

26 August 2020

THE PHILIPPINE STOCK EXCHANGE, INC.

Disclosure Department
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One Bonifacio High Street
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Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Subject: Integrated Annual Corporate Governance Report

Gentlemen:

We submit herewith the 2019 Integrated Annual Corporate Governance Report (IACGR) of Paxys, Inc., in compliance with the SEC Memorandum Circular No. 15 series of 2017 dated 15 December 2017.

We trust that you will find the foregoing notification to be in order.

Very truly yours,

PAXYS, INC.

By:


MAYETTE H. TAPIA
Corporate Information Officer

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	The Board is composed of directors who have extensive experience and knowledge in the business and in the industry that the Company is in. All directors are competent and qualified, individually and collectively, to perform their tasks in overseeing the management and governance of the Company. Please see the Company's Definitive Information Statement http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 8 to 10), which provides for the details of the academic qualifications, industry knowledge, professional experience, expertise, and relevant trainings of directors.	
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			

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>COMPLIANT</p>	<p>The Board is currently composed of one (1) executive director, four (4) non-executive directors, and two (2) independent directors.</p> <p>The above combination of directors was designed in line with the Corporate Governance policies of the Company to ensure objective decision-making process and to protect the Company's interest.</p> <p>Please see the Company's Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf (page 24) for the list of directors and the type of their directorships.</p> <p>Said information are also contained in the following: (i) Company's Disclosure on the Results of the 2019 Annual Stockholders' Meeting dated December 12, 2019 at http://paxys.com/public/files/16.17C%202019.pdf (page 6) and (ii) Revised Manual on Corporate Governance http://paxys.com/public/files/RevisedAmendedManual.pdf (page 3).</p>	
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Recommendation 1.3

<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>COMPLIANT</p>	<p>The training policy of directors are indicated in the Company's Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 5) and in the Board Charter at http://paxys.com/public/files/BOD1.pdf</p>	
<p>2. Company has an orientation program for first time directors.</p>	<p>COMPLIANT</p>	<p>The members of the Board are already seasoned and industry experts. Should there be additional and first-time directors, the Company's corporate governance policy requires them to undergo a comprehensive business immersion and training/orientation program.</p>	
<p>3. Company has relevant annual continuing training for all directors.</p>	<p>COMPLIANT</p>	<p>For the annual continuing training, existing directors are required to complete a minimum of 4-hour training per year to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the industry.</p> <p>Please refer to link to the Certificates of Completion of Corporate Governance Seminar of the Directors and Officers of the Company at http://paxys.com/public/files/15-15.17C%202019.pdf (pages 2-8).</p>	

Recommendation 1.4

1. Board has a policy on board diversity.	COMPLIANT	<p>The information on the Company's board diversity policy is contained in the Revised Manual on Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 4-5).</p> <p>All members of the board of directors are male.</p>	
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	<p>A duly-qualified Corporate Secretary was appointed by the Board to assist in all its corporate affairs. The Corporate Secretary is separate from Compliance Officer and is not a member of Board of Directors and its committees.</p> <p>The information on the Company's Corporate Secretary, including her name, qualifications, duties, and function are provided in the Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf (page 25).</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	The information on the corporate governance training attended by the Corporate Secretary, including number of hours and topics covered, is found at http://paxys.com/public/files/15-15.17C%202019.pdf (page 9) which provides for the Certificate of Completion of Corporate Governance Seminar of the Corporate Secretary.	
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	The Board is also assisted by a Compliance Officer with adequate stature and authority in the Company. He is not a member of the Board nor any of its committees.	
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		The information about the Compliance Officer, including his/her name, position, qualifications, duties and functions are provided in the Company's Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf (page 26).

4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	The information on the corporate governance training attended by the Compliance Officer, including number of hours and topics covered, is found in the Certificate of Completion of Corporate Governance Seminar at http://paxys.com/public/files/15-15.17C%202019.pdf (page 10).	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	<p>The Board members are fully informed on any issues or facts requiring Board attention. The Corporate Secretary and Compliance Officer assists the Board and ensures that all pertinent and necessary information are provided to the directors to enable them to make informed decisions.</p> <p>Please see Annex 1 for the sample Minutes of Board meeting dated 29 March 2019 which shows how the directors normally conduct its meeting and how the functions are discharged.</p>	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	The Board oversees, reviews, and monitors the overall business objectives and strategy of the Company. The Management Team	

<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>COMPLIANT</p>	<p>are required to provide information and business updates to the Board quarterly for their reference, review and/or approval.</p> <p>Please see Annex 2 for sample minutes of board meeting dated 7 May 2019 is attached to this I-ACGR to show the quarterly management reporting process, as well as the Board review and approval process.</p>	
Supplement to Recommendation 2.2			
<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	<p>COMPLIANT</p>	<p>The Company's vision, mission, and core values can be found at http://www.paxys.com/public/mission_vision.html</p> <p>The Board has established and approved the Company's vision, mission, and core values. This is reviewed annually to ensure that these are still relevant to the Company's business plans and strategy.</p>	

<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>COMPLIANT</p>	<p>As part of the Company's strategy execution process, the Company's plans and programs for each year are presented to the Board for review and approval. In addition, these plans and programs are presented to and ratified by the Shareholders during Annual Stockholders Meeting.</p> <p>Please see Annex 3 for the draft Minutes of Annual Stockholders' Meeting dated 12 December 2019 containing the matters approved by the Board and ratified by the shareholders.</p> <p>Please also see the Company's Definitive Information Sheet containing the items ratified by the stockholders at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 18 to 19).</p>	
Recommendation 2.3			
<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>COMPLIANT</p>	<p>The information about the Company's Chairperson, including his name and qualifications are found at the Company's Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf(page 24).</p>	
Recommendation 2.4			

1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	<p>The Board is committed to ensure the continuity of effective and competent leadership within the organization. With this, the Company has adopted a succession planning for directors, officers and key employees.</p> <p>Please find the Company's Board Charter and the succession planning program at http://paxys.com/public/files/BOD1.pdf (page 4).</p>	
2. Board adopts a policy on the retirement for directors and key officers.	NON-COMPLIANT		As for the retirement policy, the Company has currently no existing policy on retirement. The Company has less than 20 employees. It will formulate its own retirement plan in the event that a plan becomes warranted. It will comply with the Republic Act (R.A.) No. 7641 or the Retirement Law, when applicable, should there be any retirement.
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	In line with the corporate governance policies of the Company, and as set by the Compensation and Remuneration Committee, following are the key considerations in determining the proper remuneration of the directors and key officers of the Company: (i) the remuneration of the directors and key officers are commensurate to the responsibilities of the role (ii) no director shall participate in deciding on his	
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT		

3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	<p>remuneration, and (iii) the remuneration should consider long-term interests of the Company.</p> <p>The Company's annual reports and information statements discloses the fixed and variable compensations paid directly or indirectly to directors including the top four (4) management officers during the preceding fiscal year.</p>	
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.	COMPLIANT	The information on the Company's nomination and election policy, as well as its process and implementation, including the criteria used in selecting a new director, how the candidates are shortlisted, and how it encourages nominations from shareholders are provided under the Company By-laws at http://www.paxys.com/public/files/3.BL.pdf	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT		

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT	f (pages 5 to 7). The qualifications and elections of the Directors are also provided in the Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 4 and 5). The Company also ensures that the minority shareholders have a right to nominate candidates to the board.	
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT	The Nomination and Governance Committee is in charge of nominations for the annual election of officers and directors, Board and executive succession plan and Board Performance Evaluation.	
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	In compliance with the SEC rules, the Notice of Annual/Special Stockholders' Meeting includes the profiles of directors (age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. See link at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 2-4, 8-10, and 12-13).	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.		The summary of procedures for the selection/appointment and re-election, of the members of the Board of Directors can be found at http://paxys.com/public/files/BOD2.pdf .	

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	The Company has implemented principles and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint venture, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	COMPLIANT	<p>The Company does not engage in related party transactions without prior Board approval.</p> <p>We apply the arms-length principle and these transactions are properly recorded and disclosed in the annual report and audited financial statements.</p> <p>The Company's policy on related party transaction, including policy on review and approval of significant RPTs can be found at http://www.paxys.com/public/files/rpt_p.pdf</p>	

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	Please refer to our responses in Recommendation 2.7 above. The Company's policy on related party transaction, including policy on review and approval of significant RPTs can be found at http://www.paxys.com/public/files/rptp.pdf	
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	Please see http://www.paxys.com/public/files/rptp.pdf for the Company's policy on related party transactions, including provisions for materiality threshold and voting system.	

Recommendation 2.8

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>COMPLIANT</p>	<p>The information on the Board's policy and responsibility for approving the selection of management is provided in the Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf under the Duties and Functions of the Board (pages 8 to 10) and the Internal Control Responsibilities of the Board (pages 11 to 12).</p> <p>The Nominations and Corporate Governance Committee is in charge of the selection process and is tasked to prepare recommendations for approval of the Board.</p>	
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>COMPLIANT</p>	<p>The information on Board's policy and responsibility for assessing the performance of management is provided in Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf under the Duties and Functions of the Board (pages 8 to 10) as well as in the Board Charter at http://paxys.com/public/files/BOD1.pdf.</p> <p>The Board usually conducts a periodic assessment over the CEO/President and the heads of the other control functions based on the Board's established responsibilities.</p>	

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	The Company has an established performance management program and framework. The Board and its committee perform an annual self-assessment to ensure that the objectives as specified in the Board and Committee Charters are being achieved.	
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	Please refer to the sample annual assessment forms for the Board and its members at http://www.paxys.com/public/files/BC4.pdf and at http://www.paxys.com/public/files/BC5.pdf .	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	The information on the Board's responsibility for overseeing that an appropriate internal control system is in place are provided in the Company's Revised Manual on Corporate	

<p>2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.</p>	<p>COMPLIANT</p>	<p>Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 11-12).</p> <p>The basic control environment consists of a working Board which ensures that the Company is properly managed and governance is in place, a management that actively manages the operations of the company in a prudent manner, working organizational risk management and control mechanisms, and independent audit function to ensure and monitor the efficacy and effectiveness of governance, risk management and internal controls.</p>	
<p>3. Board approves the Internal Audit Charter.</p>	<p>COMPLIANT</p>	<p>The Internal Audit Charter which defines the authority, responsibility and purpose of Internal Audit function in the Company has been reviewed and approved by the Board through its Audit, Risk Management, and Related Party Transactions Committee.</p> <p>Please refer to the Company's Internal Audit Charter at http://www.paxys.com/public/files/BC2.pdf.</p>	

Recommendation 2.11

<p>1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.</p>	<p>COMPLIANT</p>	<p>The Audit, Risk Management and Related Party Transactions Committee assists the Board in ensuring that the risk management program is in place. The Committee ensures that an enterprise-wide risk management framework has been</p>	
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<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	<p>COMPLIANT</p>	<p>adopted and implemented. Identified critical or high risks areas are presented to the Board for information and resolution.</p> <p>In general, the risk management program of the Company includes the following process:</p> <ol style="list-style-type: none"> 1. Risk identification – risks are identified from enterprise level down to the business unit and department level. This may include financial risks, operational risks, environmental risks, political risks, regulatory risks, etc. 2. Risk evaluation - the identified risks are assessed for likelihood or frequency and potential impact to the business is measured and quantified, as much as practicable. Risks are ranked depending on its severity and likelihood of occurrence. 3. Risk treatment – after identifying and evaluating risk exposures, the Company identifies the risk treatment options and depending on the risk appetite of the Management, risk responses could include avoidance, acceptance, reduction, sharing or transferring of risk. <p>Please refer to Audit, Risk Management and Related Party Transactions Committee Charter at http://www.paxys.com/public/files/BC1.pdf</p> <p>Please also see link to the Company's Risk Management Policy at http://www.paxys.com/public/company_policies.html</p> <p>Please refer to</p>	
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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	Please refer to http://paxys.com/public/files/BOD1.pdf for the Company's Board Charter which delineates the overall roles and responsibilities of the Board.	
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	The Board has a clear and defined insider trading policy. The highlights of the policy is posted in the Company's website at http://www.paxys.com/public/company_policies.html	
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

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>COMPLIANT</p>	<p>The following committees has been established to support the effective performance of the Board's functions:</p> <ol style="list-style-type: none"> 1. Executive Committee. Please find the Charter of the Executive Committee at http://www.paxys.com/public/files/BC9.pdf 2. Audit, Risk Management and Related-Party Transactions Committee. Please find the Charter of the Audit, Risk Management and Related-Party Transactions Committee at http://www.paxys.com/public/files/BC1.pdf 3. Compensation and Remuneration Committee. Please find the Charter of the Compensation and Remuneration Committee at http://www.paxys.com/public/files/BC7.pdf 4. Nominations and Corporate Governance Committee. Please find the Charter of the Nominations and Corporate Governance Committee at http://www.paxys.com/public/files/BC8.pdf 	
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Recommendation 3.2

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>COMPLIANT</p>	<p>The Board has a separate and independent committee for Audit, Risk Management, and Related Party Transactions.</p> <p>The Committee functions, authority, composition, and responsibilities are set forth in the Company's Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 17 to 18) and the Audit, Risk Management, and Related Party Transactions Committee Charter at http://www.paxys.com/public/files/BC1.pdf</p>	
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<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>COMPLIANT</p>	<p>The Company's Audit, Risk Management and Related Party Transaction Committee is currently composed of four (4) non-executive members which includes two (2) independent directors.</p> <p>The committee members are disclosed in the Company's website: http://www.paxys.com/public/board_committees.html</p> <p>The qualifications of the committee members as well as their background, business knowledge and relevant experiences are disclosed in the Company's Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf(pages 24 to 25).</p>	
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>COMPLIANT</p>	<p>Please refer to our response to Recommendation 3.2.2 above for the link to the background, qualifications, and relevant experiences for the committee members.</p>	

<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>COMPLIANT</p>	<p>The Audit, Risk Management and Related Party Transaction Committee Chairman is not the Chairman of the Board and/or of any other committee.</p> <p>The Chairman of the Board, members of the Board, board committees and committee members are disclosed in the company's website: http://www.paxys.com/public/board_committees.html</p>	
Supplement to Recommendation 3.2			
<p>1. Audit Committee approves all non-audit services conducted by the external auditor.</p>	<p>COMPLIANT</p>	<p>The Company's Audit, Risk Management and Related Party Transaction Committee is responsible for the assessment, review and approval of non-audit services or engagement assigned to external auditors to ensure that the audit independence is maintained. In addition, non-audit work performed shall be appropriately disclosed in the Company's Annual Report in accordance with the Company's Revised Manual on Corporate Governance. http://www.paxys.com/public/files/RevisedAmmendedManual.pdf - pages 14, and 17 to 18</p> <p>In 2019, there are no non-audit services conducted by the Company's external auditor, Reyes Tacandong and Co. (RTC).</p>	

<p>2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.</p>	<p>COMPLIANT</p>	<p>The Company's Audit, Risk Management and Related Party Transaction Committee Charter require the members of the committee to convene at least three (3) times per year. The committee, at its discretion, may invite the external auditors, members of the management, and other concerned parties to attend and provide them with pertinent information, as necessary.</p> <p>For the year 2019, the committee convened two (2) meetings with the company's external auditor for the discussion of 2018 audit results and 2019 audit plan. Selected members of the management were invited in the meeting as resource persons for any questions that the committee may ask in relation to the reports discussed by the auditors.</p> <p>The Corporate Secretary maintains a record of all, including confidential, minutes of the Committee meetings.</p>	
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Optional: Recommendation 3.2

<p>1. Audit Committee meet at least four times during the year.</p>			
<p>2. Audit Committee approves the appointment and removal of the internal auditor.</p>			

Recommendation 3.3

<p>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.</p>	<p>COMPLIANT</p>	<p>The information about the members of the Nomination and Corporate Governance Committee are contained at http://www.paxys.com/public/board_committees.html</p> <p>The functions of the Committee are provided in the Company's Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 15).</p> <p>The Nomination and Corporate Governance Committee Charter can be found at http://paxys.com/public/files/BC8.pdf</p> <p>The Committee undertook the process of identifying the quality of directors in line with the Company's strategic direction.</p>	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>COMPLIANT</p>	<p>Please see link to the details of the members of the Nomination and Corporate Governance Committee at http://www.paxys.com/public/board_committees.html</p>	
<p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	<p>COMPLIANT</p>	<p>The Chairman of the Company's Nomination and Corporate Governance Committee is Mr. George Sycip who is an independent director.</p>	
Optional: Recommendation 3.3.			
<p>1. Corporate Governance Committee meet at least twice during the year.</p>			

Recommendation 3.4			
<p>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.</p>	<p>COMPLIANT</p>	<p>The functions of the Board Risk Oversight Committee (BROC) is currently undertaken by the Company's Audit, Risk Management, and Related Party Transactions Committee.</p> <p>A copy of the Committee Charter is available at http://paxys.com/public/files/BC1.pdf</p>	
<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>COMPLIANT</p>	<p>The Audit, Risk Management, and Related Party Transactions Committee is composed of four (4) members, including independent directors. The information on the members of the Committee, including their type of directorships, can be found at http://www.paxys.com/public/board_committees.html.</p> <p>The principal responsibility of the committee is to assist the board in fulfilling its corporate governance and fiduciary oversight responsibilities in relation to the risk management, internal control systems, accounting policies and practices, internal and external audit functions and financial reporting of the Company and its subsidiaries.</p>	

<p>3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.</p>	<p>COMPLIANT</p>	<p>The Chairman of the Audit, Risk Management, and Related Party Transactions Committee is not the chairman of the Board nor any of its other committees.</p> <p>The detailed list of board committees and its members are available at http://www.paxys.com/public/board_committees.html</p>	
<p>4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.</p>	<p>COMPLIANT</p>	<p>All members of the Committee are directors and/or experienced officers not just for the Company but of several other companies. They have extensive business/industry knowledge and experience to enable them to perform their roles on risk management and the overall overseeing of overall corporate governance practices of the Company. Please see link of their respective background at http://www.paxys.com/public/bod_mngmt.html</p>	

Recommendation 3.5

<p>1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.</p>	<p>COMPLIANT</p>	<p>This function is currently undertaken by the Company's Audit, Risk Management, and Related Party Transactions Committee.</p> <p>The Board through its Committee reviews and approves all material related party transaction of the Company.</p> <p>This is expressly indicated in the Audit, Risk Management, and Related Party Transactions Committee Charter at http://paxys.com/public/files/BC1.pdf as well as in the Company's Related Party Transaction Policy at http://www.paxys.com/public/files/RPT2.pdf</p>	
<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</p>	<p>COMPLIANT</p>	<p>The Committee is composed of four (4) non-executive members. Two (2) of whom are independent directors, including the Committee Chairman.</p> <p>Please refer to the company website at http://www.paxys.com/public/board_committees.html for information on the members of the Audit, Risk Management, and Related Party Transactions Committee, including their type of directorship.</p>	

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	All Board committees have established Charters which delineates the committee's overall purpose, authority, responsibility, composition, meetings and reporting process. The responsibilities indicated in the charter serves as the basis in the evaluation of each committee's performance.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT	Please refer to the links below for a copy of the Committee Charters:(i) Nomination and Corporate Governance Committee Charter at	
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	http://paxys.com/public/files/BC8.pdf and (ii) Audit, Risk Management, and Related Party Transactions Committee Charter at http://paxys.com/public/files/BC1.pdf	

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>The Board of Directors met five (5) times during the covered period on the following dates: March 29, 2019 (Regular); May 7, 2019 (Regular); August 5, 2019 (Regular); November 8, 2019 (Regular); and December 12, 2019 (Organizational).</p> <p>Please find attached link on attendance of the Members of the Board during the said meetings as certified by the Corporate Secretary at http://paxys.com/public/files/DA019.pdf</p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>COMPLIANT</p>	<p>The Corporate Secretary ensures that the necessary information, reports, including meeting agenda are provided to the members of the board to facilitate efficient review of all business matters to be discussed in the board or committee meetings.</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>The directors have the liberty to ask questions or clarifications during board and committee meetings. The Corporate Secretary likewise encourages the directors to ask questions before an agenda item is approved and closed.</p> <p>All matters taken up in the meetings are transcribed in the board or committee minutes of the meeting.</p> <p>Please refer to Annexes 1 and 3 for the sample minutes of the Board meeting.</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>None of the non-executive directors of the company serves or seats in the board of more than five (5) publicly-listed companies.</p> <p>The Company's policy setting the limit of board seats that a non-executive director can hold simultaneously can be found at the Company's Revised Manual on Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 3)</p> <p>In addition, the Company's Definitive Information Statement contains information on the directorships of the Company's directors in both listed and non-listed companies at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 12 to 13).</p>	
Recommendation 4.3			

1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	<p>The policy that requires the written notification to the board can be found at the Company's Revised Manual on Corporate Governance at http://www.paxys.com/public/man_corp_gov.html</p> <p>For the year covered, no directors have accepted new directorships from another companies, thus, there were no notifications received by the Board nor taken up in the meetings.</p>	
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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.			
2. Company schedules board of directors' meetings before the start of the financial year. 3.			
4. Board of directors meet at least six times during the year.			
5. Company requires as minimum quorum of at least 2/3 for board decisions.			

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.	NON-COMPLIANT		The Company has 2 Independent Directors out of 7. The management believes that this is adequate for the time being.
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	The information on the qualifications of the independent directors are provided in the Company's Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf http://paxys.com/public/files/2019AnnualReport.pdf (page 25)	
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	<p>The Revised Manual of Corporate governance provides that "The Board membership may be a combination of Executive Directors and Non-Executive Directors (which include Independent Directors) in order that no single director or small group of directors can dominate the decision-making process.</p> <p>The Non-Executive Directors shall comprise at least a majority of the entire Board membership. The Non-Executive Directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board." http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 3)</p>	
Recommendation 5.3			

<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).</p>	<p>COMPLIANT</p>	<p>All independent directors are in compliance with this requirement. Both directors have served the Company for seven (7) year cumulative term reckoned from year 2012.</p> <p>The Nominations and Governance Committee reviews the qualifications and disqualifications of all directors, including the term limits for independent directors. Such information will be disclosed in the Company's Definitive Information Report.</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>COMPLIANT</p>	<p>The Company's policy on term limits for its independent director is provided in the Company's Revised Manual on Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 3)</p>	
<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	<p>COMPLIANT</p>	<p>The requirement of meritorious justification and proof of shareholders' approval during the annual shareholders' meeting is provided in the Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 3)</p> <p>This situation has not yet occurred in the Company during the covered period. Thus, there is no applicable proof that can be submitted herein.</p>	

Recommendation 5.4

<p>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</p>	<p>NON-COMPLIANT</p>		<p>The Company is a holding company and the nature of its business and operation is very simple. As such, the Company at this time does not find the need to have separate positions for the Chairman of the Board and the Chief Executive Officer.</p>
<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>COMPLIANT</p>	<p>The roles and responsibilities of the Chairman of the Board and Chief Executive Officer are provided in the Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 3 to 4)</p> <p>The Summary of roles and responsibilities of the Chairman and Chief Executive Officer are provided in http://paxys.com/public/files/BOD3.pdf</p>	

Recommendation 5.5

<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>COMPLIANT</p>	<p>The Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 4) provides: <i>"Moreover, the Board shall designate a lead director among the Independent Directors if the positions of the Chairman of the Board and the CEO are held by one person.</i></p> <p><i>The lead Independent Director shall preside over the meetings of the Non-Executive Directors, who shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any of Executive Directors present. The purpose of these meetings is to ensure that proper checks and balances are in place within the Corporation."</i></p> <p>The Chairman of the Board is not an independent director. The Company's lead Independent Director is Mr. Jose Antonio Lichauco.</p>	
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Recommendation 5.6

<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>COMPLIANT</p>	<p>The Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 4) includes the following as duty of the directors: "Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation. The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. A director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation."</p> <p>This situation has not yet occurred in the Company. Thus, there is no available proof of abstention to be provided herein.</p>	
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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.	COMPLIANT	The non-executive directors (NEDs), by constituting the Audit, Risk Management, and Related Party Transaction Committee, usually conduct separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions. Said meetings are chaired by Mr. Jose Antonio Lichauco, the lead independent director. During these meetings, the committee may invite members of the executive for inquiries that can be confirmed by the latter.	
2. The meetings are chaired by the lead independent director.	COMPLIANT		
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.	COMPLIANT	The Company's Revised Manual of Corporate Governance requires the member of the Board to annually assess the Board's, the CEO's, and their own individual performance through a Board Assessment Review initiated by the Nomination and Corporate Governance Committee. Results of the Board, Self and CEO Assessments are presented to the Board Nomination and Corporate Governance Committee and circulated to	
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		

<p>4. Each committee conducts a self-assessment of its performance.</p>	<p>COMPLIANT</p>	<p>the Board for their feedback and confirmation.</p> <p>Please refer to the following links for sample assessment forms used by the Board, its members, the CEO, and the committees:</p> <p>(i) http://paxys.com/public/files/BC4.pdf; (ii) http://paxys.com/public/files/BC5.pdf; (iii) http://paxys.com/public/files/BC6.pdf; (iv) http://paxys.com/public/files/BC10.pdf; (v) http://paxys.com/public/files/BC11.pdf</p>	
<p>5. Every three years, the assessments are supported by an external facilitator.</p>	<p>COMPLIANT</p>	<p>Article 7 of the Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 13) provides: " Every three (3) years, the assessment shall be supported by an external facilitator."</p> <p>The Company has yet to identify and appoint an external facilitator.</p>	
Recommendation 6.2			
<p>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.</p>	<p>COMPLIANT</p>	<p>Article 7 of the Revised Manual of Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 13) provides: "The Board shall have in place a system that provides, at the minimum, criteria and process to determine the</p>	

2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT	<i>performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the shareholders."</i>	
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	Please see the Company's Code of Business Conduct and Ethics is at http://www.paxys.com/public/files/ConductEthics.pdf	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	The Board, senior management and employees are aware of the Code of Business Ethics. The Code of Ethics was properly circulated to the directors, senior management and employees. The Code of Ethics is also available for viewing in the Company's website (www.paxys.com).	
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	Please see the Company's Code of Business Conduct and Ethics is at http://www.paxys.com/public/files/ConductEthics.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>Bribery and corruption in all forms are not tolerated in the Company. The Company has established serious sanctions for employees proven guilty of bribery. Please refer to page 7 of the Company's Code of Business Conduct and Ethics at http://www.paxys.com/public/files/ConductEthics.pdf.</p>	
Recommendation 7.2			
<p>1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.</p>	<p>COMPLIANT</p>	<p>The Directors, Senior Management, and all employees are expected to adhere to the Code of Ethics by:</p> <ul style="list-style-type: none"> - Engaging in honest conduct. All employees of the company are expected to comply with applicable laws, rules and regulations. - Demands brought about by business exigencies or pressures are not excuses for violating the stipulations in the Code of Ethics. - Personally adhering to the standards and restrictions imposed by those laws, rules and regulations. 	
<p>2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.</p>	<p>COMPLIANT</p>	<ul style="list-style-type: none"> - Personally adhering to the standards and restrictions imposed by those laws, rules and regulations. <p>The Code of Business Conduct is being cascaded during new-hire orientation. The implementation and monitoring is delegated to the line leaders. Internal Audit is part of the monitoring process through its periodic audits.</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	Please see the Company's policy on Disclosure and Transparency in the Company's Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 20) The Company uses its corporate website, email, mails, SEC/PSE disclosures, in order to disseminate information to its stockholders.	
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Supplement to Recommendations 8.1

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>NON-COMPLIANT</p>		<p>The Company distributes and makes available its consolidated annual and quarterly financial reports and cash flow statements to the stakeholders through the company's website and the Philippine Stock Exchange. Interim reports are published within forty-five (45) calendar days from the end of the reporting period. The audited consolidated financial statements is normally published within 105 calendar days after the end of fiscal year, in compliance with the deadline set by the Securities and Exchange Commission (SEC). However, for the year 2019, the consolidated financial statement report was filed on 26 June 2020 due to COVID-19 pandemic in the country. Nevertheless, this is still within the extended deadline prescribed by the SEC.</p> <p>Please refer to Annex 4 of this report for the summary list of filed reports and the actual date of filing, and due dates.</p>
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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

Please see link to the Company's Annual Report at <http://paxys.com/public/files/2019AnnualReport.pdf>

disclosing the following:

1. *principal risks to minority shareholders associated with the identity of the company's controlling shareholders*: Principal shareholder is cognizant of the rights of the minority shareholders and has not exercised its power or exercise any action that is detrimental to the minority shareholders. Please see page 10 (Holders), page 28 (Security Ownership of Certain Beneficial Owners and management), page 30 (Certain Ownership and Related Transactions);
2. *cross-holdings among company affiliates*: please see page 6 (Related Party Transactions), page 8 (Properties), page 10 (Holders) page 30 (Certain Ownership and Related Transactions), pages 11 to 14 (Financial Information), Exhibit C (Consolidated Financial Statements of Paxys Group); and
3. *any imbalances between the controlling shareholders' voting power and overall equity position in the company*: please see page 8 (Submission of Matters to a Vote of Security Holders).

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	<p>Please see the Company's policy requiring directors and officers to disclose their dealings in the Company's shares at the Company's Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 20).</p> <p>The Company also discloses any dealings by officers and directors in its Annual Report at http://paxys.com/public/files/2019AnnualReport.pdf page 28 (Certain Ownership and Related Transactions). There has been no such dealing within the covered period.</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.	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	<p>Please see link/reference to the shareholdings of directors, management and top 100 shareholders at http://paxys.com/public/files/2019AnnualReport.pdf</p> <p>Please see link or reference to the company's Conglomerate Map at http://www.paxys.com/public/corp_structure.html</p>	
Recommendation 8.3			

<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>COMPLIANT</p>	<p>Please see details of the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended at the Company's Definitive Information Statement at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 8 to 13).</p>	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>COMPLIANT</p>	<p>Please see details of key officers' academic qualifications, share ownership in the Company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended at the Company's Definitive Information Statement at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 10 to 11).</p>	
Recommendation 8.4			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>COMPLIANT</p>	<p>Please see the Company policy and practice for setting board remuneration at the Company's Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 13)</p>	

2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	Please see the Company policy and practice for setting board remuneration at the Company's Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 13)	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	NON-COMPLIANT		In compliance with the Data Privacy Law the details of every employee, including directors and executive officers, are regarded as confidential. As such, for purposes of confidentiality and protection of every officer of the Company, the Company discloses the aggregate amount of remuneration of all of its executive officers.
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	Please see the Company's RPT policy at http://www.paxys.com/public/company_policies.html and at http://www.paxys.com/public/files/RPT2.pdf The Company's Revised Manual on Corporate Governance also requires that if the director with conflict of interest abstained from the board discussion on that particular transaction. See link at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 10).	

2. Company discloses material or significant RPTs reviewed and approved during the year.

COMPLIANT

As provided in the Company Annual Report
<http://paxys.com/public/files/2019AnnualReport.pdf>

Related Party Transactions (page 6)

"Paxys has established procedures to ensure the integrity and transparency of related party transactions between and among the Company and its joint venture partners, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by directors and officers. The arms-length principle is applied and these transactions are properly recorded and disclosed in the financial records. The Group complies and shall disclose material RPTs in accordance with the SEC rules on material related transactions for publicly-listed companies.

For years ending December 31 2019 and 2018, there are no material related party transactions nor any pending or proposed transactions, to which the Company was or is to be a party and/or in which any of its directors and officers, any close family members of such individuals, had or is to have a direct or indirect material interest except as provided hereunder.

Transactions between related parties for the year 2019 and 2018 pertain mainly to cash advances in support of working capital requirements of ACS Pacific Limited in the net amount of ₱1.5 million and ₱3.9 million, respectively. Complete details of the related transactions of the Company were disclosed in the notes to the financial statements."

Certain Relationships and Related Transactions (page 30)

Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	<p>Under the Revised Manual of Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 20), the Board shall commit at all times to full disclosure of material information of all their dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submission to the SEC for the interest of the stockholders and stakeholders.</p> <p>The disclosure/report to the Corporation of any dealings of the Corporation's shares should be made within three (3) business days.</p>	
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.			
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	<p>All disclosures are filed through the Philippine Stock Exchange and are made available to the public through the Company's website: http://www.paxys.com/public/sec_filings.html</p>	

<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>COMPLIANT</p>	<p>No similar transaction was made during the covered period. However, the Company's Revised Manual of Corporate Governance and Related Party Transactions Policy provided that the Board shall disclose material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. See link at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 20) and at</p>	
<p>Supplement to Recommendation 8.6</p>			
<p>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</p>	<p>COMPLIANT</p>	<p>The Company usually 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. However, no such transaction was made during the covered period. Thus, no proof can be provided herein.</p>	
<p>Recommendation 8.7</p>			

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	Please see the Company's Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.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	Please see proof of submission of the Revised Manual on Corporate Governance on 30 May 2017 at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 1 to 2).	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:			
a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			

e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year			
g. 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 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).			
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	The Company's Audit, Risk Management, and Related Party Transaction Committee Charter delineates the process for the approval, recommendation for appointment, reappointment, removal and fees of external auditors. http://www.paxys.com/public/board_committees.html	

<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>COMPLIANT</p>	<p>In the Company's Annual Stockholders' Meeting held last December 12, 2019, the reappointment of the Company's external auditor, Reyes, Tacandong & Co (RT & Co) has been ratified and approved by the shareholders.</p> <p>Please see of the results of the Annual Stockholders' Meeting that has been provided and disclosed to the Exchange last December 12, 2019 at http://paxys.com/public/files/16.17C%202019.pdf (page 5).</p> <p>The draft Minutes of the Annual Stockholders' Meeting held last December 12, 2019, which will be approved during the next annual stockholders meeting, is also hereto attached as Annex 3.</p>	
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>COMPLIANT</p>	<p>The company's external auditor has been reappointed for the year 2019.</p> <p>Should the removal of the Company's external auditor take place, the Company shall comply and provide the necessary disclosures to the regulators and the public.</p>	

Supplement to Recommendation 9.1

<p>1. Company has a policy of rotating the lead audit partner every five years.</p>	<p>NON-COMPLIANT</p>		<p>The Group's external auditor from 2014 up to present is Reyes, Tacandong & Co.</p> <p>The group however adopts the SEC rule 68 on rotation of external auditors which provides the rules on audit partner rotation in accordance with the Code of Ethics for Professional Accountants in the Philippines.</p> <p>http://paxys.com/public/files/2019Annual_Report.pdf</p>
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <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. 	<p>COMPLIANT</p>	<p>A link to the Audit, Risk Management, and Related Party Transaction Committee Charter has been provided in the Company's website: http://paxys.com/public/files/BC1.pdf</p>	

2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	COMPLIANT		
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	A link to the Audit, Risk Management, and Related Party Transaction Committee Charter has been provided in the Company's website: http://paxys.com/public/files/BC1.pdf	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	A link to the Audit, Risk Management, and Related Party Transaction Committee Charter has been provided in the Company's website at http://paxys.com/public/files/BC1.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	There are no non-audit services conducted by the Company's external auditor, Reyes Tacandong and Co. (RTC), for the year 2018. Should a non-audit work be engaged going forward, the Company shall provide the necessary disclosures in the Annual Report of the Company.	

<p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>	<p>COMPLIANT</p>	<p>The Company's Revised Manual on Corporate Governance delineates that the Audit, Risk Management, and Related Party Transaction Committee functions include the review of non-audit services performed by the external auditors and its responsibility for ensuring that the objectivity of external auditors are maintained. Please see http://www.paxys.com/public/files/RevisedAmendedManual.pdf page 14</p>	
<p>Supplement to Recommendation 9.3</p>			
<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>COMPLIANT</p>	<p>There are no non-audit services conducted by the Company's external auditor, Reyes Tacandong and Co. (RTC), for the year 2019.</p> <p>Should a non-audit work be engaged going forward, the Company shall provide the necessary disclosures regarding fees paid in the Annual Report of the Company.</p>	
<p>Additional Recommendation to Principle 9</p>			
<p>1. Company's external auditor is duly accredited by the SEC under Group A category.</p>	<p>COMPLIANT</p>	<p>Details of the company's external auditor are as follows:</p> <ol style="list-style-type: none"> 1. Name: Reyes Tacandong & Co 2. Address: 26th Floor Citibank Tower 8741 Paseo de Roxas Makati City 3. Audit engagement partner: Haydee M. Reyes 4. SEC Accreditation No. 0663-AR-3 valid until August 30, 2020. 	

<p>2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).</p>	<p>COMPLIANT</p>	<p>Reyes, Tacandong & Co. shall submit itself to any review and inspection by the SEC.</p>	
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Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

Recommendation 10.1

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>COMPLIANT</p>	<p>The Company's Revised Manual on Corporate Governance provides that "The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social, and governance issues of its business, which underpin sustainability. The Corporation shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues. See link at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 20 to 21).</p>	
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2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	COMPLIANT	The Company has Sustainability Report for year 2019 in compliance with the Sustainability Report Framework that may be required by the SEC. See link at http://paxys.com/public/files/2019AnnualReport.pdf (page 112 of the pdf file)wherein the Sustainability Report is attached to the Annual Report.	
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Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	COMPLIANT	The Company uses its website www.paxys.com for its notices, quarterly reporting, current reporting, and other disclosures.	
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Supplemental to Principle 11

1. Company has a website disclosing up-to-date information on the following:	COMPLIANT	All required disclosures and investor information are available to public through the company's website at www.paxys.com .	
a. Financial statements/reports (latest quarterly)	COMPLIANT		
b. Materials provided in briefings to analysts and media	COMPLIANT		
c. Downloadable annual report	COMPLIANT		
d. Notice of ASM and/or SSM	COMPLIANT		
e. Minutes of ASM and/or SSM	COMPLIANT		

f. Company's Articles of Incorporation and By-Laws	COMPLIANT		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT	The company website is at www.paxys.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	The Company's Board has established an adequate and effective internal control system in the conduct of business. An Internal Audit Charter has been approved and in place.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT	The Company has established process in assessing its risks, its impact, and risk treatment. Given the size and current complexity of the business, the current process can be done without the need of a formal enterprise risk management framework. The Company will review and assess the need to adopt a formal enterprise risk management framework in a way of process improvement.	
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>Being a publicly listed company and in line with the corporate governance policies of the Company, the Board has established system to ensure compliance with laws and relevant regulations.</p> <p>The company has duly-appointed a Compliance Officer to ensure that this process is in place and the review is being done periodically and as needed.</p>	
<p>Optional: Recommendation 12.1</p>			
<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>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>The internal audit function currently rests under the responsibilities of the Audit, Risk Management, and Related Party Transactions Committee. This function is independent from the company operations and was designed to add value in order to improve the efficiency and effectiveness of company operations.</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>The independent internal audit function is being performed by the Company's Chief</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.	COMPLIANT	Audit Executive, Ms. Sheri Inocencio. Please refer to the company website for the list of Company's executive officers: http://paxys.com/public/bod_mngmt.html	
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	In 2019, the Company did not outsource its internal audit activity for the period covered.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	The Company has a risk management function which is separate the operations. This is usually done at the top management level with inputs coming from and the results cascaded down up to the level of employees. This Chief Risk Officer has been duly-appointed and is tasked to report on the enterprise-wide risk to the Board through the Audit, Risk Management and Related Party Transactions Committee. Please refer to http://paxys.com/public/files/ERM1.pdf for the Risk Management Framework of the Company	
Supplement to Recommendation 12.4			

<p>1. Company seeks external technical support in risk management when such competence is not available internally.</p>	<p>COMPLIANT</p>	<p>The Company has competent management team and people to carry out risk management activity and there is no need yet to seek external technical support for the period covered.</p> <p>Should the need for external support arises, the Company will tap external parties for its requirements in accordance with the Companies policies and procedures.</p>	
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Recommendation 12.5

<p>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).</p>	<p>COMPLIANT</p>	<p>The risk management function is currently being performed by the Company's Chief Risk Officer, Ms. Divine M. Gandeza.</p>	
<p>2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.</p>		<p>Please refer to the company website for the list of Company's executive officers: http://paxys.com/public/bod_mngmt.html</p>	

Additional Recommendation to Principle 12

<p>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.</p>	<p>COMPLIANT</p>	<p>Please refer to Annex 5 for a copy of the statement signed by the CEO and CAE certifying that a sound internal audit, control and compliance system is in place and working effectively.</p>	
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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	Article 6 of the Manual on Corporate Governance provides for Stockholders' Rights and Protection of Minority Stockholders' Interests at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (pages 18-19).	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	The Company by-laws at http://www.paxys.com/public/files/3.BL.pdf provides for shareholders' rights.	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT	The Company by-laws at http://www.paxys.com/public/files/3.BL.pdf provides for Voting provision (page 4)	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	Article 7 of the Company's Amended Articles of Incorporation provides that the company only has common shares. See http://paxys.com/public/files/5.AOI.pdf The Company By-Laws http://www.paxys.com/public/files/3.BL.pdf further provides for Voting provision (page 4).	

<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>COMPLIANT</p>	<p>The Company's Definitive Information Statement provides for the Voting Procedure. Voting shall be done <i>via voice</i> or by raising of hands and the votes cast for or against the matter submitted shall be tallied by the Corporate Secretary in case of division of the house. See link at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf page 20.</p>	
<p>4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>COMPLIANT</p>	<p>Under the Company's Revised Manual on Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 19) Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth (1/4) of the outstanding voting capital stock of the Corporation.</p>	

<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>COMPLIANT</p>	<p>The Company's Revised Manual on Corporate Governance (page 19) http://www.paxys.com/public/files/RevisedAmmendedManual.pdf provides that the Notice of Annual or Special Shareholders' Meeting will contain sufficient and relevant information and will be sent to the shareholders at least, as much as practicable, twenty-eight (28) days before the meeting.</p> <p>The Board also encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available by the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available in the company website within five (5) business days from the end of the meeting.</p>	
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<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>COMPLIANT</p>	<p>Under the Company's Revised Manual on Corporate Governance http://www.paxys.com/public/files/RevisedAmmendedManual.pdf the minority shareholders have the following rights:</p> <p>(pages 2 to 3) Nomination by minority shareholders in the Composition of the Board.</p> <p>(page 19) Minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth (1/4) of the outstanding voting capital stock of the Corporation.</p>	
<p>7. Company has a transparent and specific dividend policy.</p>	<p>NON-COMPLIANT</p>		<p>The Company has not generated enough profit, and does not see any dividend declaration in the immediate future. Should the opportunity present itself in the future, it shall accordingly establish a clear dividend policy which is contemplated to be a cash dividend payout of at least 50% of net profit.</p>

Optional: Recommendation 13.1

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
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	<p>The notice and agenda of the annual stockholders' meeting was sent on 14 November 2019 or 28 days before the ASM.</p> <p>There was no shareholders' approval of remuneration or any changes therein in the agenda of the meeting.</p> <p>See link to the Agenda in the Company's Definitive Information Statement (SEC Form 20-IS) at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (page 3).</p>	
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	See link to the Profile of Directors in the Company's Definitive Information Statement (SEC Form 20-IS) at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 9 to 11).	

b. Auditors seeking appointment/re-appointment	COMPLIANT	See link to the details of the Independent Public Accountant in the Company's Definitive Information Statement (SEC Form 20-IS) at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (page 16-17).	
c. Proxy documents	COMPLIANT	See link to the Proxy form at http://paxys.com/public/files/60.17C.pdf (page 7)	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	See link to the Agenda Details and rationale in the Company's Definitive Information Statement (SEC Form 20-IS) at http://paxys.com/public/files/2018DefinitiveInformationStatement.pdf (pages 2 to 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	See the Company's Disclosure of the Results of the Annual Stockholders Meeting dated 12 December 2019 at http://paxys.com/public/files/16.17C%202019.pdf	

<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>NON-COMPLIANT</p>		<p>The Company is compliant with the SEC rules on the disclosure of the Minutes of Annual Stockholders Meeting. The Company thus disclose the same after its approval. In order to provide an advance information to the PSE and SEC, the Company has disclosed the results of the Annual Stockholders' Meeting on December 12, 2019 with the following link: http://paxys.com/public/files/16.17C%202019.pdf</p> <p>The Company, however, is not compliant with the recommendation that the disclosure should be made within five business days as the Minutes need to be approved during the next ASM.</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>Representatives from Reyes Tacandong and Co. and Rizal Commercial Banking Corp, Stock Transfer Department were present during the ASM.</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>No conflict has arisen between the company and any of its stockholders, third parties or regulatory authorities.</p>	

2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	See link to the Company's Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf (page 9 item k)	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	The Company's Corporate Information Officer serves as its Investor Relations Officer with details below: 1. Name of the person: Atty. Mayette Tapia 2. Telephone number: +632-8250-3800 3. Fax number: (+632) 8250-3801 4. E-mail address: mayette.tapia@paxys.com	
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	COMPLIANT	The Company has not yet encountered any takeover situations requiring these measures.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	NON-COMPLIANT		The Company is compliant with the public float requirement as it has about 14.96% public float, which is way above the required 10%. Should the Company require additional capital for expansion, it will issue shares to the public to increase its public float to 30%.
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	<p>Please find details of the Company's shareholders at http://paxys.com/public/files/31.POR.pdf</p> <p>The Revised Manual on Corporate Governance at http://www.paxys.com/public/files/RevisedAmmendedManual.pdf provides that the Board shall ensure a high standard of best practice for the Corporation and its stockholders and other stakeholders. Article 6 thereof also provides for the Stockholders' Rights and Protection of Minority Stockholders' Interests (pages 18 to 19)</p>	
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Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Please refer to http://paxys.com/public/files/BOD4.pdf for the summary of Company policies related to the fair treat and protection of shareholders.	
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Recommendation 14.3

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>COMPLIANT</p>	<table border="1"> <thead> <tr> <th data-bbox="951 272 1220 305"></th> <th data-bbox="1220 272 1497 305">Details</th> </tr> </thead> <tbody> <tr> <td data-bbox="951 305 1220 662">(1) Objectives</td> <td data-bbox="1220 305 1497 662"> <p>To build the trust and confidence of our stakeholders in the company's ability to create value.</p> <p>To create understanding and awareness of the company amongst the investing community.</p> </td> </tr> <tr> <td data-bbox="951 662 1220 784">(2) Principles</td> <td data-bbox="1220 662 1497 784"> <p>Fair disclosure of information; bilateral communication</p> </td> </tr> <tr> <td data-bbox="951 784 1220 846">(3) Modes of Communications</td> <td data-bbox="1220 784 1497 846"> <p>Company website, PSE</p> </td> </tr> <tr> <td data-bbox="951 846 1220 987">4) Investors Relations Officer</td> <td data-bbox="1220 846 1497 987"> <p>Details provided above/ Same as the Corporate Information Officer</p> </td> </tr> <tr> <td data-bbox="951 987 1220 1157">(5) Whistleblowing policy</td> <td data-bbox="1220 987 1497 1157"> <p>Please see link at http://www.paxys.com/public/company_policies.html</p> </td> </tr> </tbody> </table>		Details	(1) Objectives	<p>To build the trust and confidence of our stakeholders in the company's ability to create value.</p> <p>To create understanding and awareness of the company amongst the investing community.</p>	(2) Principles	<p>Fair disclosure of information; bilateral communication</p>	(3) Modes of Communications	<p>Company website, PSE</p>	4) Investors Relations Officer	<p>Details provided above/ Same as the Corporate Information Officer</p>	(5) Whistleblowing policy	<p>Please see link at http://www.paxys.com/public/company_policies.html</p>	
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4) Investors Relations Officer	<p>Details provided above/ Same as the Corporate Information Officer</p>														
(5) Whistleblowing policy	<p>Please see link at http://www.paxys.com/public/company_policies.html</p>														
Supplement to Recommendation 14.3															
<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>COMPLIANT</p>	<p>No conflict has arisen between the company and any of its stockholders, third parties or regulatory authorities.</p>													

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 has no existing request for exemption.	
2. Company respects intellectual property rights.	COMPLIANT	The Company has no specific transaction involving intellectual property rights during the covered period.	
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			

<p>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.</p>	<p>COMPLIANT</p>	<p>The Company recognizes the contributions of its employees in the achievement of company goals and objectives. Through its Human Resource, the Company has established several policies and programs concerning health, safety, welfare, training and development and incentive or rewards which are designed to encourage the employees to stay productive and motivated at work.</p>	
<p>Supplement to Recommendation 15.1</p>			
<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>COMPLIANT</p>	<p>The Company has an established Employee Equity Plan (EEP). The maximum number of shares that may be issued as approved by the SEC is 50,000,000 shares and shall terminate on the 10th anniversary after the effective date on May 1, 2005. The aggregate number of options granted and exercised is 15,230,000 from 2005 up to 2009. There are no options granted and exercised from 2010 to date.</p>	

<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>COMPLIANT</p>	<p>The Company implements an integrated approach to employees' safety, health and welfare. Employees are provided with a comprehensive coverage for hospitalization and medical services including preventive medicines. Health and safety awareness are reinforced to the employees through various Human Resource activities, information blasts and bulletin. Various organizations are likewise invited to the Company premises to conduct trainings on health and safety of the employees or select employees are designated to cascade to all employees. The Company also ensures that the workplace is compliant to all applicable safety standards and laws.</p> <p>http://www.paxys.com/public/conduct_et_hics.html (page 5)</p>	
<p>3. Company has policies and practices on training and development of its employees.</p>	<p>COMPLIANT</p>	<p>The Company ensures that its employees are equipped with the appropriate skills and training to carry out the tasks and responsibilities assigned.</p> <p>Through its Human Resource, the Company has implemented various programs on training and development of its employees. The trainings are either done in-house through the Company's Training Department or outsourced for more specialized and highly technical needs.</p>	

Recommendation 15.2

<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>COMPLIANT</p>	<p>Corrupt practices in the Company constitute an offense which is subject to immediate termination. This is expressly written in the Company's Code of Conduct. The same was also included in the Group's policy on Company's Code of Ethics which was approved at the Board level.</p> <p>http://www.paxys.com/public/conduct_et_hics.html (page 6 to 7)</p>	
<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>COMPLIANT</p>	<p>The company policies and programs are discussed during New Hire Orientation and signed-off by individual employees. A copy is also made available and accessible to the employees through the company's digital shared storage.</p>	
<p>Supplement to Recommendation 15.2</p>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>COMPLIANT</p>	<p>Bribery and all forms of corruption are not tolerated in the Company. Any employee caught and proven guilty of such practices are subject for immediate termination.</p> <p>For the period covered, there are no employees guilty nor reported for possible corrupt practices.</p> <p>Please further refer to our response in Recommendation 15.2.1.</p>	
<p>Recommendation 15.3</p>			

1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	The Company is committed to high standards of ethical, moral, and legal conduct. Directors, officers and employees are encouraged to report suspected anomalies, illegal acts, malpractice and violations in the organization's Code of Discipline, Code of Ethics and Conduct and other company rules and regulations without fear of retaliation, punishment or unfair treatment. Whistleblowing communication channels are made available and anyone can report any alleged illegal or unethical practices. The reports received will be reported directly to the members of Board. http://www.paxys.com/public/company_policies.html	
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		
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT		

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

<p>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.</p>	<p>COMPLIANT</p>	<p>The Company is committed to contribute in the society and environment where it operates.</p> <p>From social outreach and feeding programs, to initiatives that protect the environment and educational scholarships, the Company continues to apply innovative solutions in its CSR programs by aligning and incorporating CSR strategy across all operational functions.</p>	
<p>Optional: Principle 16</p>			
<p>1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development</p>			
<p>2. Company exerts effort to interact positively with the communities in which it operates</p>			

Pursuant to the requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on AUG 25 2020.

SIGNATURES

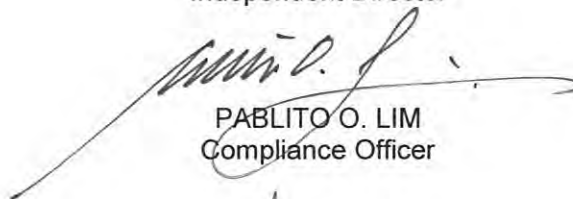


TARCISIO M. MEDALLA
Chairman of the Board



JOSE ANTONIO A. LICHAUCO
Independent Director

GEORGE EDWIN Y. SYCIP
Independent Director



PABLITO O. LIM
Compliance Officer



MAYETTE H. TAPIA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this AUG 25 2020 at MAKATI CITY, affiants exhibited to me their competent evidence of identity, as follows:

Name	Competent Evidence of Identification		
	Passport No.	Date of Issue	Place of Issue
Tarcisio M. Medalla	[REDACTED]	[REDACTED]	[REDACTED]
Jose Antonio A. Lichauco	[REDACTED]	[REDACTED]	[REDACTED]
George Edwin Y. Sycip	[REDACTED]	[REDACTED]	[REDACTED]
Pablito O. Lim	[REDACTED]	[REDACTED]	[REDACTED]
Mayette H. Tapia	[REDACTED]	[REDACTED]	[REDACTED]

IN WITNESS WHEREOF, I have hereunto affixed my signature and Notarial Seal.

Doc. No.: 1007
 Page No.: 34
 Book No.: 81
 Series of 2020.

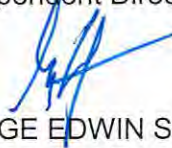
Rubén T.M. Ramirez
 NOTARY PUBLIC
 Rubén T.M. RAMIREZ
 Notary Public for Makati City
 until December 31, 2021
 2086 E. Pasigua St., Makati City
 BSP O.R. No. 0270717/December 10, 2019
 Roll No. 209477/MCLE No. VI-0020246
 PTR No. MKT 8117044/1-02-2020
 Appointment No. M-158

Pursuant to the requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on _____.

SIGNATURES

TARCISIO M. MEDALLA
Chairman of the Board

JOSE ANTONIO A. LICHAUCO
Independent Director



GEORGE EDWIN SYCIP
Independent Director

PABLITO O. LIM
Compliance Officer

MAYETTE H. TAPIA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ at _____, affiants exhibited to me their competent evidence of identity, as follows:

Name	Competent Evidence of Identification		
	Passport No.	Date of Issue	Place of Issue
Tarcisio M. Medalla	[REDACTED]	[REDACTED]	[REDACTED]
Jose Antonio A. Lichauco	[REDACTED]	[REDACTED]	[REDACTED]
George Edwin Sycip	[REDACTED]	[REDACTED]	[REDACTED]
Pablito O. Lim	[REDACTED]	[REDACTED]	[REDACTED]
Mayette H. Tapia	[REDACTED]	[REDACTED]	[REDACTED]

IN WITNESS WHEREOF, I have hereunto affixed my signature and Notarial Seal.

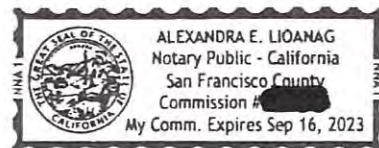
NOTARY PUBLIC

Doc. No.: _____;
 Page No.: _____;
 Book No.: _____;
 Series of 2020.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
 County of San Francisco)

Subscribed and sworn to (or affirmed) before me on July 9, 2020 by ***George Edwin Sycip***, proved to me on the basis of satisfactory evidence to be the person(s) appeared before me.



Signature *Alexandra E. Lioanag*
 Alexandra E. Lioanag, Notary Public

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
PAXYS, INC.**

Held on 29 March 2019
At the 15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City, Philippines

PRESENT:

TARCISIO M. MEDALLA
ROGER LEO A. CARINO
GEORGE Y. SYCIP (Independent Director)
ROBERTO A. ATENDIDO
LIM GHEE KEONG
JOSE ANTONIO A. LICHAUCO (Independent Director)
CHRISTOPHER B. MALDIA
MAYETTE TAPIA (Corporate Secretary)

ALSO PRESENT:

EDMUNDO MACASO
PABLITO LIM
DIVINE GANDEZA
JOEY SANTOS

1. Call to Order

The Chairman, Mr. Tarcisio M. Medalla, called the meeting to order at 11:00 am and presided over the same. The Corporate Secretary, Atty. Mayette H. Tapia, recorded the proceedings.

2. Certification of Quorum

The Chairman called out the names of all the directors attending the meeting and inquired from the Corporate Secretary whether a quorum was present. The Corporate Secretary stated Messrs. Lim Ghee Keong was attending via teleconference from Kuala Lumpur, Malaysia, while Mr. George Sycip is attending via teleconference from the United States. The rest of the directors were present in person in the boardroom. The Corporate Secretary certified that a majority of the directors were in attendance and that a quorum was present for the transaction of official business by the Board. She also announced that the meeting was being recorded for reference purposes.

3. Approval of the Minutes of the Previous Meetings

The Corporate Secretary announced that the next item on the agenda is the approval of the minutes of the previous meetings of the Board of Directors which were held on 10 December 2018 (Organization Board Meeting). Upon motion made and duly seconded, the minutes of the meeting of the Board of Directors held on 10 December 2018 was unanimously approved.

4. Review and Approval of 2018 Audited Financial Statements

The Corporate Secretary announced that the next item on the agenda is the review of the 2018 Audited Financial Statements for Paxys and its subsidiaries. The highlights of the report were as follows:

(a) Consolidated Income Statement

- Gross Profit from Operations of Php21.6 million is 19% below budget due to lower actual volume in SWA business.
- The Group's Operating Expense of Php102.2 million is 9% over budget mainly due to a one-time full provision made covering the advances to Simpro Solutions Limited.
- Other Income of Php100.9 million is 42% higher than budget for a favorable variance of P29.9 million due to higher interest rates and favorable foreign exchange rate.
- Overall, Net Income after tax is Php14.1 million for a favorable variance of Php10.3

million versus budget. This does not include the Php13 million realized gain on the redemption of a managed funds with JPM which was credited directly to the company's Retained Earnings. EBITDA is positive at Php20.6 million.

(b) Consolidated Balance Sheet

- Total assets of the group increased by 4%, accounted for mainly by the net increase in short-term investments as a result of higher interest earned during the year and favorable translation gain for USD denominated funds.
- Property and equipment increased by a net amount of P6.2 million due to capital expenditures for the new SWA managed service site in Alabang and minor rehabilitation of Laguna facility and equipment
- Retained earnings went up by P27.1 million versus 2017 year-end balance due to: (a) P14.1 million Net Income for the year and (b) P13 million realized gain on redemption of JPM managed funds.
- Other equity reserves increased by net amount of P111.8 million, accounted for mainly by the translation gain on dollar-denominated funds

After some discussion, the Board, upon motion duly made and seconded, resolved to approve the 2018 Audited Financial Statements of Paxys and its subsidiaries, as reported. The Board of Directors of the Company notes and affirms, that the Audited Financial Statements for the year ended 31 December 2018 submitted in its final form shall be a true and fair representation of the Company's financial condition.

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

“RESOLVED, that the Board of Directors of **PAXYS, INC.** (the “Corporation”) authorize, as it hereby authorizes, the Corporation’s external auditors, Reyes Tacandong & Co., to issue the Audited Financial Statements of the Corporation for the year ended 31 December 2018.”

5. Approval and Ratification of the 2019 Budget

The Corporate Secretary announced that the next item on the agenda is the review of the 2019 Budget for Paxys and its subsidiaries. A copy of which was routed via email to the Board of Directors on 4 January 2019. There being no questions and comments made, the Board, upon motion duly made and seconded, resolved to approve and ratify the 2019 Budget for Paxys and its subsidiaries, as reported.

6. Other Matters

- I. Mr. Edmundo Macaso presented the updates of Scopeworks Asia, Inc. (“SWA”). According to Mr. Macaso, SWA has executed a data center co-location service agreement effective March 2019 for a Value-Added Services (VAS) provider to be launched in Q2 2019 (Satellite Antenna farm, rack space, and Network Operations Center [NOC] hosting). In addition, SWA has completed custom fit-out for a 50-seat Satellite Office for a BPO Company in Alabang, Muntinlupa sometime in October 2018.

Some of the business development initiatives of SWA that are still in progress are as follows: (i) continuing to work with Globe Telecoms to promote work ready and disaster recovery services; (ii) working on a Pilot for English Language Instructions for the China market for Nomura Research Institute (NRI). Current competition in the Philippines have around 300-400 FTE for this service; and (iii) currently in discussion with a company that is focused on the delivery of digital television services over satellite and terrestrial facilities on the co-location for the second site for its Content Origination Platform (capture, processing, and delivery of media). The target is to finalize the agreement within the second quarter of year 2019.

Mr. Atendido inquired if a similar set up of Satellite Office in Alabang can be offered to other clients. Mr. Macaso confirmed the same as the set up is very attractive to BPO establishments.

II. Mr. Joey Santos provided the following updates on the Company's property investment projects:

a. Southwestern University ("SWU Town Project")

The Company, Phinma, and PHA have already worked on the terms and conditions for the development of the SWU Town Project, which will initially be called "Uniplace". The parties are still reconciling the costs but are done with the Building Plan and due diligence aspect of the SWU Town Project.

b. Redevelopment of Centrum II Office Building

It was discussed that discussions have been made with the Centrum II condominium corporation Board of Directors and the latter communicated that the owners intend to sell their units instead of participating in the redevelopment. Paxys is currently considering the offers of the unit owners for the purpose of the redevelopment plan.

According to Mr. Santos, both projects as discussed above are awaiting approval. After some discussion, the Board took note of the updates.

III. Resolution authorizing Atty. Mayette H. Tapia and Jennifer G. Apolonio to obtain/request report(s) from Philippine Dealing System Holdings Corp.

"RESOLVED, that the Board of Directors of Paxys, Inc. hereby authorizes anyone (1) of the following:

Mayette H. Tapia _____

Jennifer G. Apolonio _____


to obtain, secure, receive, request, or apply for on a regular basis the PCD Beneficial Ownership Report from the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS Group), to sign letter requests and other papers therefor, and to perform all other acts necessary to accomplish the foregoing resolution."

7. Adjournment

There being no further matters to discuss, the meeting was adjourned at 12:00 pm.

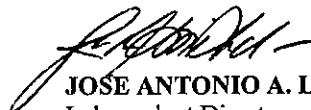

MAYETTE H. TAPIA
Corporate Secretary

ATTESTED:


TARCISIO M. MEDALLA
Chairman



ROGER LEO A. CARIÑO
Director

GEORGE Y. SYCIP
Independent Director



JOSE ANTONIO A. LICHAUCO
Independent Director

ROBERTO A. ATENDIDO
Director



LIM GHEE KEONG
Director



CHRISTOPHER B. MALDIA
Director

Jennifer G. Apolonio _____

to obtain, secure, receive, request, or apply for on a regular basis the PCD Beneficial Ownership Report from the Philippine Dealing System Holdings Corp. & Subsidiaries (PDS Group), to sign letter requests and other papers therefor, and to perform all other acts necessary to accomplish the foregoing resolution."

7. Adjournment

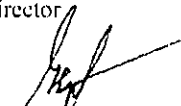
There being no further matters to discuss, the meeting was adjourned at 12:00 pm.

MAYETTE H. TAPIA
Corporate Secretary

ATTESTED:

TARCISIO M. MEDALLA
Chairman

ROGER LEO A. CARIÑO
Director



GEORGE Y. SYCIP
Independent Director

JOSE ANTONIO A. LICHAUCO
Independent Director

ROBERTO A. ATENDIDO
Director

LIM GHEE KEONG
Director

CHRISTOPHER B. MALDIA
Director

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
PAXYS, INC.**

Held on 7 May 2019
At the 15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City, Philippines

PRESENT:

TARCISIO M. MEDALLA
ROGER LEO A. CARIÑO
GEORGE Y. SYCIP (Independent Director)
LIM GHEE KEONG
JOSE ANTONIO A. LICHAUCO (Independent Director)
CHRISTOPHER B. MALDIA
MAYETTE TAPIA (Corporate Secretary)

ALSO PRESENT:

ANA MARIA KATIGBAK
EDMUNDO MACASO
PABLITO LIM
DIVINE GANDEZA

1. Call to Order

The Chairman, Mr. Tarcisio M. Medalla, called the meeting to order at 11:00 am and presided over the same. The Corporate Secretary, Atty. Mayette H. Tapia, recorded the proceedings.

2. Certification of Quorum

The Chairman called out the names of all the directors attending the meeting and inquired from the Corporate Secretary whether a quorum was present. The Corporate Secretary stated that Mr. George Sycip was attending via teleconference from the United States. The rest of the directors were present in person in the boardroom. The Corporate Secretary certified that a majority of the directors were in attendance and that a quorum was present for the transaction of official business by the Board. He also announced that the meeting was being recorded for reference purposes.

3. Approval of the Minutes of the Previous Meetings

The Corporate Secretary announced that the next item on the agenda is the approval of the minutes of the previous meeting of the Board of Directors, which was held on 29 March 2019 (2018 Audited Financial Statements). Upon motion made and duly seconded, the minutes of the meetings of the Board of Directors held on 29 March 2019 was unanimously approved.

4. Review and Approval of First Quarter 2019 Financial Performance Report

The Corporate Secretary announced that the next item on the agenda is the review of the First Quarter 2019 Financial Performance Report for Paxys and its subsidiaries. The highlights of the management report were as follows:

(a) Consolidated Income Statement

- SWA volume for Voice-to-Text account continue to decline due to technology advancement in the past years. With this, SWA has undertaken new projects and began shifting focus from traditional data conversion to other services such as full managed facility starting October 2018.
- Gross Profit from SWA Operations for the first quarter is Php5.8 million or 6% below budget, including about Php1.3 million which was contributed by SWA's new account.
- Operating Expense of the Group amounted to Php30 million or 6% lower than budget due to unutilized budget for provisions. Other Income of the Group amounting to Php28.0 million is 8% higher than budget due to higher interest rates.
- Net Income for the first quarter is Php3.8 million for a favorable variance of Php3.7 million versus budget. EBITDA is positive at Php9.1 million.

(b) Consolidated Balance Sheet

- Total assets of the group increased by Php47.5 million mainly due to the Group's adoption of the new accounting standard for leases, PFRS 16. The standard requires companies to recognize a right-of-use asset and lease liability for its lease contracts that passed the criteria for recognition.
- Liabilities increased by Php43.0 million to recognize the lease liabilities of Paxys, Inc. and SWA's leased office and parking spaces.
- Retained earnings increased by Php5.2 million versus 2018 year-end balance due to: (a) Php3.8 million Net Income for the first quarter and (b) Php1.4 million adjustment in the beginning balance for the PFRS 16 adoption.
- Other equity reserve decreased slightly by Php700 thousand due to the small appreciation of the peso net of unrealized gain on managed funds.

Thereafter, Mr. Lichauco and Mr. Medalla made clarificatory questions about the following: (i) extent of the coverage of SWA's full managed facility site, and (ii) effects of PFRS 16 on lease and the lessor. On their part, Mr. Lim accordingly discussed the coverage of SWA's full managed facility site in Alabang. On her part, Ms. Gandeza also discussed the effects of PFRS 16 on lease agreements and the lessor.

After some discussion, the Board, upon motion duly made and seconded, resolved to approve the First Quarter 2019 Financial Performance Report of Paxys and its subsidiaries, as reported. The Board of Directors of the Company noted and affirmed that the First Quarter 2019 Financial Performance Report submitted in its final form shall be a true and fair representation of the Company's financial condition.

5. Other Matters

a. Redevelopment of Centrum II Office Building.

Mr. Santos discussed the approval of the initial proposal which provides for the redevelopment of the building into an eight-storey office condominium. Accordingly, Mr. Santos made a short presentation of the details of the proposal, structure, and tax considerations of the redevelopment. Mr. Santos then discussed that the Company is already preparing the draft offer letter and contract to sell to be executed with the unit owners. The Company, together with the UT Foundation legal team, is also coordinating with its external tax consultants to study the tax consequences of this project.

b. Scopeworks Asia, Inc. Updates

Mr. Macaso gave updates of SWA's current and potential projects, particularly the following: (i) pilot for English language; (ii) Content Origination Platform; (iii) DR Services; (iv) projects undertaken with PWI clients; and (v) V2T Contract renewal on June 2019.

These discussions are very preliminary and will require further due diligence review on the legal and financial terms of these potential projects. After some discussion, the Board took note of the updates.

The Corporate Secretary informed the Board that the new I-Annual Corporate Governance Report is due for submission to the PSE and the SEC by 30 May 2019. The draft I-Annual Corporate Governance Report Manual will be circulated among the signatories for their review and approval.

c. Resolutions authorizing the Corporation to enter into transactions and contracts with PLDT Inc. and its subsidiaries

“RESOLVED, that the Corporation be, as it is hereby authorized to enter into transactions and contracts with, and/or avail of products, facilities, services of or through the representation of PLDT Inc., and its wholly/partly owned subsidiaries and/or affiliates including but not limited to SMART COMMUNICATIONS, INC. (SMART), DIGITEL MOBILE PHILIPPINES, INC. (DMPI/SUN) and ePLDT, INC. (ePLDT) (hereinafter referred to individually or collectively as the “PLDT Group” for purposes of these resolutions) , including but not limited to wire-line telephone, wireline data, wireline internet, wireless telephone, wireless data service, SMS, GPRS, wireless value added services, wireless broadband internet, and other present or future

product, facilities and services of the PLDT Group, as the Corporation's authorized signatories may deem reasonable, proper and beneficial for the interest of the Corporation;

"RESOLVED, FURTHER, that any one (1) of the following Officers and/or Directors of the Corporation whose specimen signatures appear below be, as they are hereby authorized to sign, execute and/or deliver any and all documents, contracts, instruments for and in behalf of the Corporation, as may be appropriate and required by the foregoing transactions authorized above:

Name	Position	Signature
Pablito O. Lim	Group Chief Finance Officer	_____
Edmundo Miguel D. Macaso	Head of Operations and IT	_____
Divine Grace M. Gandeza	Senior Finance Manager	_____

"RESOLVED, FURTHER, that the foregoing authorized signatories be, as they are hereby authorized to transmit their instructions from time to time via letter correspondence, electronic mail, telecopier (facsimile), and phone in connection with the exercise of the foregoing powers in accordance with which the PLDT Group shall be entitled but not bound to rely and act upon such communications which it believes to be in good faith to be signed and authorized or apparently signed and/or authorized by the authorized signatories of the Corporation; and

"RESOLVED, FINALLY, that the Corporate Secretary be, and is hereby, authorized to issue certifications covering the foregoing resolutions adopted by the Board of Directors of the Corporation."

d. Change the authorized signatories with Home Development Mutual Fund or Pag-ibig

"RESOLVED, that the Board of Directors of PAXYS, INC. (the "Corporation") authorize, as it hereby authorizes, any one (1) of the following officers of the Corporation, whose signatures appear as follows, are hereby authorized to represent the Corporation in all transactions with Home Development Mutual Fund ("Pag-Ibig"), and to sign any and all contracts, documents and papers in relation thereto:

<u>Name</u>	<u>Position</u>	<u>Specimen Signature</u>
Pablito O. Lim	Chief Financial Officer	_____
Divine Grace M. Gandeza	Senior Finance Manager	_____
Donna Marie L. Cabrera	Senior Accountant	_____

RESOLVED FURTHER, that all prior resolutions passed by the Board of Directors on the appointment of signatories with Pag-Ibig (including the authority granted to them) shall be deemed superseded and repealed."

e. Authorizing Mr. Pablito O. Lim to enter into transactions and contracts with Manulife

"Resolved, as it is hereby resolved that the Corporation is hereby authorized to enter into transactions and contracts with Manulife for their *group life insurance*."


"Resolved further that **Mr. Pablito O. Lim** is authorized to execute trade, to transact and to sign for and in behalf of the said corporation the pertinent papers or documents regarding the said the transaction."

6. Adjournment

There being no further matters to discuss, the meeting was adjourned at 12:00 pm.


MAYETTE H. TAPIA
Corporate Secretary

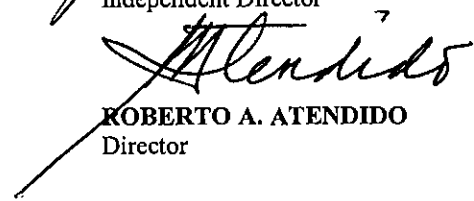
ATTESTED:


TARCISIO M. MEDALLA
Chairman


ROGER LEO A. CARIÑO
Director

GEORGE Y. SYCIP
Independent Director


JOSE ANTONIO A. LICHAUCO
Independent Director


ROBERTO A. ATENDIDO
Director

LIM GHEE KEONG
Director


CHRISTOPHER B. MALDIA
Director

MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS

OF

PAXYS, INC.

Held at the Manila Golf and Country Club
Harvard Road, Forbes Park, Makati City
on December 12, 2019 at 2:00 p.m.

CALL TO ORDER

The Chairman, Mr. Tarcisio M. Medalla¹, called the meeting to order and presided over the same. He introduced the members of the Board of Directors who were present, namely, Roger Leo A. Cariño,² Christopher B. Maldia, Roberto A. Atendido, and Independent Director Jose Antonio A. Lichauco.³ The Corporate Secretary, Atty. Mayette H. Tapia, recorded the proceedings.

PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Corporate Secretary reported that notices for the meeting had been sent to all the stockholders as provided in the By-Laws.

The Corporate Secretary announced that there were present, in person and by proxy, stockholders owning or representing at least 976,600,603 common shares or 85.03% of the outstanding capital stock. (The list of attendees and proxies is available at the office of the Corporation). She therefore certified that there was a quorum for the transaction of business.

¹ Chairman of Executive Committee and of the Compensation Committee

² Treasurer

³ Chairman of Audit, Risk Management, and Related Party Transaction Committee

APPROVAL OF MINUTES OF PREVIOUS MEETING

The next item of business was the approval of the minutes of the previous meeting of the stockholders held on December 10, 2018, copies of which had been earlier distributed to the stockholders.

Upon motion duly made and seconded, and there being no objections, the reading of the minutes of the previous annual stockholders' meeting was dispensed and the following resolution was unanimously approved by the stockholders holding at least 85.03% of the outstanding capital stock of the Corporation:

"RESOLVED, that the minutes of the Annual Stockholders' Meeting of Paxys, Inc. held on December 10, 2018 be, as it is hereby, approved."

The Corporate Secretary noted that no stockholders voted against or abstained on the motion.

ANNUAL REPORT

The next matter on the agenda was the Annual Report of Management to the stockholders. The Chairman, Mr. Tarcisio M. Medalla, presented the highlights of management report, copies of which had been previously distributed to the stockholders together with the audited financial statements as of calendar year ended December 31, 2018 and third quarter report for the period ended September 30, 2019.

After the report, the Chairman announced that questions on the reports would be entertained from the floor. None of the stockholders, however, raised any inquiry. There being no questions or comments, the Chairman requested for a motion on the Management Report.

Whereupon, on motion made and duly seconded, the following resolution was unanimously approved by the stockholders holding at least 85.03% of the outstanding capital stock of the Corporation:

“RESOLVED, that the Management Report as presented by the President and the Corporation’s audited financial statements for year ended December 31, 2018 and the third quarter report for the period ended September 30, 2019 be, as it is hereby, approved.”

The Corporate Secretary noted that no stockholders voted against or abstained on the motion.

Thereafter, the Corporate Secretary was requested to preside over the remainder of the meeting.

RATIFICATION OF CORPORATE ACTS

The Corporate Secretary stated that the next item on the agenda was the ratification of the acts of the Board of Directors, officers and management of the Corporation from the last annual stockholders’ meeting to date. There being no questions or objections, a motion was requested on the matter.

Upon motion made and duly seconded, the following resolution was unanimously approved by the stockholders holding at least 85.03% of the outstanding capital stock of the Corporation:

“RESOLVED, that all acts, contracts, resolutions and actions of the Board of Directors and Management of the Corporation from the date of the last annual stockholders’ meeting up to the present be, as they are hereby, approved, ratified and confirmed.”

The Corporate Secretary noted that no stockholders voted against or abstained on the motion.

ELECTION OF DIRECTORS

The next matter on the agenda was the election of the members of the Board of Directors of the Corporation.

The Corporate Secretary explained that in accordance with the Company's Corporate Governance Manual, all nominations for director were reviewed and approved by the Nominations and Governance Committee. Under SEC rules, only nominees whose names have been submitted to and evaluated by the Nominations and Governance Committee, and whose names appear in the Final List of Candidates set forth in the Definitive Information Statement, shall be eligible for election as Independent Directors.

The following were nominated as members of the Board of Directors for the current term and until their successors are duly elected and qualified in accordance with the By-Laws:

1. TARCISIO M. MEDALLA
2. ROGER LEO A. CARIÑO
3. CHRISTOPHER B. MALDIA
4. LIM GHEE KEONG
5. ROBERTO A. ATENDIDO

and as Independent Directors:

6. GEORGE EDWARD Y. SYCIP
7. JOSE ANTONIO A. LICHAUCO

Thereafter, it was moved, seconded and unanimously resolved to close the nominations. The Corporate Secretary was directed and authorized to cast all votes of the stockholders present or represented at the meeting equally among all the seven (7) nominees.

Upon motion made and duly seconded, and there being only seven (7) nominees to the seven (7) available seats for directors, the above nominees were unanimously elected by the stockholders holding at least 85.03% of the

outstanding capital stock of the Corporation, as directors for the current year to serve as such for a period of one year and until their successors are duly elected and qualified.

The Chairman also declared that the independent directors on the Board are Mr. George Edward Y. Sycip and Mr. Jose Antonio A. Lichauco.

APPOINTMENT OF EXTERNAL AUDITORS

Thereafter, the meeting proceeded with the appointment of the external auditors of the Corporation for the current year. The Company's Audit and Governance Committee endorsed its reappointment following the review of the qualifications and performance of Reyes Tacandong & Co.

There being no objection, and upon motion made and duly seconded, the following resolution was approved by the stockholders holding at least 85.03% of the outstanding capital stock of the Corporation:

"RESOLVED, that the accounting firm of Reyes Tacandong & Co. be, as it is hereby reappointed external auditors of the Company for the current year."

The Corporate Secretary noted that no stockholders voted against or abstained on the motion.

ADJOURNMENT

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

MAYETTE H. TAPIA
Corporate Secretary

ATTESTED:

TARCISIO M. MEDALLA
Chairman of the Stockholders' Meeting

Summary of Reports Filed to the SEC and PSE

REPORTS	DATE FILED		DUE DATE	REMARKS
	SEC	PSE		
1 st Quarterly Report	14-May-2019	14-May-2019	15-May-19	Filed within 45 days from end of period
2 nd Quarterly Report	14-Aug-2019	14-Aug-2019	14-Aug-19	Filed within 45 days from end of period
3 rd Quarterly Report	12-Nov-2019	13-Nov-2019	14-Nov-19	Filed within 45 days from end of period
Annual Report	26-June-2020	26-June-2020	30-June-2020	Filed within 105 days from end of fiscal year <i>SEC issued a Memorandum Circular No. 5 of 2020 dated 12 March 2020 for the extension of filing of Annual Report to 30 June 2020</i>
Audited Financial Statements	26-June-2020		30-June-2020	Filed within 105 days from end of fiscal year <i>SEC issued a Memorandum Circular No. 5 of 2020 dated 12 March 2020 for the extension of filing of Annual Report to 30 June 2020</i>

Internal Control and Compliance

This report summarizes the state of Paxys' Internal Audit, Control and Compliance systems for the year 2019.

Internal control Systems

Basic control mechanisms such as organizational, structural and financial controls are existent. The company's control structure consists of the Board having oversight responsibility over the internal control systems with this oversight function being exercised through the Audit and Risk Management Committee. Management is accountable to the Board for developing, operating and monitoring the system of internal control. Internal control improvements are being identified at the management level and through both the internal and external audits. Depending on the required intervention, these improvements are either immediately carried out, or made into projects if the implementation will take longer time, or in major issues, may be elevated to the Board for decision.

Below are the implemented controls and areas for improvement/weaknesses based on the components of Internal Control.

INTERNAL CONTROL COMPONENTS	ASSESSMENT
<p>Control Environment</p> <p>Pertains to the overall culture of internal controls at the organization, including governance and compliance.</p>	<p>There is an established "tone at the top" including explicit moral guidance about what is right and wrong within the organization.</p> <p>Management demonstrates a commitment to integrity and ethical behavior by example in its day-to-day activities.</p> <p>Company policies regarding acceptable business practices, conflicts of interest, and expected ethical standards of ethical and moral behavior are established and communicated across the organization.</p>
<p>Risk Assessment</p> <p>An activity whereby all of the activities, and associated risks, in an organization are identified and analyzed. The business risks are assessed as to its likelihood of occurrence and the probable impact</p>	<p>Management has an effective processes in place to identify, measure and monitor key business risks.</p> <p>Formal Enterprise Risk Management Program is in place and a risk register has been devised to document all associated risks.</p>

<p>to the Company. Risk treatment or action plans are devised to ensure that major and critical risks are managed or treated to ensure achievement of business objectives.</p>	<p>The risk management process is embedded in the culture and day-to-day activities from Board, Executive management and down to the employee level.</p>
<p>Control Activities</p> <p>This include procedures and controls put into place to mitigate identified risks. This include establishment of policies and procedures across the organization.</p>	<p>Policies and procedures are in place for all critical business processes.</p> <p>Based on the risk assessment done, high and critical risks are treated depending on the risk appetite of the Group. Responsibility for risk is shared across the organization through functional risk owners.</p> <p>The Board is updated on the results of the risk assessment activities and continuous audits are done to ensure monitoring of high risk areas.</p>
<p>Communication and Information</p> <p>Right information are provided to the right people at the right time for them to effectively carry out their activities. Useful information has relevant content and is timely, current, accurate, and accessible.</p>	<p>There are effective communication processes for the use, distribution and sharing of information throughout the organization.</p>
<p>Monitoring</p> <p>This validates that controls are working as intended and identifies anomalies. Monitoring is done at various organizational levels to include: check points by personnel performing daily tasks; reviews of transactions or events by supervisors; spot checks by objective individuals; and various reviews by peers, management advisory services, consultants, and auditors.</p>	<p>Continuous monitoring is embedded in the culture through internal controls designed by Management to detect errors and anomalies.</p> <p>Internal Audit is in charge for the review of the effectiveness of the design and soundness of the company's internal controls.</p>

Internal Audit

The Internal Audit activity supports the Board and management's assessment of the soundness of internal control and compliance systems by doing an independent, objective review. The Internal Audit reports functionally to the Audit, Risk and Related Party Transactions Committee and administratively to the Chairman and President, thus providing full independence to the internal audit activity.

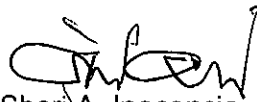
Internal Audit conducts an annual risk assessment to determine the risk auditable units for review. This is reviewed and approved by Audit Committee. The Internal Audit meets as often as necessary to discuss audit results and other control and compliance matters. A copy of the minutes of the committee meetings is provided to the board.

Compliance Systems

The Compliance Officer is responsible in developing, overseeing and monitoring implementation of compliance program. He ensures the company's adherence to regulatory and fiduciary requirements. The compliance officer is tasked to regularly provide compliance reports to the Audit Risk and Related Party Transactions Committee. Internal Audit likewise conducts an annual review of the Company's compliance systems and processes.



Tarcisio M. Medalla
Chairman & President



Sheri A. Inocencio
Chief Audit Executive