



May 24, 2018

Securities and Exchange Commission
G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director – Market and Securities Regulation Division

The Philippine Stock Exchange, Inc.
6th Floor, PSE Tower,
Bonifacio Global City, Taguig City

Attention: **Jose Valeriano B. Zuño III**
Head – Disclosure Department

Subject: **Integrated Annual Corporate Governance Report**

GENTLEMEN:

Submitting herewith the Integrated Annual Corporate Governance Report of Cosco Capital, Inc. for the year ended December 31, 2017.

Thank you,


ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **DECEMBER 31, 2017**
2. SEC Identification Number **147669**
3. BIR Tax Identification No. **000-432-378**
4. Exact name of issuer as specified in its charter **COSCO CAPITAL, INC.**
5. **MANILA, PHILIPPINES**
Province, Country or other jurisdiction of incorporation
or organization
6. (SEC Use Only)
Industry Classification Code:
7. **NO. 900 ROMULADEZ ST., PACO, MANILA**
Address of principal office
- 1007**
Postal Code
8. **632-522-8801 - 04**
Issuer's telephone number, including area code
9. **NONE**
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	ANNEX "1" - Directors' Profile	
2. Board has an appropriate mix of competence and expertise.			
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.			
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	Compliant	ANNEX "6" – Board Composition	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	ANNEX "2" - Manual on Corporate Governance (MCG), page 1 ANNEX "3" - Corporate Governance Seminar Attendance	
2. Company has an orientation program for first time directors.	Non-compliant		First time directors are required to attend four (4) hours of Annual Corporate Governance Seminar provided by an accredited service provider of the SEC.
3. Company has relevant annual continuing training for all directors.	Compliant	ANNEX "3" - Corporate Governance Seminar Attendance	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	ANNEX "1" - Directors' Profile ANNEX "2" - Manual on Corporate Governance (MCG), page 1	
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.	-	-	-
Recommendation 1.5			

1. Board is assisted by a Corporate Secretary.	Compliant	ANNEX "4" - Organizational Chart ANNEX "5" - List of Officers ANNEX "6" - Board Composition ANNEX "7" - Corporate Secretary's Profile	
2. Corporate Secretary is a separate individual from the Compliance Officer.			
3. Corporate Secretary is not a member of the Board of Directors.			
4. Corporate Secretary attends training/s on corporate governance.	Compliant	ANNEX "3" - Corporate Governance Seminar Attendance ANNEX "8" - 2018 Annual Corporate Governance Program	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	-	-	-
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	ANNEX "4" - Organizational Chart ANNEX "5" - List of Officers ANNEX "6" - Board Composition ANNEX "9" - Compliance Officer's Profile	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-compliant		The Compliance Officer holds a Managerial Position but still with adequate stature and authority in the Corporation.
3. Compliance Officer is not a member of the board.	Compliant	ANNEX "4" - Organizational Chart ANNEX "5" - List of Officers ANNEX "6" - Board Composition ANNEX "9" - Compliance Officer's Profile	
4. Compliance Officer attends training/s on corporate governance.	Compliant	ANNEX "3" - Corporate Governance Seminar Attendance ANNEX "8" - 2018 Annual Corporate Governance Program	
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	ANNEX "10" – Minutes of the Meeting dated August 14, 2017	

Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	ANNEX "10" – Minutes of the Meeting dated August 14, 2017	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.			
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	Please see vision, mission and core values of the Company website. http://www.coscocapital.com/about.do?id=19561	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	ANNEX "10" – Minutes of the Meeting dated August 14, 2017	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	ANNEX "11" – Chairman's Profile	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	The Company has a hierarchy of employee ranks depending on their trainings and experiences. The children of the majority stockholder occupy executive positions in various companies or subsidiaries of the Corporation.	
2. Board adopts a policy on the retirement for directors and key officers.	Non-compliant		The Company adheres with the general provisions of the Philippine Labor Code on voluntary and mandatory retirement of employees.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	ANNEX "12" – Manager's Accomplishment Report ANNEX "13" - Key Performance Review	
2. Board adopts a policy specifying the relationship between remuneration and performance.			
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.			
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	-	-	-
2. Company has measurable standards to align the performance-based remuneration of the executive directors	-	-	-

and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Non-compliant		It is the practice of the Company that any member of the Board may nominate a potential candidate for members of the Board. The Office of the Chairman and the President screen the qualification of the candidate if aligned with the interests and business of the Company.
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.			
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.			
4. Board nomination and election policy includes how the board shortlists candidates.			
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.			
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	The Offices of the Chairman and the President screen the qualification of the candidate if aligned with the interests and business of the Company.	
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.	-	-	-
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	Transactions between related parties are in arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Company binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Company uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. ANNEX "14" - 2017 Audited Financial Statements, pages 78 to 82	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.			
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.			
Supplement to Recommendations 2.7			

1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <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.	Compliant	All related party transactions, regardless of amount, are adequately disclosed. They are approved in the ordinary course of business by the top management of the Company. ANNEX "14" - 2017 Audited Financial Statements, pages 78 to 82	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Non-compliant		All related party transactions, regardless of amount, are adequately disclosed. They are approved in the ordinary course of business by the top management of the Company. These transactions are subject to regular internal and external audit.
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	The Board approves the appointment of high ranking officers of the Company. The Board screens the qualification of the officers to be appointed. Eg. Emerlinda D. Llamado as Internal Auditor	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	The Board evaluates the performance of the management key officers every year and confirms their reappointment if they perform well. ANNEX "15" - SEC 17-C Board Appointment of Corporate Key Officers.	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	ANNEX "10" – Minutes of the Meeting dated August 14, 2017	
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.			
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	ANNEX "16" - Audit Committee Charter ANNEX "17" - 2018 Audit Plan	

2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.			
3. Board approves the Internal Audit Charter.	Non-compliant		The Company has an approved audit plan.
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	ANNEX "18" – Annual Report, pages 12 to 14 (Discussion of risk and Mitigating Measures of the Company)	
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.			
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Non-compliant		The Board Charter is incorporated in the MCG which is posted in the company website.
2. Board Charter serves as a guide to the directors in the performance of their functions.			
3. Board Charter is publicly available and posted on the company's website.			
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	ANNEX "19" – Insider Trading Policy http://www.coscocalpital.com/corporategovernance.do?category_id=9375	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	-	-	-
2. Company discloses the types of decision requiring board of directors' approval.	-	-	-
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	ANNEX "20" - SEC 17-C Creation of Board Committees and Appointment of Members	
Recommendation 3.2			

1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	ANNEX "2" - Manual on Corporate Governance (MCG), page 2 ANNEX "16" – Audit Committee Charter ANNEX "17" – 2018 Audit Plan Yes, it is the Audit Committee's responsibility to recommend the appointment and removal of the Company's external auditor.	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	ANNEX "2" - Manual on Corporate Governance (MCG), page 2 ANNEX "20" - SEC 17-C Creation of Board Committees and Appointment of Members ANNEX "1" - Directors' Profile	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	ANNEX "1" - Directors' Profile	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	ANNEX "20" - SEC 17-C Creation of Board Committees and Appointment of Members	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	All services conducted by the external auditor in 2017 were audit-related. And these services were duly approved by the Audit Committee. There were no non-audit services conducted in 2017.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-compliant		All meetings of Audit Committee with external auditor were conducted in the presence of officers from the management team. However, the members of the Audit Committee or external auditor were free to discuss anything and not hindered by the presence of anyone from the management team.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Compliant	ANNEX "21" - Minutes of the Meeting dated August 11, 2017	
2. Audit Committee approves the appointment and removal of the internal auditor.	-	-	-
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the	Compliant	ANNEX "2" - Manual on Corporate Governance (MCG), page 2	

functions that were formerly assigned to a Nomination and Remuneration Committee.		Yes, the Committee is undertaking the process of identifying the quality of directors aligned with the company's strategic direction.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	ANNEX "5" – List of Officers ANNEX "1" – Directors' Profile	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	ANNEX "5" – List of Officers	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	-	-	-
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Non-compliant		The Company has not yet established a Board Risk Oversight Committee (BROC). The function of risk management is currently being performed by the Audit Committee, the Office of the President and the Board of Directors.
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.			
3. The Chairman of the BROC 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.			
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Non-compliant		The function of reviewing all material related party transactions of the company is currently being performed by the Audit Committee and the Board of Directors.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.			
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Non-compliant		The purposes, memberships, structures, operations, reporting process, resources and other relevant information of the Audit Committee are defined in ANNEX "2" - MCG and ANNEX "16" - Audit Committee Charter.
2. Committee Charters provide standards for evaluating the performance of the Committees.			

3. Committee Charters were fully disclosed on the company's website.			<p>The purposes, memberships, structures, operations, reporting process, resources and other relevant information of the Corporate Governance Committee are defined in MCG (ANNEX 2).</p> <p>The MCG and the Audit Committee Charter were fully disclosed on the Company's website.</p>
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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	ANNEX "10" - Minutes of the Meeting dated August 14, 2017	
2. The directors review meeting materials for all Board and Committee meetings.			
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.			

Recommendation 4.2

1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Non-compliant		<p>All directorships in publicly-listed companies of directors were fully disclosed in the Information Statement and Annual Report of the Company.</p> <p>No director is holding more than five directorship positions in publicly-listed companies.</p>
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Recommendation 4.3

1. The directors notify the company's board before accepting a directorship in another company.	Compliant	ANNEX "2" - Manual on Corporate Governance (MCG), page 3	
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Optional: Principle 4

1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	ANNEX "1" - Directors' Profile	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	ANNEX "22" - Minutes of the Meeting dated December 15, 2017	
3. Board of directors meet at least six times during the year.			
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Compliant	Please see Section 6 Article III of the Company's By Laws, to read as follows:	

		“Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that at least one independent director be present. Every decision of at least majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board.”	
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	ANNEX “6” - Board Composition	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	ANNEX “1” – Directors’ Profile	
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	ANNEX “18” – Annual Report, page 17	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	ANNEX “1” – Directors’ Profile	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	ANNEX “2” - Manual on Corporate Governance (MCG), page 3	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders’ approval during the annual shareholders’ meeting.	Compliant	ANNEX “2” - Manual on Corporate Governance (MCG), page 3	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Company’s Chairman of the Board is Mr. Lucio Co and the Chief Executive Officer is Mr. Leonardo B. Dayao.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	ANNEX “23” – 2016 Annual Corporate Governance, page 6	

		The Chairman of the Board and Chief Executive Officer are not related.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	ANNEX "5" – List of Officers The Chairman is not an independent director. The lead independent director is Mr. Robert Cokeng.	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	No particular transaction transpired in 2017 where any director has material interest in a transaction affecting the corporation.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-compliant		The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions with at least one executive director present.
2. The meetings are chaired by the lead independent director.	Compliant	Mr. Robert Cokeng is the lead independent director and he is also the Chairman of the Audit Committee.	
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	-	-	-
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		The Board will adapt an assessment process and carry out evaluations to appraise its performance as a body and as individual directors.
2. The Chairman conducts a self-assessment of his performance.			
3. The individual members conduct a self-assessment of their performance.			
4. Each committee conducts a self-assessment of its performance.			
5. Every three years, the assessments are supported by an external facilitator.			
Recommendation 6.2			

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Non-compliant		The Board will adapt a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees. The Board will adapt a system that will allow for a feedback mechanism from the shareholders.
2. The system allows for a feedback mechanism from the shareholders.			

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1 Non

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.	Non-compliant		The rules in business conducts and ethics like anti-bribery, conflict of interest, insider trading are in different set of manuals. Please see Company website.
2. The Code is properly disseminated to the Board, senior management and employees.	Non-compliant		The Board will adapt a system on proper dissemination of the Code of Business Conduct and Ethics to the Board, senior management and employees.
3. The Code is disclosed and made available to the public through the company website.			

Supplement to Recommendation 7.1

1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	ANNEX "24" - Conflict of Interest Policy http://www.coscocapital.com/corporategovernance.do?category_id=9359	
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Recommendation 7.2

1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	Every quarter, the Internal Audit Department issues reports showing results of compliance or audit findings. Annex "22" – Minutes of the Meeting dated December 15, 2017	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.			

Disclosure and Transparency

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that give a fair and complete picture of a company's financial condition, results and business operations.	Compliant	ANNEX "18" – Annual Report ANNEX "25" – Quarterly Report	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Non-compliant		Consolidated financial statements are published within one hundred five (105) 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.
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant	ANNEX "18" – Annual Report	
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	ANNEX "26" - SEC 23-B	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant		
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	ANNEX "27" - SEC 17-C Buyback of Shares	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	ANNEX "1" – Directors' Profile	

2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	ANNEX "5" - List of Officers	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	ANNEX "18" – Annual Report, pages 21-22	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.			
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-compliant		Remuneration of directors is disclosed as a group.
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	All RPT transactions are fully disclosed. ANNEX "14" - 2017 Audited Annual Financial Statements, pages 78 to 82	
2. Company discloses material or significant RPTs reviewed and approved during the year.			
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	ANNEX "24" - Conflict of Interest Policy http://www.coscocapital.com/corporategovernance.do?category_id=9359 No incident that any director discloses any interests in any transactions or any other conflict of interests.	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	ANNEX "15" – 2017 Audited Financial Statements, pages 78 to 82	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	The Company 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. There is no acquisition or disposal that transpired in 2017.	

2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. There is no acquisition or disposal that transpired in 2017.	
Supplement to Recommendation 8.6			
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.	Compliant	ANNEX "18" - Annual Report, page 21	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	ANNEX "2" - MCG	
2. Company's MCG is submitted to the SEC and PSE.			
3. Company's MCG is posted on its company website.			
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	ANNEX "28" SEC 17 –C Amendment of By-Laws.	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:	Non-Compliant		Annex "18" – Annual Report
f. Corporate Objectives			The Company has only the following as disclosed in its Annual Report: a. Corporate Objectives, page 5 b. Financial performance indicators, pages 26-29 c. Dividend Policy, page 18 d. Biographical details of all directors, page 19-22 e. Total remuneration of each member of the board of directors, pages 22-23
g. Financial performance indicators			
h. Non-financial performance indicators			
i. Dividend Policy			
j. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
k. Attendance details of each director in all directors meetings held during the year			
l. Total remuneration of each member of the board of directors			
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate	Compliant	ANNEX "18" - Annual Report, page 24	

Governance and where there is non-compliance, identifies and explains reason for each such issue.			
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.			
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.			
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).	Compliant	ANNEX "18" - Annual Report, pages 12-14	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	ANNEX "16" - Audit Committee Charter	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	ANNEX "29" - SEC 17-C Appointment of External Auditor	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	There is no such removal of external auditor in 2017.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	ANNEX "30" - Revised Manual on Corporate Governance	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and 	Compliant	ANNEX "16" - Audit Committee Charter	

iii.	exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.			
2.	Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	ANNEX "16" - Audit Committee Charter	
Supplement to Recommendations 9.2				
1.	Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	ANNEX "16" - Audit Committee Charter	
2.	Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	ANNEX "16" - Audit Committee Charter	
Recommendation 9.3				
1.	Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	There have been no non-audit services performed by the external auditor in 2017.	
2.	Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	There have been no such 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 in 2017.	
Supplement to Recommendation 9.3				
1.	Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	There have been no non-audit services performed by the external auditor in 2017.	
Additional Recommendation to Principle 9				
1.	Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	The details of the company's external auditor are as follows: DARWIN P. VIROCEL CPA License No. 0094495 SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020 Tax Identification No. 912-535-864 BIR Accreditation No. 08-001987-31-2016, valid until October 17, 2019 PTR No. 6615157MD R.G. Manabat & Co.	

		The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines 1226 +63 (2) 885 7000	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Non-compliant		KPMG has not yet been subjected to SOAR in the past and in the current year.
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Non-compliant		The Board will adapt 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.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-compliant		The Company will adapt a globally recognized standard/framework in reporting sustainability and non-financial issues.
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	ANNEX "31" - Notices of Investor's Briefing	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	Compliant	Please see the following link: ANNEX "14" – Audited Financial Statements ANNEX "25" – Quarterly Report ANNEX "32" - Materials provided in briefings to analysts and media ANNEX "18" - Annual Report ANNEX "33" - Notice of ASM and/or SSM ANNEX "34" - Minutes of ASM and/or SSM ANNEX "35" - Articles of Incorporation and By-Laws	
a. Financial statements/reports (latest quarterly)			
b. Materials provided in briefings to analysts and media			
c. Downloadable annual report			
d. Notice of ASM and/or SSM			
e. Minutes of ASM and/or SSM			
f. Company's Articles of Incorporation and By-Laws			
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	http://www.coscocapital.com	

Internal Control System and Risk Management Framework

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

Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	ANNEX "17" – 2018 Audit Plan	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	ANNEX "18" – Annual Report, pages 12-14	

Supplement to Recommendations 12.1

1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Non-compliant		The Company will adapt a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations.
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Optional: Recommendation 12.1

1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	-	-	-
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Recommendation 12.2

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	The internal audit is in-house comprising of the Chief Audit Executive, 1 Manager and 2 Supervisors.	
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Recommendation 12.3

1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	ANNEX "36" - Internal Auditor's Profile	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant	ANNEX "16" - Audit Committee Charter	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	There is no outsourced internal audit.	

Recommendation 12.4

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Non-compliant		The risk management function is currently performed by the Audit Department and the Office of the President.
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Supplement to Recommendation 12.4

1. Company seeks external technical support in risk management when such competence is not available internally.	Non-compliant		The Company will seek external technical support in risk management when necessary.
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non-compliant		The risk management function is currently performed by the Audit Department and the Office of the President.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.			
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Non-Compliant		The Company's Chief Executive Officer and Chief Audit Executive attest that a sound internal audit, control and compliance system is in place and working effectively during the Audit Committee Meetings.
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	ANNEX "2" – MCG, page 6	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant		
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	ANNEX "37" - Information Statement, page 6	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	ANNEX "37" - Information Statement, page 6	
3. Board has an effective, secure, and efficient voting system.	Compliant	ANNEX "37" - Information Statement, page 6	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	ANNEX "2" – MCG, page 6	
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.	Non-compliant		There is no procedure yet for minority shareholders' to call shareholders meeting and submit agenda item. However, minority shareholders are not precluded from calling a meeting and submitting agenda item. The Company has an investor Relations Officer who can handle stockholders concerns if there are any.

6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Complaint	ANNEX "2" – MCG, page 6	
7. Company has a transparent and specific dividend policy.	Compliant	It is the policy of the Company to declare at least 10% of the previous year's retained earnings. Upon declaration, the Company pays dividend within 30 days. ANNEX "38" - SEC 17-C Cash Dividend Declarations in 2017	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	The Company appoints the stock transfer agent (RCBC Stock Transfer Department) to count or validate.	
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		Notices of ASM Meetings were posted in the PSE and Company website more than thirty (30) days before the meeting. However, the notice, agenda and the information statement were sent to each stockholder on record fifteen (15) days before the meeting.
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	ANNEX "37" - Information Statement, page 4	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)			
b. Auditors seeking appointment/re-appointment			
c. Proxy documents			
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	ANNEX "37" - Information Statement, page 4	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	ANNEX "39" - SEC 17-C Result of Stockholders' Meeting	

2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Non-compliant		The Company posted final result of the ASM together with the number of votes gathered.
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The external auditor represented by the handling partner was present during the ASM.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Non-compliant		The Board will adopt a policy on an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.			
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	The contact details of the officer/office responsible for investor relations: 1. Name of the person: Mr. John Marson T. Hao 2. Telephone number: 523-3055 3. Fax number: 523-3055 4. E-mail address: john.hao@puregold.com.ph	
2. IRO is present at every shareholder's meeting.	Compliant	The IRO was present during the ASM.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Non-compliant		The Board will adapt a policy against anti-takeover measures or similar devices 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.	Non-compliant		The Company has 26.53% public float.
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	-	-	-
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	-	-	-
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	ANNEX "2" – MCG, page 6	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	ANNEX "2" – MCG, page 7	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Stockholders may contact the IRO to communicate with the company and to obtain redress for the violation of their rights. 1. Name of the person: Mr. John Marson T. Hao 2. Telephone number: 523-3055 3. Fax number: 523-3055 4. E-mail address: john.hao@puregold.com.ph	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Non-compliant		The Company will establish an alternative dispute resolution system.
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company did not request for 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	ANNEX "40" - Trademark Registration Certificate	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	-	-	-
2. Company discloses its policies and practices that address supplier/contractor selection procedures	-	-	-
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Non-compliant		The Board will establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	The Company conducts regular performance review of employees and provides incentives or salary adjustments depending on the result of the review.	
2. Company has policies and practices on health, safety and welfare of its employees.		The Company is compliant with all labor standard laws pertaining to health, safety and welfare of its employees.	
3. Company has policies and practices on training and development of its employees.		The Company has separate unit focusing on the training and development of its employees.	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Non-compliant		The Board will adapt policies against corrupt practices.
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.			
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	ANNEX "24" - Conflict of Interest Policy http://www.coscocapital.com/corporategovernance.do?category_id=9359	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	ANNEX "41" - Whistleblowing Policy http://www.coscocapital.com/corporategovernance.do?category_id=9360	
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.			
3. Board supervises and ensures the enforcement of the whistleblowing framework.			
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	ANNEX "42" - List of Scholars under the LCCK Scholarship Program ANNEX "43" - Sari-sari Store Members under the Aling Puring Membership Program	

Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development			
2. Company exerts effort to interact positively with the communities in which it operates			

SIGNATURE PAGE OF
INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT
FOR COSCO CAPITAL, INC.

MANILA, PHILIPPINES, MAY 24, 2018 .



MR. LUCIO L. CO
Chairman



MR. LEONARDO B. DAYAO
President



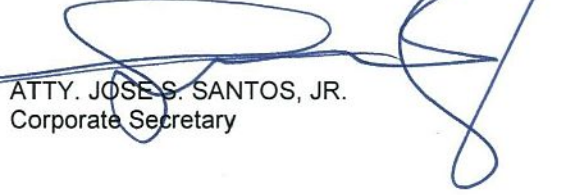
MR. ROBERT COKENG
Independent Director



MR. OSCAR REYES
Independent Director



ATTY. BIENVENIDO LAGUESMA
Independent Director



ATTY. JOSE S. SANTOS, JR.
Corporate Secretary



ATTY. CANDY H. DACANAY-DATUON
Compliance Officer