

COVER SHEET

A S 9 0 3 0 0 8 8 0 9

S.E.C. Registration Number

P A C I F I C O N L I N E S Y S T E M S

C O R P O R A T I O N

(Company's Full Name)

U 2 8 0 3 A & B E A S T T O W E R P S E

C E N T R E O R T I G A S C E N T E R P A S I G

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

GRACE L. GATDULA

Contact Person

584-1700

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

I A C G R

FORM TYPE

0 5

Month

3 0

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

- | | | | | | | | | |

LCU

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CASHIER



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

A. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

B. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

RECOMMENDED CG PRACTICE/POLICY	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<p>Contains CG Practices/ Policies, labelled as follows:</p> <p>(1) "Recommendations" – derived from the CG Code for PLCs;</p> <p>(2) "Supplement to Recommendation" – derived from the PSE CG Guidelines for Listed Companies;</p> <p>(3) "Additional Recommendations" – CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are expected already of PLCs; and</p> <p>(4) "Optional Recommendation" – practices taken from the ASEAN Corporate Governance Scorecard</p> <p>*Items under (1) – (3) must be answered/disclosed by the PLCs following the "comply or explain" approach. Answering of items under (4) are left to the discretion of PLCs.</p>	<p>The company shall indicate compliance or non-compliance with the recommended practice.</p>	<p>The company shall provide additional information to support their compliance with the recommended CG practice</p>	<p>The PLCs shall provide the explanations for any non-compliance, pursuant to the "comply or explain" approach.</p> <p>Please note that the explanation given should describe the non-compliance and include how the overall Principle being recommended is still being achieved by the company.</p> <p>**Not Applicable" or "None" shall not be considered as sufficient explanation</p>



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended 2018
2. SEC Identification Number AS93008809 3. BIR Tax Identification No. 003-865-392-00000
4. Exact name of issuer as specified in its charter PACIFIC ONLINE SYSTEMS CORPORATION
5.
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 28TH Floor, East Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
Address of principal office 1605
Postal Code
8. (02) 584-1700
Issuer's telephone number, including area code
9. n/a
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	1) Company website : 2) https://www.loto.com.ph/our-company/leadership 3) Revised Manual on Corporate Governance (page 6 Qualification of Directors) : https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20of%20Upload.pdf 4) Charter of the Board : https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant		
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	Compliant	Company website : https://www.loto.com.ph/our-company/leadership https://www.loto.com.ph/sites/default/files/BOD%20attendance%202018.pdf https://www.loto.com.ph/sites/default/files/DEFINITIVE%20-IS.PDF	

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Revised Manual on Corporate Governance (page 7): https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. Company has an orientation program for first time directors.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
3. Company has relevant annual continuing training for all directors.	Compliant	https://www.loto.com.ph/sites/default/files/POSC%20director%20&%20officers%20training.seminar%202018.pdf	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf Board has 2 female Directors and 7 male Directors	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 6)	
Recommendation 1.5			

1. Board is assisted by a Corporate Secretary.	Compliant	<p>1. https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 7)</p> <p>2. https://www.loto.com.ph/our-company/leadership</p> <p>https://www.loto.com.ph/sites/default/files/POSC%20director%20&%20officers%20training.seminar%202018.pdf</p>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		
4. Corporate Secretary attends training/s on corporate governance.	Compliant		
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 8)	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 8)</p> <p>Compliance Officer: Grace L. Gatdula Position: Head of Corporate Planning (AVP)</p>	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant		
3. Compliance Officer is not a member of the board.	Compliant		
4. Compliance Officer attends training/s on corporate governance.	Compliant	https://www.loto.com.ph/sites/default/files/POSC%20director%20&%20officers%20training.seminar%202018.pdf	

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	https://www.loto.com.ph/sites/default/files/DRAFT%20ASM%202018%20MINUTES.PDF	
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Recommendation 2.2

1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 9) Quarterly Operations Review https://www.loto.com.ph/investor-relations/disclosures/financial-reports	

Supplement to Recommendation 2.2

1. Board has a clearly defined and updated vision, mission and core values.	Compliant	https://www.loto.com.ph/our-company/mission-vision-core-values Annual review done by the Board. https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 4)	
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2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	https://www.loto.com.ph/our-company/leadership	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 11)	
2. Board adopts a policy on the retirement for directors and key officers.	Non-compliant		<p>The Board of Directors has yet to adopt a policy with respect to the retirement of directors and key officers, however, the Nomination Committee, now the Corporate Governance Committee, is mandated to "[adopt] a policy on succession planning for directors and officers, including, but not limited to setting the retirement age for directors and key officers."</p> <p>In the adoption of a policy on retirement of directors and key officers, however, the Board of Directors, through the Corporate Governance Committee, will still</p>

			be mindful that long-term experience is still a critical asset for persons engaged in the gaming industry and this will still be considered in the determination of directors and/or officers due to be made subject of mandatory retirement.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	(page 24) The Corporate Governance Committee which has oversight on the Remuneration function and conducts a yearly review of the Company's remuneration policy which aligns the remuneration with the performance of its key officers and board members.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	Page 22 (Revised Manual on CG) 2.15 "No director shall participate in the approval of his compensation."	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.		https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 28)	
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 24)	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 24)	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 25)	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 16)	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 26)	
		https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	

		20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 17 & 27)	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 38)	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	https://www.loto.com.ph/sites/default/files/2019/RPTCOM%20CHARTER.PDF	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 32)	
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	Compliant	https://www.loto.com.ph/sites/default/files/RELATED%20PARTY%20TRANSACTIONS%20POLICY.PDF	

amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.			
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf Internal Auditor – Anna Josefina G. Esteban Risk Officer – Mischel Gabrielle O. Mendoza Compliance Officer – Grace L. Gatdula Data Protection Officer – Ma. Meliza C. Romillo	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 10)	

		https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF (page 5)	
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	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF	e. Monitor compliance with policies, and achievement against objectives, by holding management accountable for its activity through the measurement and control of operations by regular reports to the Board, including monthly performance reporting and budget updates. The Board shall establish an effective performance management framework that will ensure that the performance of Management and personnel is at par with the standards set by the Board and senior management.
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.	Compliant		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF (page 7)	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF (page 11 Annex A-1)	

3. Board approves the Internal Audit Charter.	Compliant	https://www.loto.com.ph/sites/default/files/2019/INTERNAL%20AUDIT%20CHARTER.PDF	
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	https://www.loto.com.ph/sites/default/files/RISK%20MANAGEMENT%20SYSTEM.PDF	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf https://www.loto.com.ph/sites/default/files/2019/BROCOM%20CHARTER.PDF	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	https://www.loto.com.ph/sites/default/files/INSIDER%20TRADING%20POLICY.PDF	
Optional: Principle 2			

<p>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.</p>	<p>Compliant</p>	<p>http://loto.com.ph/sites/default/files/Annual%20Corporate%20Governance%20Report%202016.pdf (page 25)</p> <p>"The Company expects directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's code of conduct set forth in the Company's Code of Ethics. The Company will not make any personal loans or extensions of credit to directors or executive officers. The Company will not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director or officer, the director or officer shall promptly inform the CEO and the presiding director. If a significant conflict exists and cannot be resolved, the director or officer should resign."</p>	
<p>2. Company discloses the types of decision requiring board of directors' approval.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf</p> <p>https://www.loto.com.ph/sites/default/files/%5BAmend-3%5DDeclaration%20of%20Stock%20Dividends.pdf</p>	

		https://www.loto.com.ph/sites/default/files/%5BAmend-1%5DDeclaration%20of%20Stock%20Dividends_0.pdf https://www.loto.com.ph/investor-relations/disclosures/financial-reports	
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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	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	
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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	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 31) 3.3.2.8 "Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial	
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		reporting control and information technology security, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders."	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 30) https://www.loto.com.ph/corporate-governance/governance-pacific-online-0 https://www.loto.com.ph/our-company/leadership	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	https://www.loto.com.ph/our-company/leadership	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	https://www.loto.com.ph/our-company/leadership https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
Supplement to Recommendation 3.2			

1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF (page 4)	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF (page 2)	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF (page 2) Audit Committee had 5 meetings for 2018.	
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0 https://www.loto.com.ph/sites/default/files/2019/CGCOM%20CHARTER.PDF https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	

2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0 https://www.loto.com.ph/our-company/leadership	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	Compliant	https://www.loto.com.ph/sites/default/files/CG%20attendance%202018.pdf Corporate Governance Committee had 3 meetings for 2018.	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0 https://www.loto.com.ph/sites/default/files/2019/BROCOM%20CHARTER.PDF	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0 https://www.loto.com.ph/our-company/leadership	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	https://www.loto.com.ph/our-company/leadership https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	

4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	https://www.loto.com.ph/our-company/leadership	
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 38) https://www.loto.com.ph/sites/default/files/2019/RPTCOM%20CHARTER.PDF	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	https://www.loto.com.ph/our-company/leadership https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	

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

<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/BOD%20attendance%202018.pdf</p> <p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf</p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 15)</p>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 15)</p>	

Recommendation 4.2

<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>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 15)</p> <p>https://www.loto.com.ph/our-company/leadership</p>	
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Recommendation 4.3

1. The directors notify the company's board before accepting a directorship in another company.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page14)	
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.			
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	Board and Board Committee meeting schedules for the succeeding year is discussed during the last board meeting set.	
3. Board of directors meet at least six times during the year.	Compliant	https://www.loto.com.ph/sites/default/files/BOD%20attendance%202018.pdf Board of Directors had 7 meetings for 2018.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.		https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 21)	
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	https://www.loto.com.ph/our-company/leadership	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	https://www.loto.com.ph/our-company/leadership	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 15) "d. To exercise independent judgment. He shall view each problem or situation objectively. Should a disagreement with other directors arise, he should carefully evaluate and explain his position. He should not be afraid to take unpopular positions if he thinks such ideas are beneficial to the Company."	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	https://www.loto.com.ph/our-company/leadership https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page16)	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page16)	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page16) All Independent Directors are still within the term limit set forth in the Manual on Corporate Governance.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Non-Compliant	Willy N. Ocier Identify the company's Chairman of the Board and Chief Executive Officer	The positions of Chairman of the Board of Directors and Chief Executive Officer (President) are currently held by the same person. However, the Company's By-Laws does not mandate that the same person should be holding the two positions. In fact, the Company's By-Laws still keep the two as separate positions which can very well be held by separate persons at any time without need for any amendment to the Company's constitutive documents to make it possible.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL	

		%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 13)	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 12) https://www.loto.com.ph/our-company/leadership Chairman is not an Independent director however, a Lead Independent Director was appointed on May 31, 2017.	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 14) https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF (page 8)	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL	

audit, compliance and risk functions, without any executive present.		%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 13)	
2. The meetings are chaired by the lead independent director.	Compliant	Dec. 5, 2018 at Ruby Jack's City of Dreams 1 meeting for the period covered with attendance of all NEDs.	
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 22)	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant	https://www.loto.com.ph/sites/default/files/2018/POSC%20Board%20Eval%20Form%202018.pdf Year 1 self-assessment - Jan. 25, 2017 Year 2 self-assessment - Feb. 20, 2018 Year 3 self-assessment - Feb. 24, 2018	

5. Every three years, the assessments are supported by an external facilitator.	Compliant	GGAPP was the 3 rd party used for facilitation of the board evaluation for year 3	
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 30)	
2. The system allows for a feedback mechanism from the shareholders.	Compliant	https://www.loto.com.ph/sites/default/files/POSC%202017%20BOD%20Evaluation.pdf	
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20CODE%20OF%20BUSINESS%20CONDUCT%20AND%20ETHICS.PDF	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20CODE%20OF%20BUSINESS%20CONDUCT%20AND%20ETHICS.PDF	
3. The Code is disclosed and made available to the public through the company website.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20CODE%20OF%20BUSINESS%20CONDUCT%20AND%20ETHICS.PDF	

Supplement to Recommendation 7.1			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/CODE%20OF%20CONDUCT.PDF (page 5-6)</p> <p>Code of Conduct 3.8.1.1 Fraud Against the Company – committing any of the following offenses shall be penalized by DISMISSAL 3.8.1.1.1 Making false representation of facts; 3.8.1.1.2 Employing any kind of deception; 3.8.1.1.3 Making false or fraudulent claims against the company; 3.8.1.1.4 Initiating or participating in any action intended to defraud the company; 3.8.1.1.5 Obtaining payment, gain or benefit to which one is not entitled; 3.8.1.1.6 Knowingly honoring a forged signature for his/her own benefit or that of another person; and 3.8.1.1.7 Giving due course of approval to a document knowing it to be false or erroneous</p> <p>3.8.1.5.2 Conflict of interest occurs in situations that have the potential to undermine the impartiality of one person because of the possibility of a clash between the person's self-interest and professional/company</p>	

		<p>interest such as the following, but not limited to:</p> <p>3.8.1.5.2.1 Receiving of gifts and favors to enrich oneself or others such as family or friends.</p> <p>3.8.1.5.2.2 Preferential treatment or be affected by undue influence to give External Providers unfair advantage</p>	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 37) 17A for 2018	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	<p>Required to comply: Board of Directors, Officers and all Employees of the Company.</p> <p>No findings on non-compliance as of to-date.</p>	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf <p>"Whereupon said Committee resolved to recommend to the Company's Board of Directors that said financial statements be approved for issuance and</p>	

		disclosure to the public, the PSE and all related governmental agencies.”	
		https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 37) Right to information	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	https://www.loto.com.ph/investor-relations/disclosures/financial-reports End of Fiscal Year – Dec. 31, 2018 Distribution/Publication – March 1, 2019 Consolidated FS (17A) 60 days https://www.loto.com.ph/investor-relations/disclosures/pse-sec-filings	
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	https://www.loto.com.ph/sites/default/files/Public%20Ownership%20Report_11.pdf	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	

<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>"Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the compensation of directors and officers, including termination and retirement provisions. To make certain that the information on the shareholdings of directors and officers are updated, all directors and key officers shall be required to report to the Company any dealings in the Company's shares within three (3) business days."</p> <p>https://www.loto.com.ph/investor-relations/disclosures/pse-sec-filings</p> <p>https://www.loto.com.ph/sites/default/files/Public%20Ownership%20Report_11.pdf</p>	
Supplement to Recommendation 8.2			
<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>https://www.loto.com.ph/investor-relations/disclosures/pse-sec-filings</p> <p>https://www.loto.com.ph/sites/default/files/Public%20Ownership%20Report_9.pdf (Public Ownership Report)</p>	

		https://www.loto.com.ph/our-company/corporate-structure (Map of Conglomerate)	
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	https://www.loto.com.ph/sites/default/files/Public%20Ownership%20Report_11.pdf https://www.loto.com.ph/our-company/leadership	
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	https://www.loto.com.ph/sites/default/files/BOD%20attendance%202018.pdf	
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Non-compliant		The Company has no need to provide a clear disclosure of the policies and procedures for the setting of Board remunerations because, at present, and since the Company started commercial operations, its Directors do not receive any compensation. The Company's Directors only receive a reasonable per diem for attendance in Board and Board Committee meetings.

<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>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 27)</p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Non-compliant</p>		<p>The Company does not disclose the Board members' remuneration on an individual basis, and only discloses aggregate remuneration as the same is allowed under the Securities Regulation Code. Furthermore, the Board members, presently, only receive per diem for meetings actually attended, the rates of which are fully-disclosed in the Company's financial and other reports available to the public.</p>
<p>Recommendation 8.5</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>https://www.loto.com.ph/sites/default/files/2019/RPTCOM%20CHARTER.PDF https://www.loto.com.ph/sites/default/files/RELATED%20PARTY%20TRANSACTIONS%20POLICY.PDF</p> <p>No conflict of interest incident reported within the covered period.</p>	

2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 32)	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 41) REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES <p>5.1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the respective committee through the Compliance Officer or the Corporate Governance Committee.</p> <p>5.2. The Board shall commit at all times to fully disclose material information relative to the Company. It shall cause the filing of all required information with the proper regulatory authorities, with such report being comprehensive, accurate, reliable and timely.</p> <p>The Board shall ensure that such disclosures will give shareholders and other stakeholders a fair and complete picture of the Company's Financial condition, results and business operations.</p> <p>The Board shall, when appropriate, consider using media and analyst's</p>	

	<p>briefings as channels of communication to ensure the timely and accurate dissemination of public, material, and relevant information to its shareholders and stakeholders.</p> <p>5.3. The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that affects the Company. All material information that, in the judgment of the Board or the Company's management, could potentially affect share price in a significant manner, shall be publicly disclosed, so long as such disclosure does not violate regulations of the SEC, the Philippine Stock Exchange ("PSE") or any governmental body, nor any legal or binding agreement. Such information shall include but shall not be limited to earnings results, acquisition or disposal of significant assets, board changes, material related party transactions, shareholdings of directors and change of ownership.</p> <p>In the case of an acquisition or disposal of significant asset/s by the Company, the Company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of asset/s.</p> <p>5.4. All disclosed information shall be released via the approved PSE procedure for company</p>	
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		announcements, as well as through the annual report.	
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	https://www.loto.com.ph/sites/default/files/2019/CHARTER%20OF%20THE%20BOD.PDF (page 6-7) "Ensure that the Company's transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders. The Board shall also be responsible for ensuring that the Company has a clear policy and system governing related party transaction (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality."	
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	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (Note 12)	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	

		(page 41)	
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	There are no shareholder agreements, voting trust agreements, confidentiality agreements and such other agreements and such other agreements that may impact on the control, ownership, and strategic direction of the company reported for the period covered.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	https://www.loto.com.ph/investor-relations/disclosures/pse-sec-filings https://www.loto.com.ph/sites/default/files/PSE%20Revised%20Manual%20on%20Corporate%20Governance%202019%20%281%29.pdf	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:			

a. Corporate Objectives	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf	
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		
f. Attendance details of each director in all directors meetings held during the year	Compliant		
g. Total remuneration of each member of the board of directors	Non-Compliant		<p>The Company does not disclose the total remuneration of each Board member. Only the aggregate remuneration of all the directors, as a group, is disclosed, as the same is allowed under the Securities Regulation Code. Furthermore, the Board members, presently, only receive per diem for meetings actually attended, the rates of which are fully-disclosed in the Company's financial and other reports available to the public.</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.	Compliant	https://www.loto.com.ph/sites/default/files/2019/Internal%20Audit%20&%20Compliance%20Attest.pdf https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 34)	

3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Compliant	https://www.loto.com.ph/investor-relations/disclosures/financial-reports	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	https://www.loto.com.ph/sites/default/files/2019/Internal%20Audit%20&%20Compliance%20Attest.pdf	
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	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 9)	

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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 31) https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee,	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	

approved by the Board and ratified by the shareholders.		https://www.loto.com.ph/sites/default/files/DRAFT%20ASM%202018%20MINUTES.PDF (324,567,164 votes in favor 100%)	
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	No change in external auditor	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-IS.PDF (page 15)	
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 iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	

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	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
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	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF	
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	https://www.loto.com.ph/sites/default/files/POSC%202018%20ASM_Definitive%2020-IS%20with%20annexes.pdf	
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	https://www.loto.com.ph/sites/default/files/2019/AUDITCOM%20CHARTER.PDF (page 4)	
Supplement to Recommendation 9.3			

1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf Audit Fees: P2,114,000 Tax Services Other Fees: P600,000 (Review of LCC subsidiaries)	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	<ol style="list-style-type: none"> 1. Name of the audit engagement partner; - Dindo Marco M. Dioso 2. Accreditation number; - 1387-AR-1 Group A 3. Date Accredited; June 15, 2001 4. Expiry date of accreditation; May 31, 2020 5. Name, address, contact number of the audit firm. R.G. Manabat & Co. 6787 Ayala Ave., Makati City 1226 Tel. No. +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).	Compliant	Provide information on the following: <ol style="list-style-type: none"> 1. Date it was subjected to SOAR inspection, if subjected; - <u>external auditor was not selected to be inspected by SEC for the period covered</u> 2. Name of the Audit firm: <u>R.G. Manabat & Co.</u> 3. Members of the engagement team inspected by the SEC. - <u>not applicable</u> 	

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.	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 67) https://www.loto.com.ph/corporate-governance/corporate-policies	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	https://www.loto.com.ph/corporate-governance/corporate-policies	
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	Website, Quarterly Reporting https://www.loto.com.ph/presentation-investors https://www.loto.com.ph/investor-relations/disclosures/financial-reports https://www.loto.com.ph/investor-relations/disclosures-0	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		www.loto.com.ph	
a. Financial statements/reports (latest quarterly)	Compliant	https://www.loto.com.ph/investor-relations/disclosures/financial-reports	

b. Materials provided in briefings to analysts and media	Compliant	https://www.loto.com.ph/presentation-investors	
c. Downloadable annual report	Compliant	https://www.loto.com.ph/annual-report	
d. Notice of ASM and/or SSM	Compliant	https://www.loto.com.ph/corporate-governance/notice-annual-or-special-stockholders-meeting	
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant	https://www.loto.com.ph/investor-relations/minutes-all-annual-special-stockholders-meetings https://www.loto.com.ph/articles-incorporation-laws	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	www.loto.com.ph	
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	https://www.loto.com.ph/sites/default/files/2019/INTERNAL%20AUDIT%20CHARTER.PDF (page 3) Issue periodic reports, at the very least on a quarterly basis to the Audit Committee and the appropriate management level summarizing results of audit activities;	

<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<ol style="list-style-type: none"> 1. Company's risk management procedures and processes https://www.loto.com.ph/sites/default/files/RISK%20MANAGEMENT%20SYSTEM.PDF 2. Key risks the company is currently facing https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-1S.PDF (page 27) 3. How the company manages the key risks https://www.loto.com.ph/corporate-governance/enterprise-risk-management <p>Annual review of the enterprise risk management framework.</p>	
Supplement to Recommendations 12.1			
<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf</p> <p>https://www.loto.com.ph/corporate-governance/governance-pacific-online-0</p> <p>Annual review.</p>	
Optional: Recommendation 12.1			

<p>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.</p>	<p>Compliant</p>	<p>The Company has a disaster recovery and business continuity plan in place which includes cyber security.</p> <p>https://www.loto.com.ph/sites/default/files/2019/INFORMATION%20TECHNOLOGY%20POLICY%20STATEMENT.PDF</p>	
<p>Recommendation 12.2</p>			
<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019/INTERNAL%20AUDIT%20CHARTER.PDF</p> <p>Internal Audit is in-house</p>	
<p>Recommendation 12.3</p>			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p>Compliant</p>	<p>Anna Josefina G. Esteban</p> <p>https://www.loto.com.ph/sites/default/files/2019/INTERNAL%20AUDIT%20CHARTER.PDF</p>	
<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019/INTERNAL%20AUDIT%20CHARTER.PDF</p> <p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 33)</p>	

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.	Not applicable	Internal Audit is in-house	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	https://www.loto.com.ph/sites/default/files/2019/BROCOM%20CHARTER.PDF	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Non-compliant		At this point, the Company has not seen the need to seek external technical support in risk management. The Company has in place a Board and Management team composed of individuals with relevant knowledge, experience and expertise on risk assessment and risk management.
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).	Compliant	Mischel Gabrielle O. Mendoza https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	(page 38)	
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019/Internal%20Audit%20&%20Compliance%20Attest.pdf	
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	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 41)	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	https://www.loto.com.ph/corporate-governance/governance-pacific-online-0	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	https://www.loto.com.ph/sites/default/files/Annual%20Corporate%20Governance%20Report%202016.pdf (page 52)	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 41 voting right)	
3. Board has an effective, secure, and efficient voting system.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 42 – by poll)	

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.	Non-Compliant		The Company has not adopted special shareholder voting mechanisms, such as supermajority or "majority of minority" requirements. The Company instead adheres to the voting requirements for corporate actions under the Corporation Code of the Philippines. At the same time, however, the Company has adopted, and allows, cumulative voting in electing its directors. Cumulative voting strengthens the ability of minority shareholders to elect a director of their choice, possibly from among their ranks. Furthermore, it must also be emphasized that the Company has not taken any corporate acts requiring special protective mechanisms for the benefit of its minority shareholders.
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf "The minority shareholders shall be granted the right to propose the	

		holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.” (page 43)	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 42)	
7. Company has a transparent and specific dividend policy.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20DIVIDEND%20POLICY%20STATEMENT.PDF Cash Dividend Record date : May 17, 2018 Payment date: May 31, 2018 Cash Dividend Record date: August 3, 2018 Payment date: August 31, 2018 100% Stock Dividend Declaration date: August 14, 2018 Record & Payment date pending approval of SEC on increase in authorized capital stock	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	https://www.loto.com.ph/sites/default/files/DRAFT%20ASM%202018%20MINUTES.PDF	

		Ms. Gemma Pascual of Alberto, Pascual, and Associates	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	30 days Issued April 30, 2019 ASM: May 30, 2019 https://www.loto.com.ph/investor-relations/disclosures/pse-sec-filings?page=1 No changes to the Agenda issued.	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-IS.PDF	
b. Auditors seeking appointment/re-appointment	Compliant	https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-IS.PDF	
c. Proxy documents	Compliant	https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-IS.PDF	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	https://www.loto.com.ph/sites/default/files/DEFINITIVE%2020-IS.PDF	
Recommendation 13.3			

<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf</p> <p>https://www.loto.com.ph/sites/default/files/Results%20of%20Annual%20or%20Special%20Stockholders%27%20Meeting_1.pdf</p>	
<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/DRAFT%20ASM%202018%20MINUTES.PDF</p> <p>ASM: May 31, 2018 Minutes Disclosed: June 4, 2018 Votes: 324,567,164 Abstain : 0 Against: 0</p> <p>Voting by Poll</p>	
<p>Supplement to Recommendation 13.3</p>			
<p>1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/DRAFT ASM 2018 MINUTES.PDF</p>	
<p>Recommendation 13.4</p>			
<p>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.</p>	<p>Compliant</p>	<p>https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 45)</p>	

2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 45)	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	https://www.loto.com.ph/sites/default/files/PACIFIC ONLINE ANNUAL B REPORT 2017.pdf Disclose the contact details of the officer/office responsible for investor relations, such as: <ol style="list-style-type: none"> 1. Name of the person : Ma. Virginia V. Abo-Hamda 2. Telephone number +63 2 584-1700 3. Fax number +63 2 571-7464 4. E-mail address contactus@pacificonline.com.ph 	
2. IRO is present at every shareholder's meeting.	Compliant	https://www.loto.com.ph/sites/default/files/DRAFT%20ASM%202018%20MINUTES.PDF IRO was present during the last 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	Compliant	No such cases for the period covered.	

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	https://www.loto.com.ph/sites/default/files/Public%20Ownership%20Report_11.pdf Public Ownership Percentage: 38.669	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
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	https://www.loto.com.ph/sites/default/files/LOTO%20TOP100.03.31.2019%20%281%29.pdf https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL	

fair treatment and protection of stakeholders.		%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 41)	
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	https://www.loto.com.ph/sites/default/files/WHISTLE%20BLOWER%20POLICY.PDF https://www.loto.com.ph/sites/default/files/POLICY%20ON%20CONFLICT%20OF%20INTEREST.pdf https://www.loto.com.ph/sites/default/files/RELATED%20PARTY%20TRANSACTIONS%20POLICY.PDF contactus@pacificonline.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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 45)	
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	Compliant	No exemptions requested for the period covered.	

taken to finally comply with the applicable law, rule or regulation.			
2. Company respects intellectual property rights.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 31)	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf	
2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant	https://www.loto.com.ph/sites/default/files/ACCREDITATION%20AND%20PERFORMANCE%20EVALUATION%20OF%20EXTERNAL%20PROVIDERS.PDF	
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	https://www.loto.com.ph/sites/default/files/CODE%20OF%20CONDUCT.PDF (page 3)	
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	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf (page 29)	

2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	https://www.loto.com.ph/sites/default/files/POSC%20employee%20health%20&%20safety%20data%202018.pdf	
3. Company has policies and practices on training and development of its employees.	Compliant	https://www.loto.com.ph/sites/default/files/2019/POSC%20Officer,%20Employee%20training.seminar%202018.pdf	
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.	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf https://www.loto.com.ph/sites/default/files/CODE%20OF%20CONDUCT.PDF	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	https://www.loto.com.ph/sites/default/files/CODE%20OF%20CONDUCT.PDF https://www.loto.com.ph/sites/default/files/2019/POSC%20Officer,%20Employee%20training.seminar%202018.pdf	
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	https://www.loto.com.ph/sites/default/files/CODE%20OF%20CONDUCT.PDF No violations for the period covered.	
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	https://www.loto.com.ph/sites/default/files/WHISTLE%20BLOWER%20POLICY.PDF	

		Report to : The President or his designate Email Address: whistleblower@pacificonline.com.ph	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	https://www.loto.com.ph/sites/default/files/WHISTLE%20BLOWER%20POLICY.PDF	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	https://www.loto.com.ph/sites/default/files/WHISTLE%20BLOWER%20POLICY.PDF No whistleblowing incident reported for the period covered.	
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	https://www.loto.com.ph/sites/default/files/PACIFIC%20ONLINE%20ANNUAL%20REPORT%202017.pdf (CSR page) https://www.loto.com.ph/our-company/corporate-social-responsibility	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	https://www.loto.com.ph/sites/default/files/2019%20REVISED%20MANUAL	

		%20ON%20CORPORATE%20GOVERNANCE%20for%20Upload.pdf (page 10)	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	https://www.loto.com.ph/sites/default/files/Annual-Report-2018.pdf https://www.loto.com.ph/our-company/corporate-social-responsibility	

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasig City

on MAY 29 2019

SIGNATURES


WILLY M. OCIER
Chairman & President


LAURITO E. SERRANO
Independent Director


A. BAYANI K. TAN
Corporate Secretary


JERRY C. TIU
Lead Independent Director


JOSEPH C. TAN
Independent Director


GRACE L. GAUDULA
Compliance Officer

MAY 29 2019

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

NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

Doc No. 67
Page No. 14
Book No. 13
Series of 2019

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC

Cities of Pasig, San Juan and
in the Municipality of Pateros, Metro Manila
Until December 31, 2020

PTR No. A-4252429 / 01 / 03 / 2019 Taguig City
P. No. 053715 / 11 / 06 / 18-For Year 2019 / RSP

Roll No. 41969
MCLE Comp. VI-021812 / March 29, 2019
No. 11, Unit J Freemont Arcade Bldg.
Shaw Blvd. Brgy. San Antonio, Pasig City
Appointment No. 32 (2019-2020)