.</p> <p>The Company has no separate RPTC. Its duties and responsibilities are being performed by the Audit Committee. Please refer to page 21-22 of the 2017 Manual on Corporate Governance:</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	<p>The Audit Committee may also serve as the Corporation's Related Party Transaction's Committee (RPTC), in case none has been separately established.</p> <p>The Company has the Audit Committee, which is composed of five (5) members, the majority of whom are independent directors, including the Chairman.</p>	
<b>Recommendation 3.6</b>			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	<p>The 2017 Manual on Corporate Governance provides all information on the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes. Please refer to pages 17-24 of the Manual.</p> <p>Source:</p>	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	<p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

3. Committee Charters were fully disclosed on the company's website.	Compliant	Source: <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
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**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**Recommendation 4.1**

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	For 2017 Board, Committee and Shareholder meetings, the Corporate Secretary always certified the existence of a quorum for the valid transaction of business.  Most of the directors attend Committee and Board meetings and participate actively in discussions.	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	The Corporate Secretary shall be responsible for the timely and proper distribution of notices, agenda and other relevant meeting materials for discussion during the pertinent board meeting through the recognized modes of transmission of information i.e., personal delivery, fax, email notice, mail of courier. Receipt should be ensured to allow for ample review by the members of the Board to enable them to fully comprehend the matters to be discussed during the relevant meeting.  The Corporate Secretary sends copies of the minutes of previous meetings to the members of the Board and the Committees via email.	

<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p>Compliant</p>	<p>The directors shall devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek clarifications and explanation;</p>	
<p><b>Recommendation 4.2</b></p>			
<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	<p>Compliant</p>	<p>Page 26, 3.2.5, c of the 2017 Manual on Corporate Governance provides that: A Non-Executive Director should not concurrently serve as a Director in more than five (5) publicly-listed Corporations.</p> <p>For the directorships of the company's directors in both listed and non-listed companies, please refer to pages 10-15 of the 2017 Definitive Information Statement of the Company</p> <p>Source: <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
<p><b>Recommendation 4.3</b></p>			
<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	<p>Compliant</p>	<p>The 2017 Manual on Corporate Governance provides that a director should notify the Board before accepting Directorship in another Corporation. (please refer to page 8, letter c, ii)</p> <p>Source: <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

<b>Optional: Principle 4</b>			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Non-compliant		The Company endeavors to advise Directors to limit their directorships in public listed companies.
2. Company schedules board of directors' meetings before the start of the financial year.	Non-compliant		The Company endeavors to schedule meetings of the Board of Directors in advance.
3. Board of directors meet at least six times during the year.	Compliant	The Company held seven (7) Board meetings for 2017.  Source: Secretary's Certificate issued in connection with the Completeness of Minutes for the period from 1 January 2017 up to the present date	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Non-compliant		The Company follows the Corporation Code of the Philippines which requires only the presence of the majority of Board of Directors to constitute a quorum.

**Principle 5:** The board should endeavor to exercise an objective and independent judgment on all corporate affairs

**Recommendation 5.1**

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	The Board shall be composed of eleven (11) members who are elected by the Stockholders. Three (3) of its members, namely Messrs. Jesli A. Lapus, Johnip G. Cua and Robert G. Vergara, are Independent Directors.  Source <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20Results%20of%202017%20ASM%20&amp;%20Org%20Board.pdf</a>	
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Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	For the qualifications of the independent directors, please refer to pages 24-26, 3.2.4, a-g of the 2017 Manual on Corporate Governance of the Company.  Source: <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently, on file.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	Please refer to page 24, 3.2.4, b of the 2017 Manual on Corporate Governance which provides: <b>An Independent Director shall serve a maximum cumulative term of nine (9) years.</b> After which, the Independent Director shall be perpetually barred from re-election as such in the Corporation. An Independent Director barred from re-election as such may continue to qualify for nomination and election as a non-Independent Director. In the event the Corporation wants to retain the Independent Director after serving nine (9) years, the Board should provide meritorious justification/s and seek Stockholders' approval during the Annual Stockholders' Meeting. <b>The nine-year term shall be reckoned from 2012, pursuant to SEC Memorandum Circular No. 9 Series of 2011.</b>  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>  Please refer also to page 9 of the 2017 Definitive Information statement, for the summary of term of office of Directors (regular and independent directors)  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a>	

<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>Compliant</p>	<p>Please refer to page 24, 3.2.4, b of the 2017 Manual on Corporate Governance which provides: An Independent Director shall serve a maximum cumulative term of nine (9) years. <b>After which, the Independent Director shall be perpetually barred from re-election as such in the Corporation.</b></p> <p>An Independent Director barred from re-election as such may continue to qualify for nomination and election as a non-Independent Director. In the event the Corporation wants to retain the Independent Director after serving nine (9) years, the Board should provide meritorious justification/s and seek Stockholders' approval during the Annual Stockholders' Meeting.</p> <p>The nine-year term shall be reckoned from 2012, pursuant to SEC Memorandum Circular No. 9 Series of 2011.</p> <p>Source:  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	<p>Compliant</p>	<p>Please refer to page 24, 3.2.4, b of the 2017 Manual on Corporate Governance which provides: An Independent Director shall serve a maximum cumulative term of nine (9) years. After which, the Independent Director shall be perpetually barred from re-election as such in the Corporation.</p> <p><b>An Independent Director barred from re-election as such may continue to qualify for nomination and election as a non-Independent Director. In the event the Corporation wants to retain the Independent Director after serving nine (9) years, the Board should provide meritorious justification/s and seek Stockholders' approval during the Annual Stockholders' Meeting.</b></p> <p>The nine-year term shall be reckoned from 2012, pursuant to SEC Memorandum Circular No. 9 Series of 2011.</p> <p>Source:  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<b>Recommendation 5.4</b>			
<p>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</p>	<p>Compliant</p>	<p>Chairman of the Board - Eusebio H. Tanco  Chief Executive Officer – Monico V. Jacob</p>	

<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>Compliant</p>	<p>The roles of Chairman and President/CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.</p> <p>If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.</p> <p>To avoid interference from the Management, the Chairman of the Board shall not sit as the Chairman of the Audit Committee. (Please refer to page 14, 3.2.2 of the 2017 Manual on Corporate Governance for his duties and responsibilities.</p> <p>The President shall be the Chief Executive Officer (the "CEO") of the Corporation and is the strategic and operational leader directly accountable to the Board for all corporate activities. The responsibilities of the President are spread throughout almost all aspects of the business of the Corporation from planning, organizing, development and implementation. (Please refer to page 27, 3.2.6, a-d of the 2017 Manual on Corporate Governance for his core competencies)</p> <p>Source:  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>There is no blood relationship between the Chairman and President/CEO.</p>	
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<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Non-Compliant	The Chairman of the Board of the Company is not an independent Director and the board did not designate a lead director among the independent director, as well. The Audit and Corporate Governance Committees are being led by an Independent Director.	The Board shall designate a Lead Independent Director during the Organizational Meeting of the Board of Directors in the third quarter of 2018.
<b>Recommendation 5.6</b>			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	One of the specific duties and responsibilities of our directors is to abstain from participating in deliberations of any transaction affecting the Corporation in which he/she has a material interest (please refer to page 8, c, iii of the 2017 Manual on Corporate Governance)  There was no meeting during the year in which a director had to abstain due to a material interest in a transaction being deliberated upon by the board.	
<b>Recommendation 5.7</b>			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-Compliant		The Company endeavors for the non-executive directors (NEDs) to have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present. The Company shall schedule a meeting in the third quarter of 2018.
2. The meetings are chaired by the lead independent director.	Non-Compliant		The Board shall designate a Lead Independent Director during the Organizational Meeting of the Board of Directors in the third quarter of 2018.

Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Non-compliant	Atty. Monico V. Jacob has been the President and CEO of the Company for the past 2 years.	The Company has appointed Atty. Monico V. Jacob as the President and CEO since 2010 based on his experience, skills and expertise.

**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	Non-Compliant	It is the duty of the Corporate Governance Committee to oversee the periodic performance evaluation of the Board and its committees, as well as executive management, and conduct an annual self-evaluation of its performance.	The Company has prepared a Self-Assessment Form for the Board as a whole.
2. The Chairman conducts a self-assessment of his performance.	Non-Compliant		The Company will endeavor to conduct an annual self-assessment of the Board's performance as a whole in 2018.
3. The individual members conduct a self-assessment of their performance.	Non-Compliant		The Company endeavors to request the Chairman to conduct a self-assessment of his performance in 2018.
4. Each committee conducts a self-assessment of its performance.	Non-Compliant		The Company has prepared a Self-Assessment Form for individual directors.
			The Company endeavors to request each Director to conduct a self-assessment of their performance in 2018.
			The Company has prepared a Self-Assessment Form for each committee.
			The Company endeavors to request each committee to conduct a self-assessment of its performance in 2018.

5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		The Company plans to appoint SGV as the external facilitator of the Company for the assessment/evaluation of each performance.
<b>Recommendation 6.2</b>			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Non-Compliant	The Company has in place the Company's Performance Evaluation Procedure for the Board, Board Committees, Individual Directors and Chief Executive Officer ("CEO")/President;	The Company endeavors to implement its Performance Evaluation Procedure for the Board, Board Committees, Individual Directors and Chief Executive Officer ("CEO")/President.
2. The system allows for a feedback mechanism from the shareholders.	Compliant	The Company has a repository email address ( <a href="mailto:info@stiholdings.com.ph">info@stiholdings.com.ph</a> ) wherein our shareholders can use as their feedback mechanism.	
<b>Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.</b>			
<b>Recommendation 7.1</b>			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	For the Company's Code of Business Conduct and Ethics, please refer to the link below:  <a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a>	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	This Code is provided to all of the Company's directors, officers and employees. Officers are encouraged to explain and discuss this Code with employees to ensure they recognize the existence and understand the applicability of this Code.	

3. The Code is disclosed and made available to the public through the company website.	Compliant	This Code is disclosed and made available to the public through the Company's website.	
<b>Supplement to Recommendation 7.1</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	<p>For the information on the company's policy and procedure on curbing and penalizing bribery, please refer to page 4, 4, A-C of the Code of Business Conduct and Ethics</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p>	
<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<p>For the implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies, the President/CEO regularly reports to the Audit Committee all matters or issues arising under this Code (including resolution of such matters or issues) that are brought to his or her attention. The Chairman of the Audit Committee will submit a report to the Board of Directors, at least once per year, or more often if the circumstances dictate, that summarizes any matters arising under the Code (page 6, Number 6, 6.1, A – F of the Code of Business Conduct and Ethics).</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p> <p>This Code of Business Conduct and Ethics was developed by STI Education System Holdings Inc. in order to promote rational, honest and ethical business conduct among its directors, officers, employees and all stakeholders.</p> <p>The Board ensures that internal controls are in place for the proper implementation and monitoring of compliance with the Code of Business Conduct and Ethics and company internal policies.</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		

**Disclosure and Transparency**

**Principle 8:** The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

**Recommendation 8.1**

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p>The Board shall stablish corporate disclosure policies and procedures in accordance with the best practices and regulatory expectations to ensure a comprehensive, accurate, reliable and timely report to Stockholders and other Stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations.</p> <p>For the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders, please refer to pages 50-51, XIII, 13.1 – 13.5 of the Company's 2017 Manual on Corporate Governance.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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**Supplement to Recommendations 8.1**

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Non-Compliant for the Consolidated Financial Statements;</p> <p>Compliant for the interim reports</p>	<p>The Company observe SEC - SRC Rule 17, 17.1.1.1.2 for the submission of the SEC Form 17-Q (Quarterly Report) – within 45 calendar days after the end of the quarter</p> <p>The Quarterly Report is also posted in the company's website (<a href="http://www.stiholdings.com">www.stiholdings.com</a>) after filing with the Securities and Exchange Commission and obtaining the approval of the Philippines Stock Exchange</p>	<p>The Company observes SEC - SRC Rule 17, 17.1.1.1.1 for the submission of the SEC Form 17-A (Annual Report) – within 105 calendar days from the end of the fiscal year</p> <p>The Consolidated Financial Reports are also posted in the company's website (<a href="http://www.stiholdings.com">www.stiholdings.com</a>) after filing with the Securities and Exchange Commission and obtaining the approval of the Philippines Stock Exchange</p>
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<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>Compliant</p>	<p>Please refer to following links opposite each items where they are disclosed:</p> <ol style="list-style-type: none"> <li>1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders – pages 38-40, Note 17 of the Notes to Parent Company Financial Statements for the Fiscal Year Ended 31 March 2017;</li> <li>2. cross-holdings among company affiliates – page 69 of the SEC Form 17-A for the Fiscal Year Ended 31 March 2017; and</li> <li>3. there is no reportable imbalances between the controlling shareholders' voting power and overall equity position in the company.</li> </ol> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf</a></p>	
<b>Recommendation 8.2</b>			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>For the company's policy requiring directors and officers to disclose their dealings in the company's share, please refer to page 51, XIII, 13.2 – 13.3a of the Company's 2017 Manual on Corporate Governance.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	



<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>Links of actual dealings of STI Holdings directors involving the corporation's shares posted in the company's website under SEC Form 23-B</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171208_STI%20Holdings%20SEC%20Form%2023-B_EH_Tanco_06%20Dec%202017.pdf">http://stiholdings.com/administration/uploads/pdf/20171208_STI%20Holdings%20SEC%20Form%2023-B_EH_Tanco_06%20Dec%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20171116_STI%20Holdings%20SEC%20Form%2023-B_MVRL%20Tanco_08%20Nov%202017.pdf">http://stiholdings.com/administration/uploads/pdf/20171116_STI%20Holdings%20SEC%20Form%2023-B_MVRL%20Tanco_08%20Nov%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B_MVR%20L.%20Tanco_06%20Sep%202017.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B_MVR%20L.%20Tanco_06%20Sep%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-A_RG%20Vergara%2028%20July%202017.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-A_RG%20Vergara%2028%20July%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B_EL%20Cu_18%20April%202017.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B_EL%20Cu_18%20April%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B%20STI%20ESG%204%20Jan%202017.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2023-B%20STI%20ESG%204%20Jan%202017.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI_Holdings_SEC_Form_23-B_STI_ESG_5_Jan_2017.pdf">http://stiholdings.com/administration/uploads/pdf/STI_Holdings_SEC_Form_23-B_STI_ESG_5_Jan_2017.pdf</a></p>	
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<b>Supplement to Recommendation 8.2</b>			
<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<p>Please refer to the link below for the shareholdings of directors, management:</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20180115_STI%20Holdings%20Computation%20of%20Public%20Ownership%20as%20of%2031%20December%202017_PSE%20CR00656-2018.pdf">http://stiholdings.com/administration/uploads/pdf/20180115_STI%20Holdings%20Computation%20of%20Public%20Ownership%20as%20of%2031%20December%202017_PSE%20CR00656-2018.pdf</a></p> <p>Please refer to the link below for top 100 shareholders:</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20180109_STI%20Holdings%20List%20of%20Top%20100%20Stockholders%20as%20of%2031%20December%202017_PSE%20CR00208-2018.pdf">http://stiholdings.com/administration/uploads/pdf/20180109_STI%20Holdings%20List%20of%20Top%20100%20Stockholders%20as%20of%2031%20December%202017_PSE%20CR00208-2018.pdf</a></p> <p>Please refer to the link below for the company's Conglomerate Map.</p> <p><a href="http://stiholdings.com/Conglomerate-Map-Group-Corporate-Structure.php">http://stiholdings.com/Conglomerate-Map-Group-Corporate-Structure.php</a></p>	
<b>Recommendation 8.3</b>			
<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>Please refer to the link below for the directors' academic qualifications, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended (pages 10-15 of the 2017 Definitive Information Statement):</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p> <p>Please refer to the link below for directors' share ownership in the company (page 7, No. 4(b) of the 2017 Definitive Information Statement):</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	

<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>Please refer to the link below for the key officers' academic qualifications, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended (please refer to pages 10-16 of the 2017 Definitive Information Statement)  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p> <p>Please refer to the link below for the key officers' share ownership in the company  <a href="http://stiholdings.com/administration/uploads/pdf/20180115_STI%20Holdings%20Computation%20of%20Public%20Ownership%20as%20of%2031%20December%202017_PSE%20CR00656-2018.pdf">http://stiholdings.com/administration/uploads/pdf/20180115_STI%20Holdings%20Computation%20of%20Public%20Ownership%20as%20of%2031%20December%202017_PSE%20CR00656-2018.pdf</a></p>	
<b>Recommendation 8.4</b>			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Please refer to the link below for the company policy and practice for setting board remuneration (page 15, letter g, of the 2017 Manual on Corporate Governance):  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Please refer to the link below for the company policy and practice for setting executive remuneration (page 15, letter g, of the 2017 Manual on Corporate Governance):  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Compliant</p>	<p>Please refer to the link below for the breakdown of director's remuneration and executive compensation, particularly the remuneration of the CEO (pages 19-20, Item 6 of the 2017 Definitive Information Statement):</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
<p><b>Recommendation 8.5</b></p>			
<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Please refer to the link below for the company's Related Party Transactions policies (page 40, VII, 7.1, a-c, of the 2017 Manual on Corporate Governance):</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p> <p>There is no director who abstained from the board discussion on any particular transaction of the Company due to conflict of interest.</p>	
<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Compliant</p>	<p>Please refer to the link below for the information on all RPTs for the previous year (pages 25-26, Note 12 of the Notes to Parent Co. Financial Statements; and pages 77-79, Note 29 of the Notes to Audited Consolidated Financial Statements attached to the SEC Form 17-A for the Fiscal Year ended 31 March 2017)</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	

**Supplement to Recommendation 8.5**

<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<p>The 2017 Manual on Corporate Governance provides under page 8, letter c, i – iv, provides that:</p> <ul style="list-style-type: none"> <li>i. Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions nor conflict with the interests of the Corporation;</li> <li>ii. Notify the Board before accepting Directorship in another Corporation;</li> <li>iii. Abstain from participating in deliberations of any transaction affecting the Corporation in which he/she has a material interest;</li> <li>iv. Disclose to the Corporation any dealings with the Corporation's shares within five (5) business days;</li> </ul> <p>For where and when the directors should disclose their interests in transactions or any other conflict of interests, please refer to pages 50 - 51, XIII, 13-1 to 13.5 of the attached link - 2017 Manual on Corporate Governance below.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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**Optional : Recommendation 8.5**

<p>1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.</p>	<p>Compliant</p>	<p>Please refer to the link below for the procedure conducted by the Company to ensure that the terms of the RPTs are on arms-length basis (pages 41-42, 7.4, a and b of the 2017 Manual on Corporate Governance)</p> <p>a. Every probable Related-Party Transaction should be reported for evaluation to the Board of Directors in consultation with Management and with external advisor, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this policy.</p> <p>b. The Audit Committee shall be provided with the material facts of all new, existing, or proposed Related Party Transactions including the terms of the transaction, whether those terms are on arms-length basis or such transaction shall be deemed pre-approved as described below in "Pre-Approved Transactions." It shall also determine whether to refer the Related Party Transaction to the Board of Directors for consideration. c. In assessing a Related Party</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>RPTs are disclosed in the link below: (pages 97-98 SEC Form 17-A for the FY ended 31 March 2017; pages 25-26, Note 12 of the Notes to Parent Company Financial Statements as of 31 March 2017; and pages 77-78, Note 29 of the Consolidated Audited FS as of 31 March 2017)</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf</a></p>	
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**Recommendation 8.6**

<p>1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.</p>	<p>Compliant</p>	<p>The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets. It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interest of its Stockholders and other Stakeholders should be publicly and timely disclosed, in accordance with the Securities and Regulations Code and its implementing rules and regulations. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of Directors and changes to ownership.</p> <p>The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other Stakeholders.</p> <p>(page 50, XIII, 13.2 of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>These transactions shall be disclosed, promptly to the public through the news media 1). if the issuer is listed on an Exchange, to that Exchange within ten (10) minutes after occurrence of the event and prior to its release to the public through the news media, copy furnished the Commission; and 2). to the Commission on SEC Form 17-C within five (5) days after occurrence of the event being reported.</p>	
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<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>Compliant</p>	<p>Please refer to the link below for the Identification of the independent party appointed to evaluate the fairness of the transaction price (page 22-23, Note 8 of the Notes to Parent Company FS; and pages 49-50, Note 11 of the Notes to Consolidated FS.</p> <p>Please refer to the link below for the rules and procedures on evaluating the fairness of the transaction price (page 11, Investment Properties of the Notes to Parent Company FS; and page 22, Investment Properties, of the Notes to Consolidated FS.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
<p><b>Supplement to Recommendation 8.6</b></p>			
<p>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</p>	<p>Compliant</p>	<p>Please refer to the link below on where the voting trust agreements are disclosed (page 8, No. 4, letter c of the 2017 Definitive Information Statement.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
<p><b>Recommendation 8.7</b></p>			
<p>1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).</p>	<p>Compliant</p>	<p>Please refer to the link below for where the Manual on Corporate Governance of the Company is posted.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p>2. Company's MCG is submitted to the SEC and PSE.</p>	<p>Compliant</p>	<p>Date of Submission to the SEC and PSE – 31 May 2017</p>	
<p>3. Company's MCG is posted on its company website.</p>	<p>Compliant</p>	<p><a href="http://stiholdings.com">http://stiholdings.com</a></p>	



Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	<p>The Company submitted to the SEC and PSE on 31 May 2017, an updated Manual on Corporate Governance incorporating all the changes in its corporate governance practices.</p> <p>For SEC:<a href="http://stiholdings.com/pdf/manual-corporategovernance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporategovernance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>For PSE:<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance_PSE%20CR04064-2017.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance_PSE%20CR04064-2017.pdf</a></p>	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:	Compliant	<p>The Company aims to achieve an optimal capital structure in pursuit of its business objectives which include maintaining healthy capital ratios and strong credit ratings, and maximizing shareholder value.</p> <p>Please refer to the link below containing the following information:</p>	
a. Corporate Objectives	Compliant	a. Corporate Objectives – page 40, Note 14 Capital Risk Management of the Notes to Parent Company Financial Statements; page 103, Note 33 Capital Risk Management of the Notes to Consolidated Audited Financial Statements	
b. Financial Performance Indicators	Compliant	<p>b. Financial Performance Indicators –pages 79-81 of the SEC Form 17-A for the Fiscal Year Ended 31 March 2017</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	

c. Non-financial performance indicators	Compliant	<p>c. Non-Financial performance indicators – pages 15 – 41 of the SEC Form 17-A for the Fiscal Year ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
d. Dividend Policy	Compliant	<p>The Company has adopted a Dividend Policy last September, 2017.</p> <p>Please refer to link below:  <a href="http://stiholdings.com/administration/uploads/pdf/20180227_STI%20Holdings%20SEC%20Form%2017-C%20Amended%20Policy%20on%20Declaration%20of%20Cash%20Dividends.pdf">http://stiholdings.com/administration/uploads/pdf/20180227_STI%20Holdings%20SEC%20Form%2017-C%20Amended%20Policy%20on%20Declaration%20of%20Cash%20Dividends.pdf</a></p> <p>The Company will incorporate the dividend policy in the future annual reports i.e. For the Fiscal Year ended 31 March 2018.</p>	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	<p>e. Biographical details of all directors – pages 86-90 of the SEC Form 17-A for the Fiscal Year</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
f. Attendance details of each director in all directors meetings held during the year	Non-Compliant		<p>f. The attendance details of each director in all board meetings held during the year is not incorporated in the annual report due to SEC Memorandum Circular No. 5, Series of 2013, Item IV, No. 1, on the discontinuance of the submission of the Certification of Attendance of Directors in Board meetings;</p>

<p>g. Total remuneration of each member of the board of directors</p>	<p>Compliant</p>	<p>g. Total remuneration of each member of the board of directors (page 93 of the SEC Form 17-A for the FY ended 31 March 2017): The Company has no arrangement for compensation of directors. The compensation for board members comprises per diems only.</p> <p>For 2016-2017, the CEO and top four (4) executive officers as a group, did not receive compensation from the Company. There is no employment contract between the Company and any of its executive officers.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Compliant</p>	<p>Please refer to link below for the statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue (pages 98-99 of the SEC Form 17-A for the FY ended 31 March 2017).</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>Compliant</p>	<p>Please refer to pages 98-99 of the SEC Form 17-A for the FY ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	

<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>Compliant</p>	<p>Please refer to pages 98-99 of the SEC Form 17-A for the FY ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p>Compliant</p>	<p>Please refer to pages 38-40 of the SEC Form 17-A for the FY ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	

**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>Pages 19 – 20 of the 2017 Manual on Corporate Governance provides that:</p> <p>It is the duty of the Audit Committee to recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the Stockholders; and Assess the integrity and independence of external auditors.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Compliant</p>	<p>The percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor is 74%.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf">http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf</a></p>	
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>Compliant</p>	<p>For 2017, the company did not change its external auditors. Hence, there was no disclosure made by the Company on such matter.</p> <p>Page 36, 3.2.5, letter c, of the 2017 Manual on Corporate Governance provides that: The reason for the resignation, dismissal, or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<b>Supplement to Recommendation 9.1</b>			
<p>1. Company has a policy of rotating the lead audit partner every five years.</p>	<p>Compliant</p>	<p>Page 37, 3.2.5, letter e, of the 2017 Manual on Corporate Governance provides that: The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The Corporation also discloses the lead audit partner in its Annual Definitive Information Statements.</p>	

**Recommendation 9.2**

<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	<p>Compliant</p>	<p>Please refer to the attached Audit Committee Charter that provides the following:</p> <p>Assess the integrity and independence of external auditors (page 20 of the 2017 Manual on Corporate Governance – one the responsibilities of the Audit Committee);</p> <p>Perform oversight functions over the corporation's external auditors. It should ensure that the external auditors act independently, and that said auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions (page 4, 4.5, 4.5.1 of the Audit Committee Charter);</p> <p>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 (page 3, 4.1, 4.1.1 of the Audit Committee charter;</p> <p><a href="http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf">http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf</a></p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	<p>Compliant</p>	<p>For the performance evaluation of the external auditors, please refer to pages 5-6, Section 6, 6.1-6.6 of the attached Company's Audit Committee Charter</p> <p><a href="http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf">http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Audit-Committee-Charter.pdf</a></p>	

**Supplement to Recommendations 9.2**

<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	<p>Compliant</p>	<p>Page 19, 2<sup>nd</sup> paragraph of the 2017 Manual on Corporate Governance provides that it is the duty of the Audit Committee to discuss with the External Auditor, prior to the commencement of the audit, the nature, scope and expenses of the audit, and ensure the proper coordination of more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.</p> <p>Page 19, 2<sup>nd</sup> to the last paragraph of the 2017 Manual on Corporate Governance provides that the Audit Committee should coordinate, monitor and facilitate compliance with laws, rules and regulations.</p> <p>Pages 19, last paragraph and page 20, first and second paragraphs of the 2017 Manual on Corporate Governance provides that the Audit Committee should recommend to the Board the appointment, of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the Stockholders.</p> <p>Assess the integrity and independence of external auditors.</p> <p>Page 21, 2<sup>nd</sup> to the last paragraph of the 2017 Manual on Corporate Governance provides that the Audit Committee should evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors.</p>	
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<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	<p>Compliant</p>	<p>Pages 19, 3<sup>rd</sup> to the last paragraph of the 2017 Manual on Corporate Governance provides that the Audit Committee performs oversight functions over the Corporation's Internal and External Auditors. It should ensure the independence of Internal and External Auditors, 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><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p><b>Recommendation 9.3</b></p>			
<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p>	<p>Compliant</p>	<p>Non-audit services performed by the company's external auditors represents professional fees paid for the Corporate Governance Seminar attended by all the members of the Board and officers of STI Holdings and its group and for general tax advisory fee (page 85, last three [3] paragraphs of Item 8 of the SEC Form 17-A for the Fiscal Year ended 31 March 2017).</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20Mar</a> <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20Mar">ch%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	



<p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>	<p>Compliant</p>	<p>The Audit Committee should evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence (As defined by the Code of Ethics for Professional Accountants). The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report (page 19, 3<sup>rd</sup> paragraph of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<b>Supplement to Recommendation 9.3</b>			
<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>Compliant</p>	<p>Non-audit services performed by the company's external auditors represents professional fees paid for the Corporate Governance Seminar attended by all the members of the Board and officers of STI Holdings and its group and for general tax advisory fee (page 85, last two [2] paragraphs of Item 8 of the SEC Form 17-A for the Fiscal Year ended 31 March 2017).</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	

**Additional Recommendation to Principle 9**

<p>1. Company's external auditor is duly accredited by the SEC under Group A category.</p>	<p>Compliant</p>	<p>Page 5 of the Consolidated Audited Financial Statement attached to the SEC Form 17-A for the Fiscal Year ended 31 March 2017 provides below information on the company's external auditor:</p> <ol style="list-style-type: none"> <li>1. Name of the audit engagement partner: <b>Benjamin N. Villacorte;</b></li> <li>2. Accreditation number: <b>1539-A (Group A)</b></li> <li>3. Date Accredited: <b>3 March 2016</b></li> <li>4. Expiry date of accreditation: <b>3 March 2019;</b> and</li> <li>5. Name, address, contact number of the audit firm: <b>SGV &amp; Co.</b> <b>6760 Ayala Avenue, Makati City 1226</b> <b>(632) 891-0307</b></li> </ol>	
<p>2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).</p>	<p>Compliant</p>	<p>Provide information on the following:</p> <ol style="list-style-type: none"> <li>1. Date it was subjected to SOAR inspection, if subjected; <b>The SEC has not yet begun their inspection or informed SGV and Co., STI Holdings' External Auditors, that it has been selected for the inspection program.</b></li> <li>2. <b>We will be advised by them as soon as they will receive a SOAR Notice from the SEC.</b></li> <li>3. Name of the Audit firm; <b>N/A</b> and</li> <li>4. Members of the engagement team inspected by the SEC. – <b>N/A</b></li> </ol>	

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>Page 7, letter b, xxix of the 2017 Manual on Corporate Governance provides that it is the duty of the Board to establish corporate disclosure policies and procedures on non-financial information, including but not limited to management of economic, environmental, social and governance issues which underpin sustainability.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>For the management of Economic issues, please refer to pages 47-51, Item 2 – Properties of STI Holdings and its subsidiaries;</p> <p>For the management of Environmental and Social Issues, please refer to pages 39-41, Community Extension and Outreach Program of STI Holdings and its subsidiaries;</p> <p>For the management of Governance issues, please refer to pages 98-99, Part IV – Corporate Governance;</p> <p>of the SEC Form 17-A for the Fiscal Year ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p>	
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2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-Compliant		The Company is in the process of adopting a globally recognized standard/framework in reporting sustainability and non-financial issues.
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**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	<p>Company Website: <a href="http://www.stiholdings.com">www.stiholdings.com</a></p> <p>Analysts, Investors and Media Briefing:  <a href="http://stiholdings.com/administration/uploads/pdf/Notice_of_Investors_Briefing_August2017.pdf">http://stiholdings.com/administration/uploads/pdf/Notice_of_Investors_Briefing_August2017.pdf</a></p> <p><a href="http://www.stiholdings.com/presentations-reports.php">http://www.stiholdings.com/presentations-reports.php</a></p> <p>Annual, Quarterly and Current Reporting:  <a href="http://www.stiholdings.com/disclosures.php">http://www.stiholdings.com/disclosures.php</a></p>	
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**Supplemental to Principle 11**

1. Company has a website disclosing up-to-date information on the following:	Compliant	Company Website: <a href="http://www.stiholdings.com">www.stiholdings.com</a>	
a. Financial statements/reports (latest quarterly)	Compliant	Quarterly Reports: <a href="http://www.stiholdings.com/disclosures.php">http://www.stiholdings.com/disclosures.php</a>	
b. Materials provided in briefings to analysts and media	Compliant	Analysts, Investors and Media Briefing: <a href="http://stiholdings.com/administration/uploads/pdf/Notice_of_Investors_Briefing_August2017.pdf">http://stiholdings.com/administration/uploads/pdf/Notice_of_Investors_Briefing_August2017.pdf</a>	

c. Downloadable annual report	Compliant	Annual, Quarterly and Current Reporting: <a href="http://www.stiholdings.com/disclosures.php">http://www.stiholdings.com/disclosures.php</a>	
d. Notice of ASM and/or SSM	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
e. Minutes of ASM and/or SSM	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf">http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf</a>	
f. Company's Articles of Incorporation and By-Laws	Compliant	<a href="http://stiholdings.com/our-company-bylaws.php">http://stiholdings.com/our-company-bylaws.php</a>	
<b>Additional Recommendation to Principle 11</b>			
1. Company complies with SEC-prescribed website template.	Compliant	<a href="http://stiholdings.com">http://stiholdings.com</a>	
<b>Internal Control System and Risk Management Framework</b>			
<b>Principle 12:</b> To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
<b>Recommendation 12.1</b>			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	<p>The quality service programs for the internal audit functions are provided in page 36, 3.2.14, letter b, i-v and page 34, letter b, v, a-c of the 2017 Manual on Corporate Governance.</p> <p>The Board shall review the effectiveness of controls on an annual basis through a process of Management self-assessment. Consideration must be given to information and report from the Audit Committee and External Auditor (please refer to page 34, letter d of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>The Board has adopted the following risk policies and procedures (the "Enterprise Risk Management Framework") to better manage risks of the Corporation, with the formation of a control framework to assist in identifying, assessing, monitoring and managing risks, so as to safeguard the assets and interests of the Corporation while ensuring the integrity of reporting (page 44, VIII, b of the 2017 Manual on Corporate Governance)</p> <p>For No. 1 - <u>Company's risk management procedures and processes</u>, please refer to page 45, 8.4, a-h of the 2017 Manual on Corporate Governance;  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>For the following numbers:  2. <u>Key risks the company is currently facing</u>; and  3. <u>How the company manages the key risks</u>  Please refer to page 38-40, Item 17 of the Notes to the Audited Parent Company Financial Statements</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p> <p>Indicate frequency of review of the enterprise risk management framework.</p> <p>The Enterprise Risk Management Framework shall be reviewed annually and all material changes to the Corporation's risk profile shall be noted (please refer to pages 46-47, 8.7, a-d of the 2017 Manual on Corporate Governance).</p>	
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<b>Supplement to Recommendations 12.1</b>			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Compliant	<p>For the company's compliance program covering compliance with laws and relevant regulations, please refer to page 2-3, III, 1-4 of the Compliance Committee Charter.</p> <p><a href="http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Compliance-Committee-Charter.pdf">http://stiholdings.com/pdf/board-committee-charter/STI-Holdings-Compliance-Committee-Charter.pdf</a></p> <p>The Committee shall annually review and reassess the adequacy of this charter and recommend any proposed changes subject to the approval of the Board.</p>	
<b>Optional: Recommendation 12.1</b>			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	Compliant	The Company has established a governance process on IT issues to ensure that key risks are identified, managed and reported to the Board.	
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	Name of Internal Audit Head: Mr. Engracio L. Sagcal, Jr. (Outsourced)	

Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-Compliant	The Company has not yet appointed the company's Chief Audit Executive (CAE). However, the 2017 Manual on Corporate Governance, pages 30-31, 3.2.8, c(i-xiii), provides his/her responsibilities. <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	The Company has yet to appoint a Chief Audit Executive who shall have responsibility over the management of the outsourced internal audit executive.
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-Compliant	The Company has not yet appointed the company's Chief Audit Executive (CAE). However, the 2017 Manual on Corporate Governance, pages 30-31, 3.2.8, c(i-xiii), provides his/her responsibilities. <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	The Company has yet to appoint a Chief Audit Executive who shall have responsibility over the management of the outsourced internal audit executive.
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Non-Compliant	The Company has not yet appointed the company's Chief Audit Executive (CAE). However, the 2017 Manual on Corporate Governance, pages 30-31, 3.2.8, c(i-xiii), provides his/her responsibilities. <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	The Company has yet to appoint a Chief Audit Executive who shall have responsibility over the management of the outsourced internal audit executive.



**Recommendation 12.4**

<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Compliant</p>	<p>It is the duty of the Board of Directors to identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability – page 6, xxii of the 2017 Manual on Corporate Governance.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The company's risk management function is discussed in pages 38-40, Note 17 of the Audited Parent Company Financial Statement for the period ended 31 March 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017_with%20SEC%20stamp_RECEIVED.pdf</a></p> <p>The Financial Risk Disclosure is discussed in pages 18-19, Item VI of the Management Discussion and Analysis (Annex B) attached to the SEC Form 17-Q for the Quarter Ended 31 Dec 2017.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20180215_STI%20Holdings%20SEC%20Form%2017-Q%20For%20the%20Quarter%20Ended%2031%20December%202017.pdf">http://stiholdings.com/administration/uploads/pdf/20180215_STI%20Holdings%20SEC%20Form%2017-Q%20For%20the%20Quarter%20Ended%2031%20December%202017.pdf</a></p>	
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**Supplement to Recommendation 12.4**

<p>1. Company seeks external technical support in risk management when such competence is not available internally.</p>	<p>Non-Compliant</p>		<p>The Company did not seek external technical support in risk management. The Audit Committee is competent enough to assist the Board in ensuring that there is an effective and integrated risk management process in place; to develop a formal enterprise risk management plan; to oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee; to conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports, and assess how the concerned units or offices are addressing and managing these risks; to evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; to revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impacts the likelihood of harm or loss; to advise the Board on its risk appetite levels and risk tolerance limits; and to 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.</p>
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<b>Recommendation 12.5</b>			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non - Compliant	The duties and responsibilities, qualification and background of the Company's Chief Risk Officer are provided in pages 32, 3.2.9, letters a-c of the 2017 Manual on Corporate Governance.  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	Presently, the Company has not appointed yet a Chief Risk Officer ("CRO"). It is the President who fulfills the role of a CRO in accordance with the Corporation's Enterprise Management Framework.  This is in accordance to the provision on page 33, 3.2.9, letter d of the 2017 Manual on Corporate Governance.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	This is provided in page 32, 3.2.9, letter b of the 2017 Manual on Corporate Governance.  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
<b>Additional Recommendation to Principle 12</b>			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	The Statement of Management's Responsibility for Financial Statements is the attestation of the CEO and CFO, that a sound internal audit, control and compliance system is in place and working effectively (page 106 of the SEC Form 17-A for the Fiscal Year Ended 31 March 2017)  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp%20RECEIVED.pdf</a>	

**Cultivating a Synergic Relationship with Shareholders**

**Principle 13:** The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

**Recommendation 13.1**

<p>1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>The shareholders' rights are disclosed in the company's Manual on Corporate Governance (pages 51-53, XIV, 14.1 to 14.9)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p>2. Board ensures that basic shareholder rights are disclosed on the company's website.</p>	<p>Compliant</p>	<p>The basic shareholders rights are provided in the 2017 Manual on Corporate Governance, which is posted in the company's website.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	

**Supplement to Recommendation 13.1**

<p>1. Company's common share has one vote for one share.</p>	<p>Compliant</p>	<p>The Company has only common shares that carry one vote for one share (page 9, Article VI, No. 1 of the Company's amended By-Laws)</p> <p><a href="http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf">http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf</a></p>	
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<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<p>The Company has common shares only.</p> <p>As to Voting Rights, all Stockholders, including minority Stockholders, have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code and the By-Laws of the Corporation (page 51, XIV, 14.1 of the 2017 Manual on Corporate Governance).</p> <p>As to Protection of Stockholders' Rights by Directors, all Stockholders should be treated equally or without discrimination, the Board may 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 as far as practicable and consistent with the relevant provisions of the By-Laws (page 53, XIV, 14.9, last paragraph of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Compliant</p>	<p>Every question (except the election of Directors) submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, whether for the election of Directors or otherwise, the same shall be decided by drawing of lots or in such other lawful manner as may be agreed upon in such meeting. Any person may demand a poll, and such poll shall be taken in such manner as the Chairman of the meeting directs (page 11, Article VI, No. 9 of the Company's Amended By-Laws).</p> <p><a href="http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf">http://www.stiholdings.com/administration/uploads/pdf/ By-Laws%2010%20Sep%202012.pdf</a></p> <p>In the election of the directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>	
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<p>4. Board has an effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Compliant</p>	<p>Pursuant to Art. VI, Sec. 12 of the existing By-Laws, stockholders owning a majority of all the shares of the capital stock of the Corporation present or represented by proxy and entitled to vote, shall form a quorum for the transaction of business and the vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval, except in those cases where the Corporation Code requires the affirmative vote of a greater proportion.</p> <p><a href="http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf">http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf</a></p>	
<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Compliant</p>	<p>As to Protection of Stockholders' Rights by Directors, all Stockholders should be treated equally or without discrimination, the Board may 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 as far as practicable and consistent with the relevant provisions of the By-Laws (page 53, XIV, 14.9, last paragraph of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>Special meetings of the stockholders shall be held at any time upon the call of the Chairman, or in his absence upon the call of the President, or upon the request of two of the Directors, or of the holders of not less than one-fourth of the capital stock of the Corporation. Not less than ten days' notice of any special meeting of stockholders shall be given as provided (page 11, Article VI, No. 7 the Company's By-Laws.</p> <p><a href="http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf">http://www.stiholdings.com/administration/uploads/pdf/By-Laws%2010%20Sep%202012.pdf</a></p>	

<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<p>As to Voting Rights, all Stockholders, including minority Stockholders, have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code and the By-Laws of the Corporation (page 51, XIV, 14.1 of the 2017 Manual on Corporate Governance).</p> <p>As to Protection of Stockholders' Rights by Directors, all Stockholders should be treated equally or without discrimination, the Board may 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 as far as practicable and consistent with the relevant provisions of the By-Laws (page 53, XIV, 14.9, last paragraph of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
<p>7. Company has a transparent and specific dividend policy.</p>	<p>Compliant</p>	<p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Declaration%20of%20Cash%20Dividends%20&amp;%20Policy%20on%20Declaration%20of%20Dividends.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Declaration%20of%20Cash%20Dividends%20&amp;%20Policy%20on%20Declaration%20of%20Dividends.pdf</a></p> <p><a href="http://stiholdings.com/administration/uploads/pdf/20180227_STI%20Holdings%20SEC%20Form%2017-C%20Amended%20Policy%20on%20Declaration%20of%20Cash%20Dividends.pdf">http://stiholdings.com/administration/uploads/pdf/20180227_STI%20Holdings%20SEC%20Form%2017-C%20Amended%20Policy%20on%20Declaration%20of%20Cash%20Dividends.pdf</a></p> <p>The company declared dividends on 29 September 2017. The dividends were paid on 13 November 2017, 45 days after the declaration date.</p>	



Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	In case of balloting, the Secretary of the meeting, upon motion duly made and seconded, is instructed to count all votes represented at the meeting with the assistance of STI ESG, a subsidiary of the Company and RCBC, the Stock Transfer Agent of the Company,	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Non - Compliant		<p>On 5 September 2017, STI Holdings sent out the Notice and Definitive Information Statement in CD Format to RCBC, the Company's Stock Transfer Agent for distribution to all stockholders on same date (<u>24 days or 17 business days prior to the date of the annual stockholders' meeting</u>). This is pursuant to SRC Rule 20.3.3.4. of the Revised Implementing Rules and Regulations of the Securities Regulation Code which states:</p> <p style="padding-left: 40px;"><i>20.3.3.4. The information statement, proxy form and management report referred to in SRC Rule 20.4, if applicable, shall be distributed to security holders at least fifteen (15) business days prior to the date of the stockholders' meeting;.....</i></p> <p><a href="http://www.sec.gov.ph/wp-content/uploads/2015/08/2015-SRC-Rules-Published-in-Phil-Star-Manila-Bulletin-October-25-2015.pdf">http://www.sec.gov.ph/wp-content/uploads/2015/08/2015-SRC-Rules-Published-in-Phil-Star-Manila-Bulletin-October-25-2015.pdf</a></p> <p>The SEC only requires that the notice of an Annual Stockholders' Meeting and the Definitive Information Statement be sent to shareholders at least fifteen (15) business days before the date of the Annual Stockholders' Meeting.</p>

			<p>There is no item in the agenda of the annual stockholders' meeting re shareholders' approval of remuneration or any changes therein.</p> <p>The 2017 Manual on Corporate Governance provides:</p> <p>The Corporate Governance Committee may serve as the Corporation's Nomination and/or Remuneration Committee, unless a separate Committee (s) is/are established for such purpose.</p> <p>The Company is in the process of establishing a formal and transparent procedure to develop a policy for determining the remuneration of Directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates.</p>
<b>Supplemental to Recommendation 13.2</b>			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Non - Compliant		<p>The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies can be found in pages 10-15 of the 2017 Definitive Information Statement.</p> <p><a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Definitive%20Information%20Statement.pdf</a></p>

b. Auditors seeking appointment/re-appointment	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
c. Proxy documents	Compliant	<a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%202017%20Notice%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Non - Compliant		The Company will provide the rationale for each item in the Agenda for the 2018 Annual Stockholders Meeting.
<b>Recommendation 13.3</b>			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	The information on all relevant questions raised during the 2017 ASM is provided in the attached minutes of meeting posted in the company's website on 4 October 2017 (page 3, item IX).  <a href="http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf">http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf</a>	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	The 2017 Minutes of ASM was posted in the company's website on 4 October 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf">http://stiholdings.com/administration/uploads/pdf/2017%20Minutes%20of%20Annual%20Stockholders%20Meeting%20Oct.pdf</a>  The voting results for all agenda items, including the approving, dissenting and abstaining votes were all recorded.  The voting on resolutions was done by a raise of hands.  The stockholders were given the opportunity to ask question every after the approval of the agenda items.	

Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	SGV & Co., the external auditors of the Company and the Stock Transfer Office representative/s are always present in the ASM of the Company to answer shareholders questions, if any.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	<p>One of the duties of the board is to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its Stockholders, and the Corporation and third parties, including the regulatory authorities (page 8, letter b, xxxiii of the 2017 Manual on Corporate Governance).</p> <p>The Board establishes, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. It is important for stockholders to be well-informed of the Corporation's processes and procedures when seeking to redress the violation of their rights. Putting in place proper safeguards ensures suitable remedies for the infringement of stockholders' rights and prevents excessive litigation. (page 47, X, 10.1 of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The details of the alternative dispute resolution made available to resolve intra-corporate disputes can be found on page 7, No. 7 in the attached Company's Code of Business Conduct and Ethics.</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p>	

2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	The alternative dispute mechanism is included in the Company's 2017 Manual on Corporate Governance (page 47, Number X) and on page 7, No. 7 of the attached Company's Code of Business Conduct and Ethics.  <a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a>	
<b>Recommendation 13.5</b>			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	The contact details of the officer responsible for investor relations: 1. Name – Ms. Franchini Vina Z. Cordova 2. Telephone number - 810-0743; 844-9553 3. E-mail address – bing.cordova@stiholdings.com.ph	
2. IRO is present at every shareholder's meeting.	Compliant	The Company IRO is always present during the ASM.	
<b>Supplemental Recommendations to Principle 13</b>			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	There are no anti-takeover measures or similar devices in the Articles of Incorporation and By-Laws or other arrangements that may entrench ineffective management or the existing controlling shareholder group.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	As of 31 March 2018, the company's public float is 36.02%.	
<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Compliant	The President, the Chief Investor Officer, the Treasurer/ CFO and the Investor relations Officer regularly communicate with stockholders and stakeholders regarding their concerns about the Company.	

2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non - Compliant		The Company has not yet established a system for electronic voting in absentia at the Annual Shareholders' Meeting.
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**Duties to Stakeholders**

**Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

**Recommendation 14.1**

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	<p>The 2017 Manual on Corporate Governance defines Stakeholders – as any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.</p> <p>It is also the duty of the board to establish corporate disclosure policies and procedures in accordance with the best practices and regulatory expectations to ensure a comprehensive, accurate, reliable and timely report to Stockholders and other Stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations;</p>	
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**Recommendation 14.2**

<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	<p>Compliant</p>	<p>Identify policies and programs for the protection and fair treatment of company's stakeholders The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.</p> <p>The establishment of policies and programs covering among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourage employees to perform better and motivates them to take a more dynamic role in the Corporation.</p> <p>Active participation is further fostered when the Corporation recognizes the firm-specific skills of its employees and their potential contribution in corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the Board.</p>	
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**Recommendation 14.3**

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Non-Compliant</p>		<p>The Board shall adopt a whistle-blowing mechanism, outlining the procedure to allow employees to freely communicate their concerns about illegal and/or unethical practices without fear of retaliation. The mechanism shall also provide safeguards to secure the confidentiality of the informer. The Board may designate an Independent Director, who will handle whistle-blowing concerns.</p> <p>The Corporation does not condone nor will it not tolerate any retaliation against an individual who lawfully and in good faith reports any misconduct or violations of this Manual and other Policies of the Corporation. Further, an employee who gives information regarding any conduct the employee reasonably believes constitutes a violation of the securities laws or financial fraud statutes (1) to any government authority, (2) by testimony or otherwise in any proceeding pending or about to be STI Education Systems Holdings, Inc. 2017 Manual on Corporate Governance Page 44 commenced concerning such violation or (3) to any person with supervisory authority over the employee or authorized by the Corporation to investigate such conduct, may not be discharged, demoted, discriminated or otherwise retaliated against based upon the information they have provided. Directors, officers and employees if asked, are expected to fully cooperate in internal and external investigations of any reported or alleged misconduct or violation of this Manual (pages 43-44, 7.7 of the 2017 Manual on Corporate Governance).</p> <p>The Company will create a whistleblowing unit to handle whistleblowing concerns in 2018.</p>
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<b>Supplement to Recommendation 14.3</b>			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	<p>One of the duties of the board is to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its Stockholders, and the Corporation and third parties, including the regulatory authorities (page 8, letter b, xxxiii of the 2017 Manual on Corporate Governance).</p> <p>The details of the alternative dispute resolution made available to resolve intra-corporate disputes can be found on page 7, No. 7 in the attached Company's Code of Business Conduct and Ethics.</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p>	
<b>Additional Recommendations to Principle 14</b>			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company did not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue.	
2. Company respects intellectual property rights.	Compliant	The Company registers its Trademarks and Tradenames with the Intellectual Property Office.	
<b>Optional: Principle 14</b>			
1. Company discloses its policies and practices that address customers' welfare	Non-compliant		While the Company has internal policies and practices to address customers' welfare, it does not disclose these policies and practices.

2. Company discloses its policies and practices that address supplier/contractor selection procedures	Non-compliant		While the Company has internal policies and practices to address supplier/contractor selection procedures, it does not disclose these policies and practices.
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**Principle 15:** A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

**Recommendation 15.1**

1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	<p>The Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. The establishment of policies and programs covering among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourage employees to perform better and motivates them to take a more dynamic role in the Corporation. Active participation is further fostered when the Corporation recognizes the firm-specific skills of its employees and their potential contribution in corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the Board (page 53, XV, 15.1 of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p>	
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**Supplement to Recommendation 15.1**

<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>Compliant</p>	<p>The Company and its wholly owned subsidiaries believe that keeping their employees happy in the workplace can make their company a stronger, unwavering force within their industry.</p> <p>The Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. The establishment of policies and programs covered the reward/compensation for employees. The Company encourages employees to perform better and motivates them to take a more dynamic role in the Corporation. Active participation is further fostered when the Corporation recognizes the firm-specific skills of its employees and their potential contribution in corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the Board (page 53, XV, 15.1, No. 3 of the 2017 Manual on Corporate Governance)</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>The employees are compensated based on meritorious level of performance, over-all qualifications and market competitiveness.</p> <p><a href="http://stiholdings.com/corporate-governance-policies.php#health-and-safety">http://stiholdings.com/corporate-governance-policies.php#health-and-safety</a></p>	
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<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>The Company is committed to the safety and welfare of its employees.</p> <p>The Company maintains a comprehensive medical and health program which provides for in-patient and out-patient benefits for employees and dependents. Employees are encouraged to undergo annual physical examinations for health maintenance.</p> <p>A chapel is maintained in the office vicinity for employees' spiritual growth.</p> <p>The Company conducts regular training on safety and fire and earthquake drills, in coordination with the local government fire department and the office building administrator.</p> <p><a href="http://stiholdings.com/corporate-governance-policies.php#health-and-safety">http://stiholdings.com/corporate-governance-policies.php#health-and-safety</a></p> <p>The company participated in the Quarterly DUCK, COVER and HOLD - Nationwide Simultaneous Earthquake Drill (NSED) held on the following dates:</p> <ol style="list-style-type: none"> <li>1. First Quarter - 31 March 2017</li> <li>2. Second Quarter - 29 June 2017</li> <li>3. Third Quarter - 27 September 2017</li> </ol> <p>In coordination with the local government fire department and company's building administrator, the Fire Drill was held on 8 March 2018.</p>	
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<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>The employees of the Company and its wholly owned subsidiaries are continuously trained and developed to enable them to achieve excellent performance and enhance their expertise. Career development programs are implemented to ensure their professional growth.</p> <p><a href="http://stiholdings.com/corporate-governance-policies.php#health-and-safety">http://stiholdings.com/corporate-governance-policies.php#health-and-safety</a></p> <p>The Board of Directors and Officers of the Company have attended a Seminar on Adapting Changes in the Corporate Governance Code and Internal Control Environment held on 14 December 2017 held at the STI Holdings Board Room.</p>	
<b>Recommendation 15.2</b>			
<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>Compliant</p>	<p>The Code of Business Conduct and Ethics should contain an Anti-Corruption Policy, which should encourage employees to report corrupt practices, and should outline procedures on how to combat these corrupt practices (page 48; XI, 11.2 of the 2017 Manual on Corporate Governance).</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>All directors, officers and employees shall comply in all material respects with all laws, rules and regulations applicable in the country and local jurisdictions where the Company's business is conducted (page 4, No. 4, letter A of the STI Holdings Code of Business Conduct and Ethics).</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p>	

<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>Compliant</p>	<p>This Code is posted on the Company's website and will be provided to all of the Company's directors, officers and employees. Officers are encouraged to explain and discuss this Code with employees to ensure they recognize the existence and understand the applicability of this Code. Written certification of compliance with this Code is required from the CEO and Chief Accounting Officer, if any, on an annual basis (page 8, No. 9, 9.2 of the Code of Business Conduct and Ethics).</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p> <p>A hard-bound book containing the compilation of STI Holdings Chartered Documents, Company Manuals (including the Code of Business Conduct and Ethics and etc.) and other SEC and PSE Rules for Company Directors, was distributed to all the directors, officers and employees in September 2013. New directors and employees were given a copy as well, for their usage and files, upon their appointment/election and hiring, respectively.</p>	
<b>Supplement to Recommendation 15.2</b>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>A violation of the Company's Code of Business Conduct and Ethics may result in disciplinary action, including termination of employment. Legal proceedings may also be commenced, if necessary, to recover the amount of any improper expenditures, any profits realized by the offending director, officer or employee, and any financial harm sustained by the Company. In certain circumstances, violations of the Code will be reported by the Company to the applicable authority if such violations likely violate Philippine criminal laws (page 7, No. 6, 6.1, letter F of the Code of Business Conduct and Ethics).</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p> <p>As of this report, there is no discovery of employee's involvement in offering, paying and receiving bribes or violations of any company policy by the employees.</p>	

**Recommendation 15.3**

<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Compliant</p>	<p>The company's whistle-blowing policy and procedure allowing employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation are provided in the 2017 Manual on Corporate Governance, pages 43 – 44, VII, 7.7.</p> <p><a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a></p> <p>Yes, the framework includes procedures to protect the employees from retaliation. Please refer to page 7, No. 6, 6.2 of the Code of Business Conduct and Ethics.</p> <p><a href="http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf">http://stiholdings.com/pdf/STI-Holdings-Code-of-Business-Conduct-and-Ethics.pdf</a></p> <p><a href="http://stiholdings.com/corporate-governance-policies.php#whistle-blowing">http://stiholdings.com/corporate-governance-policies.php#whistle-blowing</a></p>	
<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>Non - Compliant</p>		<p>The Company will create a whistleblowing unit to handle whistleblowing concerns during the third quarter of 2018.</p>
<p>3. Board supervises and ensures the enforcement of the whistleblowing framework.</p>	<p>Compliant</p>	<p>Directors, officers and employees if asked, are expected to fully cooperate in internal and external investigations of any reported or alleged misconduct or violation of this Manual. There is no incident yet of whistleblowing in the company.</p>	

<b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
<b>Recommendation 16.1</b>			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	For the company's community involvement and environment-related programs please refer to pages 39-41 – Community Extension and Outreach Programs of the STI Holdings Group of Companies, of the SEC Form 17-A for the Fiscal Year ended 31 March 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp_RECEIVED.pdf</a>	
<b>Optional: Principle 16</b>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates (page 54, XVI of the 2017 Manual on Corporate Governance)  <a href="http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf">http://stiholdings.com/pdf/manual-corporate-governance/STI%20Holdings%202017%20Manual%20on%20Corporate%20Governance.pdf</a>	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	For the company's community involvement and environment-related programs please refer to pages 39-41 – Community Extension and Outreach Programs of the STI Holdings Group of Companies, of the SEC Form 17-A for the Fiscal Year ended 31 March 2017.  <a href="http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp_RECEIVED.pdf">http://stiholdings.com/administration/uploads/pdf/STI%20Holdings%20SEC%20Form%2017-A%20For%20the%20Year%20Ended%2031%20March%202017%20with%20SEC%20stamp_RECEIVED.pdf</a>	



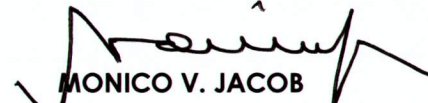
**SIGNATURES**

Pursuant to the requirements of SEC Memorandum Circular No. 15, Series of 2017 of the Securities and Exchange Commission, this report is signed on behalf of the registrant by the undersigned, thereunto duly authorized in the City of Makati on MAY 25 2018.


**STI EDUCATION SYSTEMS HOLDINGS, INC.**


By:

  
**EUSEBIO H. TANCO**  
 Chairman of the Board

  
**MONICO V. JACOB**  
 President and Chief Executive Officer

  
**JOHNIP G. CUA**  
 Independent Director

  
**JESLI A. LAPUS**  
 Independent Director

  
**ROBERT G. VERGARA**  
 Independent Director

**ARSENIO C. CABRERA, JR.**  
 Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this MAY 25 2018, affiants exhibiting to me their respective Passport or SSS Numbers, as follows:


<u>Names</u>	<u>Passport/SSS/Other ID Numbers</u>	<u>Date and Place of Issuance</u>
Eusebio H. Tanco	Passport No. EC2037045	4 Sep. 2014, DFA Manila, Philippines
Monico V. Jacob	Passport No. EC7728486	17 May 2016, DFA NCR East, Philippines
Johnip G. Cua	Passport No. EC4417377	16 June 2015 DFA NCR East, Philippines
Jesli A. Lapus	Passport No. <u>P6589685A</u>	<u>28 March 2018 DFA Manila, Philippines</u>
Robert G. Vergara	UMID CRN 021-1109-1991-2	
Arsenio C. Cabrera, Jr.	Passport No. P0055009A	26 August 2016, DFA NCR South, Philippines

Doc. No. 74;  
 Page No. 16;  
 Book No. II;  
 Series of 2018.

SEC Form – I-ACGR \* Updated 21Dec2017



Notary Public

  
**CESAR DOMINI C. GARCIA**  
 Notary Public for Makati City  
 Appointment No. M-391  
 Until 31 December 2018  
 5/F SGV II Building,  
 6758 Ayala Avenue, Makati City  
 Roll of Attorneys No. 64262  
 PTR No. 6628744 / Makati / 11 January 2018  
 IBP LM No. 013782 / Makati / Lifetime Member  
 MCLE Compliance No. V-0019979  
 NBI No. G620GC0198-MA18411653

## SECRETARY'S CERTIFICATE

I, **ARSENIO C. CABRERA, JR.**, of legal age, with office address at 5/F SGV II Building, Ayala Avenue, Makati City, after having been sworn in accordance with law, depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **STI Education Systems Holdings, Inc.** ("Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 7<sup>th</sup> Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City;
2. The Corporation held the following meetings from 1 January 2017 up to the present:

<u>Date of Meeting</u>		<u>Board/Stockholders/Committee</u>
28 March 2017	-	Board of Directors Meeting
27 June 2017	-	Board of Directors Meeting
6 July 2017	-	Board of Directors Meeting
6 July 2017	-	Audit Committee Meeting
27 July 2017	-	Board of Directors Meeting
4 August 2017	-	Nomination Committee Meeting
29 September 2017	-	Board of Directors Meeting
29 September 2017	-	Annual Stockholders'
29 September 2017	-	Organizational Meeting
14 December 2017	-	Board of Directors Meeting
15 February 2018	-	Board of Directors Meeting

3. The foregoing is in accordance with the records of the Corporation in my possession.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature this 29<sup>th</sup> day of May 2018 at Makati City.

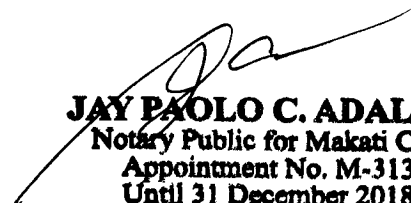
  
**ARSENIO C. CABRERA, JR.**  
*Corporate Secretary*

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

SUBSCRIBED AND SWORN to before me this 29<sup>th</sup> day of May 2018  
in Makati City, affiant exhibiting to me his Passport No. P0055009A issued on  
26 August 2016 at DFA NCR South.

Doc. No. 181 :  
Page No. 38 :  
Book No. 1 :  
Series of 2018.



  
**JAY PAOLO C. ADALEM**  
Notary Public for Makati City  
Appointment No. M-313  
Until 31 December 2018  
5/F SGV II Building,  
6758 Ayala Avenue, Makati City  
Roll of Attorneys No. 66061  
PTR No. 6628746 / Makati / 11 January 2018  
IBP No. 026136 / Caloocan Malabon  
Navotas / 11 January 2018

**MINUTES OF THE MEETING  
OF THE BOARD OF DIRECTORS OF  
JTH DAVIES HOLDINGS, INC.**

Monday, 28 June 2010  
7/F Phil. First Building,  
6764 Ayala Avenue, Makati City

**PRESENT:**

EUSEBIO H. TANCO  
MONICO V. JACOB  
ARSENIO N. TANCO  
YOLANDA M. BAUTISTA  
ELPIDIO C. JAMORA, JR.  
PETE N. PRADO

**ALSO PRESENT:**

ARSENIO C. CABRERA, JR.  
ELIZABETH M. GUERRERO  
ANNA CARMINA S. HERRERA  
NOEL P. RABAJA  
MARIA VIVIAN C. RUIZ

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**I. CALL TO ORDER**

The Chairman, Mr. Eusebio H. Tanco, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., recorded the minutes of the meeting.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary certified that notice had been sent to all directors and that a quorum existed for the valid transaction of business.

**III. RESIGNATION AND ELECTION OF INDEPENDENT DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE**

The Chairman informed the Board about the resignation of Mr. Michael D. Uy as an independent director of the Corporation. The Board accepted the resignation of Mr. Michael D. Uy with regrets. The Board then elected Mr. Pete N. Prado to serve as an independent director of the Corporation to serve as such for the unexpired portion of the term of Mr. Uy. The Board also elected Mr. Prado as the Chairman of the Audit Committee.

**IV. BUSINESS REPORTS**

SGV & Co. presented its report in connection with the possible conversion of the Corporation into a Real Estate Investment Trust ("REIT"). Mr. Noel P. Rabaja noted that there is no provision in the REIT Law which prohibits a listed company from converting itself into a REIT. He further noted that the Corporation would have to amend the Articles of Incorporation to allow it to own real properties. He likewise stated that the Corporation may have to issue additional shares.

As to the applicable taxes for a REIT, Mr. Rabaja stated that the original issuance of shares by the Corporation would be subject to documentary stamp tax. However, the sale of listed securities would only

be subject to the stock transfer tax and not documentary stamp tax. He also stated that the Corporation would not be exempt from paying the listing fee.

Mr. Jacob recommended that the Board create a committee to study the possible businesses that the Corporation could engage in. He also recommended that Mr. Tanco be elected as the Chairman of this committee. Upon motion duly made and seconded, the Board approved the creation of said committee and elected Mr. Tanco as its Chairman.

#### V. DECLARATION OF CASH DIVIDENDS

The Board decided to declare cash dividends in the amount of Two Centavos per share or a total aggregate amount of Six Million One Hundred Forty Three Thousand Six Hundred Forty Four Pesos and Twenty Two Centavos (₱6,143,644.22) to all stockholders of record as of 2 August 2010 and to set 27 August 2010 as the payment date for the cash dividends.

Upon motion made and duly seconded, the Board approved the following resolutions:

*“RESOLVED, That cash dividends amounting to Two Centavos (₱0.02) per share or the aggregate amount of Six Million One Hundred Forty Three Thousand Six Hundred Forty Four Pesos and Twenty Two Centavos (₱6,143,644.22) be declared and issued in favor of the Corporation’s shareholders of record as of 2 August 2010 and payable on 27 August 2010, to be paid in full out of the Corporation’s unrestricted retained earnings as of 31 December 2009 based on its Audited Financial Statements for the fiscal year ending 2009 and upon compliance with all necessary regulations;*

*“RESOLVED FINALLY, That the President, Mr. Monico V. Jacob, the Corporate Secretary, Mr. Arsenio C. Cabrera, Jr. and other proper officers of the Corporation be, as they are hereby, authorized to file the necessary documents with the Securities and Exchange Commission and perform all acts as may be necessary or appropriate to fully implement the foregoing resolutions.”*

#### VI. FINANCIAL REPORTS

Ms. Yolanda M. Bautista informed the Board that the Corporation’s payment of real property fees to the Land Registration Authority amounting to ₱17.353 Million would not be treated as a tax credit but as a tax refund. She explained that the Land Registration Authority could not advise the Corporation that it was entitled to a tax refund because it was the Department of Budget and Management that issued the final approval.

## VII. ISSUANCE OF SHARES IN UNCERTIFICATED FORM

The Corporate Secretary informed the Board about the need to authorize the Corporation's Stock Transfer Agent, the Bank of the Philippine Islands, Stock and Transfer Agency, to cancel jumbo or mother certificates under the name of the Philippine Depository and Trust Corporation ("PDTC") and to issue shares in uncertificated form or otherwise certify to the issuance of shares in favor of PDTC.

Upon motion made and duly seconded, the Board approved the following resolution:

*"RESOLVED, That the Board of Directors authorize, as it hereby authorizes, the Bank of the Philippine Islands, Stock and Transfer Agency, to, in replacement of the Jumbo or mother certificate previously issued to the Philippine Depository and Trust Corporation ("PDTC"), issue shares in uncertificated form or otherwise certify to the issuance of shares in favor of the PDTC covering all shares of stock of the Corporation that have been lodged with the PDTC, in compliance with the Amended Rule on Lodgment of Securities of the Philippines Stock Exchange."*

## VIII. DESIGNATION OF BPI STA TO ENDORSE CERTIFICATES OF STOCK

The Corporate Secretary informed the Board about the need to designate officers of the Corporation's Stock Transfer Agent, as signatories for the endorsement of certificates of stock and appointment of proxies at stockholders' meeting.

Upon motion made and duly seconded, the Board approved the following resolution:

*"RESOLVED, That the Corporation authorize, as it hereby authorizes, the following designated officers of Bank of the Philippine Islands ("BPI") as the signatories of BPI's Stock Transfer Agency with special power and authority to sign and execute, for and on behalf of BPI, in its capacity as attorney-in-fact or under any other representative, or fiduciary capacity, any and all documents, agreements or instruments of whatever kind or nature related to or in connection with any property under administration and/or management of said unit of BPI, such as, but not limited to endorsement of certificates of stock and appointment of proxies as stockholders' meeting:*

Ma. Corazon S. Remo - Senior Vice President  
Elfrida S. Narboneta - Assistant Vice President  
Marilou M. Salandanan - Senior Manager  
Jeffrey H. Esmabe - Assistant Manager

*"RESOLVED FURTHER, That to be valid and effective, such documents, agreements, or instruments shall bear the joint signatures of any two (2) of the above-named BPI Officers;*

*“RESOLVED FINALLY, That the foregoing resolutions shall remain valid, subsisting and enforceable upon the Corporation unless subsequently revoked or rescinded or superseded by a resolution by the Board of Directors and copy of such resolution is actually received by BPI.”*

**IX. REACTIVATION OF DOLLAR ACCOUNT**

The Treasurer informed the Board about the need to reactive the Corporation’s Dollar account with the Bank of the Philippine Islands.

Upon motion made and duly seconded, the Board approved the following resolution:

*“RESOLVED, That the Corporation authorize, as it hereby authorizes, the reactivation of the Corporation’s US dollar account with the Bank of the Philippine Islands (“BPI”) under Account No. 0014-0423-85 (the “Dollar Account”);*

*“RESOLVED FURTHER, That the Corporation designates any two (2) of the following individuals as the new signatories for the Corporation’s Dollar Account with BPI, with authority to withdraw the funds/monies of the Corporation by receipts, drafts, bills of exchange, orders for payment and/or similar instruments for the Dollar Account maintained by the Corporation with BPI in accordance with the applicable limits of authority provided below;*

<b>Name</b>	<b>Specimen Signature</b>
Eusebio H. Tanco	_____
Monico V. Jacob	_____
Arsenio N. Tanco	_____
Yolanda M. Bautista	_____

*“RESOLVED FURTHER, That the Authorized Signatories shall have the power to sign, execute and/or deliver any and all documents in the name of the Corporation in connection with the opening and closing of the accounts as well as for the posting, depositing or withdrawal of the Corporation’s funds with the Bank. Provided, that, all or any part of the Corporation’s funds, regardless of denomination, that are deposited with the Bank shall be withdrawn or endorsed only by withdrawal slips, debit advices, drafts, receipts, bills of exchange, orders of payment or any other documents of similar import that contain the signature(s) of the proper Authorized Signatory;*

*“RESOLVED FINALLY, that all other resolutions inconsistent with the foregoing are hereby revoked and amended and that the Bank is authorized to act upon this resolution until written notice of its revocation or amendment is delivered thereto.”*

**X. INCREASE IN PER DIEMS**

The Board discussed the increase in the per diems to be received by the members of the Board for each Board meeting.

Upon motion duly made and seconded, the Board approved the following resolution:

*“RESOLVED, That the Corporation approve, as it hereby approves, the increase in the per diems of the members of the Board for each Board meeting to Fifteen Thousand Pesos (₱15,000.00), net of taxes.”*

**XI. CHANGE IN ASSIGNEES OF BAGUIO COUNTRY CLUB SHARES**

The Board decided to designate new assignees of the shares in the name of the Corporation in Baguio Country Club.

Upon motion duly made and seconded, the Board approved the following resolutions:

*“RESOLVED, That the Corporation designate, as it hereby designates, the following persons as the new assignees of the following shares of the Corporation in Baguio Country Club:*

Old Assignee	New Assignee
Michael D. Uy	Eusebio H. Tanco
Atty. Ramon P. Ereneta, Jr.	Monico V. Jacob

*“RESOLVED FINALLY, That the Corporation designate, as it hereby designates, Yolanda M. Bautista, as its assignee of the share of the Corporation in Baguio Country Club that has not been previously assigned to any director or officer of the Corporation.*

**XII. ADJOURNMENT**

There being no further business to transact, upon motion duly made and seconded, the meeting was adjourned.

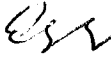
  
**ARSENIO C. CABRERA, JR.**  
Corporate Secretary

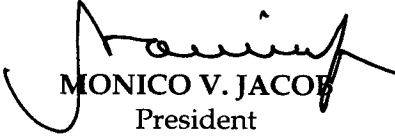


**ATTEST:**

  
**EUSEBIO H. TANCO**  
Chairman

  
**ARSENIO N. TANCO**  
Director

  
**ELPIDIO C. JAMORA, JR.**  
Independent Director

  
**MONICO V. JACOB**  
President

  
**YOLANDA M. BAUTISTA**  
Director

  
**PETE N. PRADO**  
Independent Director