



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **31 December 2020**
2. SEC Identification Number **152897**
3. BIR Tax Identification No. **201-128-653-000**
4. **HARBOR STAR SHIPPING SERVICES, INC.**
Exact name of issuer as specified in its charter
5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **2224 A. BONIFACIO ST. CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY**
Address of principal office

1233
Postal Code
8. **(+632) 8886-3703**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

| | COMPLIANT/ NON-COMPLIANT | ADDITIONAL INFORMATION | EXPLANATION |
|---|-----------------------------|---|-------------|
| The Board's Governance Responsibilities | | | |
| Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders. | | | |
| Recommendation 1.1 | | | |
| 1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Qualifications of a Director) ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Information Statement 2020 (Business experience of members of the Board) ❖ Annual Report (Board 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 | | | |
| 1. Board is composed of a majority of non-executive directors. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report (Board of Directors and Management) ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| Recommendation 1.3 | | | |
| 1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Board Education) | |

| | | | |
|--|---------------|---|--|
| 2. Company has an orientation program for first time directors. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Orientation of New Members of the Board of Directors; Board Education) | |
| 3. Company has relevant annual continuing training for all directors. | Compliant | <ul style="list-style-type: none"> ❖ Company Orientation ❖ SEC 17-C re Disclosure on Certificate of Attendance for attending Annual Corporate Governance Seminar | |
| Recommendation 1.4 | | | |
| 1. Board has a policy on board diversity. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Composition of the Board) ❖ The Corporation has seven (7) Directors of which two (2) are Independent Directors. <u>Six (6) of the Directors are male and one (1) is a female.</u> | <ul style="list-style-type: none"> ❖ All director nominees are presented to the stockholders and elected by them during the stockholders' meeting. |
| Optional: Recommendation 1.4 | | | |
| 1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives. | Non-Compliant | | Ibid. |
| Recommendation 1.5 | | | |
| 1. Board is assisted by a Corporate Secretary. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Compliance Officer; The Corporate Secretary) | |
| 2. Corporate Secretary is a separate individual from the Compliance Officer. | Compliant | <ul style="list-style-type: none"> ❖ Corporation's By-Laws (Officers) ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) | |
| 3. Corporate Secretary is not a member of the Board of Directors. | Non-Compliant | <ul style="list-style-type: none"> ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report (Board of Directors and Management) ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | <ul style="list-style-type: none"> ❖ Mr. Ignatius A. Rodriguez is a Director and Corporate Secretary of the Corporation. The Board chose to appoint and maintain Mr. Rodriguez as both Board member and Corporate Secretary owing to his credentials, vast knowledge and experience in <u>business management and operations</u> and his competence as Corporate Secretary. |

| | | | |
|---|-----------|---|--|
| 4. Corporate Secretary attends training/s on corporate governance. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-C re Disclosure on Certificate of Attendance for attending Annual Corporate Governance Seminar | |
| Optional: Recommendation 1.5 | | | |
| 1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting. | Compliant | <ul style="list-style-type: none"> ❖ Notices of Board Meetings together with the materials are sent to the Board of Directors via email not later than five (5) days prior to the date of meeting. | |
| Recommendation 1.6 | | | |
| 1. Board is assisted by a Compliance Officer. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Compliance Officer) ❖ SEC 17-A FY2018 (Directors and Executive Officers of the Issuer) | |
| 2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. | Compliant | <ul style="list-style-type: none"> ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report (Board of Directors and Management) | |
| 3. Compliance Officer is not a member of the board. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| 4. Compliance Officer attends training/s on corporate governance. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-C re Disclosure on Certificate of Attendance for attending Annual Corporate Governance Seminar | |
| 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 | <ul style="list-style-type: none"> ❖ The Corporation conducts regular and special Board and Committee meetings pursuant to its Bylaws ❖ 2017 Manual on Corporate Governance (Functions, Duties and Responsibilities of the Board) | |

| Recommendation 2.2 | | | |
|--|-----------|---|--|
| 1. Board oversees the development, review and approval of the company's business objectives and strategy. | Compliant | <ul style="list-style-type: none"> ❖ The Corporation conducts quarterly regular meetings and special Board and Committee meetings that specifically discuss company objectives and strategies. ❖ Board Minutes on the approval of the Annual Strategic Plan and Budget | |
| 2. Board oversees and monitors the implementation of the company's business objectives and strategy. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Functions, Duties and Responsibilities of the Board) ❖ The Corporation conducts quarterly business reviews to ensure that all business units are aligned to achieving the Corporation's strategic plans and programs; it also conducts annual strategic planning and budget; and conducts strategic planning workshop and review every two years. | |
| Supplement to Recommendation 2.2 | | | |
| 1. Board has a clearly defined and updated vision, mission and core values. | Compliant | <ul style="list-style-type: none"> ❖ Annual Report Magazine ❖ Company Profile and Brochure ❖ Company Website: www.harborstar.com.ph ❖ The Board reviews its Corporate Vision and Mission every three (3) years. | |
| 2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture. | Compliant | <ul style="list-style-type: none"> ❖ The Corporation has a three (3) year strategic management plan ❖ Company and Departmental KPIs ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee; Retirement and Succession Policy) ❖ Meeting of the Corporate Governance Committee | |

| Recommendation 2.3 | | | |
|--|-----------|---|--|
| 1. Board is headed by a competent and qualified Chairperson. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Qualifications of a Director) ❖ SEC 17-A FY2019 (Directors and Executive Officers of the Issuer) ❖ Information Statement 2020 (Business experience of members of the Board) ❖ Annual Report (Board of Directors) ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| Recommendation 2.4 | | | |
| 1. Board ensures and adopts an effective succession planning program for directors, key officers and management. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee; Retirement and Succession Policy) ❖ Meeting of the Corporate Governance Committee ❖ Retirement Plan and Policy | |
| 2. Board adopts a policy on the retirement for directors and key officers. | Compliant | | |
| Recommendation 2.5 | | | |
| 1. Board aligns the remuneration of key officers and board members with long-term interests of the company. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Remuneration of Directors and Officers) ❖ Corporation's By-Laws (Article II) ❖ SEC 17-A FY2020 (Executive Compensation) ❖ Information Statement 2020 (Compensation of Directors and Executives) ❖ Code of Business Conduct and Ethics ❖ Job Performance Bonus and Revenue Performance Bonus Policy | |
| 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 | | |

| Optional: Recommendation 2.5 | | | |
|---|-----------|--|--|
| 1. Board approves the remuneration of senior executives. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee) ❖ Board Minutes re approval of remuneration and compensation | |
| 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. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee) ❖ Job Performance Bonus and Revenue Performance Bonus Policy | |
| Recommendation 2.6 | | | |
| 1. Board has a formal and transparent board nomination and election policy. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee; Nomination and Election of Directors) ❖ Information Statement 2020 (Nominees for Election/Re-Election; Directors and Executive Officers) ❖ Letter of Nominations for Election of Board of Directors | |
| 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 | | |
| 4. Board nomination and election policy includes how the board shortlists candidates. | Compliant | | |
| 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 | | |
| 6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company. | Compliant | | |

| Optional: Recommendation to 2.6 | | | |
|---|---------------|---|---|
| 1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors. | Non-Compliant | | ❖ The Corporation has yet to decide to engage the services of professional search firms owing to the effectiveness of its Corporate Governance and Nominations Committee in sourcing and evaluating candidates/nominees for Directorship. |
| 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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee; Related Party Transaction) ❖ Audited Financial Statements (Notes to Related Party Transactions) ❖ Information Statement 2020 (Certain Relationships and Related Transactions) | |
| 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 | | |
| 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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Related Party Transaction) ❖ Audited Financial Statements (Notes to Related Party Transactions) | |

| | | | |
|---|------------------|---|--|
| 2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings. | <u>Compliant</u> | ❖ 2019 Material Related Party Transactions Policy (Adopted by the Board of Directors on 25 November 2019) | |
| Recommendation 2.8 | | | |
| 1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive). | Compliant | ❖ 2017 Manual on Corporate Governance (Plan of Compliance) ❖ Bylaws | |
| 2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive). | Compliant | ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee) | |
| 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 | ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee) ❖ Strategic Management Plan ❖ Company and Departmental KPIs | |
| 2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management. | Compliant | | |
| Recommendation 2.10 | | | |
| 1. Board oversees that an appropriate internal control system is in place. | Compliant | ❖ 2017 Manual on Corporate Governance (Audit Committee; Internal Audit Plan) ❖ Audit Committee Charter ❖ Regular Audit Committee Meetings ❖ Audit Committee Minutes ❖ Code of Business Conduct and Ethics | |
| 2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders. | Compliant | | |

| | | | |
|--|---------------|---|---|
| 3. Board approves the Internal Audit Charter. | Non-Compliant | | ❖ While the Company has no formal Internal Audit Charter, the Internal Audit is guided by several internal policies and memoranda issued by the Office of the President as well as is constantly monitored by the Audit Committee which gives the Internal Auditor tasks from time to time. |
| Recommendation 2.11 | | | |
| 1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks. | Compliant | ❖ 2017 Manual on Corporate Governance (Enterprise Risk Management Framework; Audit Committee) ❖ Audit Committee Charter ❖ Internal Audit Department | |
| 2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. | Compliant | | |
| 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 | ❖ 2019 Board of Directors' Charter (Approved by the Board of Directors on 29 May 2019) | |
| 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 | ❖ 2019 Insider Trading Policy (Approved by the Board of Directors on 29 May 2019) | |

| 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. | Compliant | <ul style="list-style-type: none"> ❖ Code of Business Conduct and Ethics | |
| 2. Company discloses the types of decision requiring board of directors' approval. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Reportorial or disclosure system of corporation's corporate governance policies; right to information) ❖ SEC 17-C re Material Disclosures | |
| <p>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.</p> | | | |
| Recommendation 3.1 | | | |
| 1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Board Committees) ❖ SEC 17-A FY2020 (Corporate Governance) ❖ Information Statement 2020 (Corporate Governance) ❖ Annual Report (Board of Directors and Management) ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| Recommendation 3.2 | | | |
| 1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter ❖ Part of the functions of the Audit Committee is to recommend the appointment and removal of the company's external auditor. | |

| | | | |
|--|---------------|---|--|
| 2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent. | Non-Compliant | | ❖ The Board recognizes the need for an executive director to be a member of the Audit Committee to allow its non-executive directors to further appreciate how the business operates on the day-to-day basis and to allow the said member to be the Committee's Company resource person. |
| 3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report Magazine ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) | |
| 4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee. | Compliant | <ul style="list-style-type: none"> ❖ Information Statement 2019 (Directors and Executive Officers) ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| Supplement to Recommendation 3.2 | | | |
| 1. Audit Committee approves all non-audit services conducted by the external auditor. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter ❖ Information Statement 2020 (Audit and Audited related fees) | |
| 2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter ❖ Audit Committee Meeting ❖ Audit Committee Minutes | |

| Optional: Recommendation 3.2 | | | |
|---|---------------|--|---|
| 1. Audit Committee meets at least four times during the year. | Non-Compliant | <ul style="list-style-type: none"> ❖ In 2020, the Audit Committee held 1 (one) meeting on the following date: <ul style="list-style-type: none"> ○ 12 May 2020 | <ul style="list-style-type: none"> ❖ Due to the outbreak of the Covid-19 pandemic, the Committee did not meet amidst the heightened risk of infection, travel restrictions, and bans on gatherings, They however were regularly apprised of material developments in the Corporation. Management adopted and implemented alternative arrangements to safely hold ensuing meetings. |
| 2. Audit Committee approves the appointment and removal of the internal auditor. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) | |
| Recommendation 3.3 | | | |
| 1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Corporate Governance Committee) | |
| 2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors. | Non-Compliant | | <ul style="list-style-type: none"> ❖ The Company presently only has two (2) independent directors and therefore cannot comply with the recommendation. |
| 3. Chairman of the Corporate Governance Committee is an independent director. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Information Statement 2020 (Directors and Executive Officers) ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | <ul style="list-style-type: none"> ❖ On-going production of FY 2020 Annual Report Magazine |

| Optional: Recommendation 3.3. | | | |
|--|---------------|--|---|
| 1. Corporate Governance Committee meets at least twice during the year | Non-Compliant | <ul style="list-style-type: none"> ❖ In 2020, the Corporate Governance Committee held one (1) meeting on the following dates: <ul style="list-style-type: none"> ○ 20 July 2020 | <ul style="list-style-type: none"> ❖ Due to the outbreak of the Covid-19 pandemic, the Committee did not meet amidst the heightened risk of infection, travel restrictions, and bans on gatherings, They however were regularly apprised of material developments in the Corporation. Management adopted and implemented alternative arrangements to safely hold ensuing meetings. |
| Recommendation 3.4 | | | |
| 1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. | Non-Compliant | | <ul style="list-style-type: none"> ❖ The 2017 Manual on Corporate Governance of the Corporation states the Audit Committee may also serve as the Corporation's Board Risk Oversight Committee and/or Related Party Transaction's Committee. In 2017, the board dissolved the Risk Oversight Committee and assigned its functions to the Audit Committee. |
| 2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman. | Non-Compliant | | |
| 3. The Chairman of the BROC is not the Chairman of the Board or of any other committee. | Non-Compliant | | |
| 4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management. | Non-Compliant | | |
| Recommendation 3.5 | | | |
| 1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter | |

| | | | |
|--|---------------|--|---|
| 2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman. | Non-Compliant | | ❖ The 2017 Manual on Corporate Governance of the Corporation states the Audit Committee may also serve as the Corporation's Board Risk Oversight Committee and/or Related Party Transaction's Committee, in case none has been separately established. The Board eventually plans to again separate the committees as the business grows and expands. |
|--|---------------|--|---|

| | | | |
|--|---------------|---|--|
| Recommendation 3.6 | | | |
| 1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information. | Non-Compliant | | ❖ Except for the Audit Committee Charter, the rest of the Committee Charters continue to be deliberated. |
| 2. Committee Charters provide standards for evaluating the performance of the Committees. | Non-Compliant | | ❖ The on-going committee charters will also include an evaluation standard |
| 3. Committee Charters were fully disclosed on the company's website. | Compliant | ❖ Company Website: www.harborstar.com.ph | |

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

| | | | |
|---|-----------|---|--|
| Recommendation 4.1 | | | |
| 1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Board and Committee Meetings) ❖ Corporation's By-Laws (Article I & II) ❖ Minutes of the Regular Stockholders' Meeting 2020 | |

| | | | |
|--|-----------|--|--|
| 2. The directors review meeting materials for all Board and Committee meetings. | Compliant | ❖ Notices of Board and Committee Meetings together with the agenda and materials are sent to the Board of Directors via email not later than five (5) days prior to the date of meeting. | |
| 3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings. | Compliant | ❖ Minutes of the Board and Committee Meetings | |
| Recommendation 4.2 | | | |
| 1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company. | Compliant | ❖ 2017 Manual on Corporate Governance (Non-executive Directors) ❖ 2020 CV of the Board of Directors | |
| Recommendation 4.3 | | | |
| 1. The directors notify the company's board before accepting a directorship in another company. | Compliant | ❖ Except those under the Corporation's recently created subsidiaries, there are no new directorship in either PLC or non-PLC has been accepted by the current board, | |
| Optional: Principle 4 | | | |
| 1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group. | Compliant | ❖ None of the executive directors serve in more than two (2) boards of listed companies outside the group. | |
| 2. Company schedules board of directors' meetings before the start of the financial year. | Compliant | ❖ Regular meetings of the board are scheduled prior to the start of the succeeding fiscal year. The schedule is found on the minutes of the board meeting. | |

| | | | |
|--|---------------|--|---|
| 3. Board of Directors meet at least six times during the year. | Non-Compliant | <ul style="list-style-type: none"> ❖ In 2020, the Board of Directors held four (4) meetings on the following dates: <ul style="list-style-type: none"> ○ 12 May 2020 ○ 05 June 2020 ○ 23 September 2020 ○ 10 December 2020 | <ul style="list-style-type: none"> ❖ Due to the outbreak of the Covid-19 pandemic, the Board did not meet amidst the heightened risk of infection, travel restrictions, and bans on gatherings, They however were regularly apprised of material developments in the Corporation. Management adopted and implemented alternative arrangements to safely hold ensuing meetings. |
| 4. Company requires as minimum quorum of at least 2/3 for board decisions. | Compliant | Attendance record of the Company shows near perfect presence of all directors during all board meetings. | |

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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Composition of the Board) ❖ Information Statement 2020 (Audit and Audited related fees) ❖ SEC 17-C re Results of the 2020 Organizational Meeting of the Board of Directors ❖ Annual Report Magazine | <ul style="list-style-type: none"> ❖ The current composition of the Board is seven (7) members, two (2) of which are Independent Directors. This complies with the Company's Manual on Corporate Governance. Nonetheless, the Board is contemplating on increasing the number of Independent Directors to adhere to best practices in governance. |
|--|---------------|---|--|

Recommendation 5.2

| | | | |
|--|-----------|---|--|
| 1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Independent Director) ❖ Corporation's By-Laws (Article II) ❖ Certification of Independent Director | |
|--|-----------|---|--|

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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Functions, Duties and Responsibilities of the Board) ❖ Corporation's By-Laws (Article II) | |
|--|-----------|---|--|

| Recommendation 5.3 | | | |
|---|---------------|--|--|
| 1. The independent directors serve for a cumulative term of nine years (reckoned from 2012). | Compliant | ❖ 2017 Manual on Corporate Governance (Functions, Duties and Responsibilities of the Board) | |
| 2. The company bars an independent director from serving in such capacity after the term limit of nine years. | Compliant | ❖ 2017 Manual on Corporate Governance (Independent Director) | |
| 3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting. | Compliant | ❖ 2017 Manual on Corporate Governance (Independent Director) | |
| Recommendation 5.4 | | | |
| 1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals. | Non-Compliant | ❖ Chairman and CEO: Mr. Geronimo P. Bella, Jr. | ❖ The Company's Manual on Corporate Governance does not impose the separation of the Chairman and CEO into two (2) separate individuals as the Corporation has a lean organization. Nonetheless following the strategic plans and programs of the Corporation as well as the direction of the Board to adopt best practices in good corporate governance, the functions of the Chairman and CEO will eventually be held by two (2) separate individuals. |
| 2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities. | Compliant | ❖ 2017 Manual on Corporate Governance (Chairman of the Board; President) ❖ Corporation's By-Laws (Article III) | |

| Recommendation 5.5 | | | |
|--|---------------|---|---|
| 1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors. | Non-Compliant | | ❖ Despite absence of a lead independent director, both independent directors of the Company are equally active and well informed of the Corporation's material transactions and dealings. Both independent directors sit as Chairpersons in Committees. At present, the Board believes it is impractical to appoint a lead Independent Director considering there are only two. |
| Recommendation 5.6 | | | |
| 1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction. | Compliant | ❖ 2017 Manual on Corporate Governance (Specific Duties and Responsibilities of a Director) | |
| 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 | ❖ 2017 Manual on Corporate Governance (Non-Executive Director) ❖ Audit Committee Meetings ❖ Audit Committee Minutes | |
| 2. The meetings are chaired by the lead independent director. | Non-Compliant | | ❖ The Board is chaired by a non-independent director. Audit and Corporate Governance meetings are chaired by independent Directors. |
| Optional: Principle 5 | | | |
| 1. None of the directors is a former CEO of the company in the past 2 years. | Non-Compliant | | ❖ Mr. Geronimo P. Bella, Jr. has been the Chairman of the Board and CEO since 2006. |
| Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies. | | | |

| Recommendation 6.1 | | | |
|---|---------------|---|--|
| 1. Board conducts an annual self-assessment of its performance as a whole. | Non-Compliant | | While the board and directors continually to look for ways to improve their decision-making and processes, there is no formal self-assessment conducted. The Board will continue to deliberate the necessity and practicality for the self-assessment of each individual director and the board as a body. |
| 2. The Chairman conducts a self-assessment of his performance. | Non-Compliant | | |
| 3. The individual members conduct a self-assessment of their performance. | Non-Compliant | | |
| 4. Each committee conducts a self-assessment of its performance. | Non-Compliant | | |
| 5. Every three years, the assessments are supported by an external facilitator. | Non-Compliant | | Ibid. |
| Recommendation 6.2 | | | |
| 1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees. | Non-Compliant | ❖ 2017 Manual on Corporate Governance (Monitoring and Assessment) | The Board is in the process of determining the mechanism how this will be implemented and measured. |
| 2. The system allows for a feedback mechanism from the shareholders. | Non-Compliant | | Ibid. |
| 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 | <ul style="list-style-type: none"> ❖ Code of Business Conduct and Ethics ❖ www.harborstar.com.ph | |

| | | | |
|--|-----------|--|--|
| 2. The Code is properly disseminated to the Board, senior management and employees. | Compliant | ❖ The Code of Business Conduct and Ethics together with the Corporation's internal policies are made available to all Directors, Senior Management and Employee of the Corporation through a shared link. Updates are disseminated through memorandums issued by the Human Resources Department or by the Office of the President. | |
| 3. The Code is disclosed and made available to the public through the company website. | Compliant | ❖ Company Website: www.harborstar.com.ph | |
| Supplement to Recommendation 7.1 | | | |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes. | Compliant | ❖ 2017 Manual on Corporate Governance (Business Conduct and Ethics) | |
| Recommendation 7.2 | | | |
| 1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics. | Compliant | ❖ 2017 Manual on Corporate Governance (Business Conduct and Ethics) ❖ The Code of Business Conduct and Ethics applied to the Corporation's Directors, Senior Management Team and all its employees. | |
| 2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies. | Compliant | | |
| Disclosure and Transparency | | | |
| Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations. | | | |
| Recommendation 8.1 | | | |
| 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 | ❖ 2017 Manual on Corporate Governance (Reportorial or Disclosure System of Corporation's Corporate Governance Policies) | |

| Supplement to Recommendations 8.1 | | | |
|--|-----------|---|--|
| 1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-A Annual Report 2020 ❖ SEC 17-Q Quarterly Report 1Q21 ❖ Annual Report Magazine ❖ Company Website: www.harborstar.com.ph | |
| 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 | <ul style="list-style-type: none"> ❖ SEC 17-A Annual Report ❖ www.harborstar.com.ph | |
| 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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Reportorial or Disclosure System of Corporation's Corporate Governance Policies; Specific Duties and Responsibilities of a Director; Right to Information) ❖ Code of Business Conduct and Ethics | |
| 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 | <ul style="list-style-type: none"> ❖ SEC 23-A or SEC 23-B ❖ Public Ownership Report ❖ List of Top 100 Stockholders ❖ Information Statement 2020 (Security Ownership of Certain Record and Beneficial Owners and Management) ❖ The Conglomerate Map may be found on the Company Website: www.harborstar.com.ph | |

| Recommendation 8.3 | | | |
|--|-----------|--|--|
| 1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report (Board of Directors and Management) | |
| 2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-A FY2020 (Directors and Executive Officers of the Issuer) ❖ Information Statement 2020 (Directors and Executive Officers) ❖ Annual Report (Board of Directors and Management) | |
| Recommendation 8.4 | | | |
| 1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Remuneration of Directors and Officers) ❖ Corporation's By-Laws (Article II) | |
| 2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Remuneration of Directors and Officers) ❖ Corporation's By-Laws (Article II) | |
| 3. Company discloses the remuneration on an individual basis, including termination and retirement provisions. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-A FY2020 (Executive Compensation) ❖ Information Statement 2020 (Compensation of Directors and Executives) | |
| 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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee; Internal Audit; Related Party Transaction) | |

| | | | |
|---|-----------|--|--|
| 2. Company discloses material or significant RPTs reviewed and approved during the year. | Compliant | <ul style="list-style-type: none"> ❖ Audited Financial Statements (Notes to Related Party Transactions) ❖ Information Statement 2020 (Certain Relationships and Related Transactions) | |
| Supplement to Recommendation 8.5 | | | |
| 1. Company requires directors to disclose their interests in transactions or any other conflict of interests. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Conflict of Interest; Related Party Transaction) ❖ Code of Business Conduct and Ethics | |
| Optional : Recommendation 8.5 | | | |
| 1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Conflict of Interest; Related Party Transaction) ❖ Code of Business Conduct and Ethics | |
| 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 | <ul style="list-style-type: none"> ❖ SEC 17-C re Material Disclosures ❖ Company Website: www.harborstar.com.ph | |
| 2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. | Compliant | <ul style="list-style-type: none"> ❖ The approval of the Board is sought for the appointment of an independent party depending on the nature and amount of the transaction. The Corporation closely follows the guidelines on materiality as presented in the Manual on Corporate Governance. | |

| Supplement to Recommendation 8.6 | | | |
|--|-----------|---|--|
| 1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Reportorial or disclosure system of corporation's corporate governance policies; right to information) ❖ SEC 17-C re Material Disclosures | |
| Recommendation 8.7 | | | |
| 1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG). | Compliant | <ul style="list-style-type: none"> ❖ Company Website: www.harborstar.com.ph | |
| 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 | <ul style="list-style-type: none"> ❖ SEC Filing is posted on PSE Edge under Company Disclosure ❖ Company Website: www.harborstar.com.ph | |
| Optional: Principle 8 | | | |
| 1. Does the company's Annual Report disclose the following information: | | <ul style="list-style-type: none"> ❖ SEC 17-A 2020 (Key Performance Indicators; Dividends and Dividend Policy; Directors and Executive Officers of the Issuer) ❖ Annual Report Magazine (Mission, Vision and Values) ❖ Company Website: www.harborstar.com.ph | |
| a. Corporate Objectives | Compliant | | |
| b. Financial performance indicators | Compliant | | |
| c. Non-financial performance indicators | Compliant | | |
| d. Dividend Policy | Compliant | | |

| | | | |
|---|---------------|--|---|
| e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors | Compliant | | |
| f. Attendance details of each director in all directors meetings held during the year | Compliant | | |
| g. Total remuneration of each member of the board of directors | Non-Compliant | | ❖ The total remuneration of the members of the board of directors is disclosed in aggregate in order to protect the privacy, confidentiality and safety of the 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. | Compliant | ❖ SEC 17-A FY2020 (Corporate Governance) | |
| 3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems. | Compliant | ❖ ACGR 2020 (Risk Management and Control System) | |
| 4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems. | Compliant | ❖ ACGR 2020 (Internal Audit and Control) | |
| 5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic). | Compliant | ❖ SEC 17-A FY2020 (Risk and Discussion of Risk) | |

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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter | |
| 2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders. | Compliant | <ul style="list-style-type: none"> ❖ During the Annual Stockholders' Meeting of the Corporation held 23 September 2020, 64.83% of the shareholders were in favor of the ratification of the approval by the Board. | |
| 3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures. | Compliant | <ul style="list-style-type: none"> ❖ SEC 17-C re Results of Annual/Special Stockholders' Meeting ❖ Company Website: www.harborstar.com.ph ❖ The Corporation has not removed or changed its external auditor since initial appointment. The Board and its Senior Management shall ensure proper and timely disclosures should the need arise. | |
| Supplement to Recommendation 9.1 | | | |
| 1. Company has a policy of rotating the lead audit partner every five years. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (External Auditor) | |
| Recommendation 9.2 | | | |
| 1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. | Compliant | <ul style="list-style-type: none"> ❖ Audit Committee Charter ❖ Company Website: www.harborstar.com.ph | |

| | | | |
|--|-----------|---|--|
| 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 | <ul style="list-style-type: none"> ❖ Audit Committee Charter ❖ Company Website: www.harborstar.com.ph | |
| 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 | <ul style="list-style-type: none"> ❖ Audit Committee Charter ❖ Company Website: www.harborstar.com.ph | |
| 2. Audit Committee ensures that the external auditor has adequate quality control procedures. | Compliant | <ul style="list-style-type: none"> ❖ Audit Committee Charter ❖ Company Website: www.harborstar.com.ph | |
| 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 | <ul style="list-style-type: none"> ❖ Information Statement 2020 (Audit and Audited related fees) ❖ SEC 17-A FY2020 (Audit and Audited related fees) | |
| 2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee) ❖ Audit Committee Charter | |
| Supplement to Recommendation 9.3 | | | |
| 1. Fees paid for non-audit services do not outweigh the fees paid for audit services. | Compliant | <ul style="list-style-type: none"> ❖ Information Statement 2020 (Audit and Audited related fees) ❖ SEC 17-A FY2020 (Audit and Audited related fees) | |

| Additional Recommendation to Principle 9 | | | |
|---|-----------|--|--|
| 1. Company's external auditor is duly accredited by the SEC under Group A category. | Compliant | <p>❖ Details of the Corporation's external auditor below:</p> <p>Pocholo C. Domondon CPA Cert. No. 108839 PTR No. 0011280 issued 07 Jan 2020 at Makati City SEC A.N. (Individual) as general auditors 1567-AR-1, Category A; effective until 20 June 2021 SEC A.N. (Firm) as general auditors 0009-FR-5, Category A; effective until 20 June 2021</p> <p>Isla Lipana & Co. 29th floor, Philamlife Tower, 8767 Paseo de Roxas, 1266 Makati City, Philippines +632-8845-2728</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). | Compliant | | |
| Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed. | | | |
| Recommendation 10.1 | | | |
| 1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. | Compliant | <p>❖ 2017 Manual on Corporate Governance (Reportorial or disclosure system of corporation's corporate governance policies; right to information)</p> | |

| | | | |
|--|-----------|---|--|
| 2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues. | Compliant | ❖ SEC 17-A exhibit 2 Sustainability Report FY2020 | |
|--|-----------|---|--|

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 | <ul style="list-style-type: none"> ❖ Company Website: www.harborstar.com.ph ❖ Media, Investors and Analysts Briefings ❖ PSE Disclosures – SEC 17-C ❖ Annual Report ❖ SEC 17-A and SEC 17-Q ❖ Press Release | |
|---|-----------|---|--|

Supplemental to Principle 11

| | | | |
|--|-----------|---|--|
| 1. Company has a website disclosing up-to-date information on the following: | | ❖ Company Website: www.harborstar.com.ph | |
| 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 | ❖ Company Website: www.harborstar.com.ph | |
| Internal Control System and Risk Management Framework | | | |
| Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework. | | | |
| Recommendation 12.1 | | | |
| 1. Company has an adequate and effective internal control system in the conduct of its business. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Internal Control) ❖ The Audit Committee reviews the performance of the Internal Auditor during quarterly meetings. | |
| 2. Company has an adequate and effective enterprise risk management framework in the conduct of its business. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Enterprise Risk Management Framework) | |
| Supplement to Recommendations 12.1 | | | |
| 1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances. | Compliant | <ul style="list-style-type: none"> ❖ The Compliance Officer in coordination with the internal legal department of the Corporation works hand in hand in ensuring that the business units, departments and employees monitor, comply and update on all regulatory requirements relating to the business. The Compliance Officer and the internal legal department requires all concern business unit and department heads to submit a list of report on a quarterly basis. | |
| Optional: Recommendation 12.1 | | | |
| 1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board. | Compliant | <ul style="list-style-type: none"> ❖ The Corporation has in place a business continuity and disaster recovery plan to ensure its ability to continue operations during disruptive events. It also adopted contingency plans and data privacy policy. | |

| Recommendation 12.2 | | | |
|--|-----------|--|--|
| 1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. | Compliant | <ul style="list-style-type: none"> ❖ The Corporation has an internal audit department. | |
| Recommendation 12.3 | | | |
| 1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board. | Compliant | <ul style="list-style-type: none"> ❖ The Corporation's Internal Audit Officer-in-Charge, Mr. Marlon D. Dabu acts as the Chief Audit Executive. | |
| 2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Internal Audit) ❖ Audit Committee Charter | |
| 3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Internal Audit) ❖ Audit Committee Charter | |
| Recommendation 12.4 | | | |
| 1. Company has a separate risk management function to identify, assess and monitor key risk exposures. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Audit Committee; Enterprise Risk Management Framework) ❖ Audit Committee Charter | |
| Supplement to Recommendation 12.4 | | | |
| 1. Company seeks external technical support in risk management when such competence is not available internally. | Compliant | <ul style="list-style-type: none"> ❖ Various law firms and financial advisers domestic and international | |

| Recommendation 12.5 | | | |
|--|---------------|---|--|
| 1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM). | Non-Compliant | | The Company currently sees no need to create the office of the CRO since the Audit Committee is very active and performs its duty as a risk oversight committee effectively. |
| 2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities. | Non-Compliant | | Ibid. |
| Additional Recommendation to Principle 12 | | | |
| 1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively. | Non-Compliant | | ❖ Although no-written attestation is executed, the Audit Committee regularly reports to the Chairman of the Board and constantly meets with the internal and external auditors to ensure that the Corporation's audit, control and compliance system are efficient and effective. Moving forward, the committee will consider a written attestation. |
| 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 | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Shareholders' Benefits) ❖ The Corporation's By-Laws | |
| 2. Board ensures that basic shareholder rights are disclosed on the company's website. | Compliant | <ul style="list-style-type: none"> ❖ Company Website: www.harborstar.com.ph | |
| Supplement to Recommendation 13.1 | | | |
| 1. Company's common share has one vote for one share. | Compliant | <ul style="list-style-type: none"> ❖ Corporation's By-Laws (Article I) ❖ Information Statement 2020 (Voting Procedure) | |

| | | | |
|---|---------------|--|--|
| 2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights. | Compliant | <ul style="list-style-type: none"> ❖ All shares issued by the Corporation are common stock. ❖ Information Statement 2020 (Security Ownership of Certain Record and Beneficial Owners and Management) | |
| 3. Board has an effective, secure, and efficient voting system. | Compliant | <ul style="list-style-type: none"> ❖ Information Statement 2020 (Voting Procedure) | |
| 4. Board has an effective shareholder voting mechanism such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders. | Non-Compliant | | <ul style="list-style-type: none"> ❖ The Company presently believes that the mechanism provided by the <u>Revised Corporation Code</u> for the protection of minority rights satisfactorily prevents any abuse by the controlling shareholders. |
| 5. Board allows shareholders to call a special shareholders’ meeting and submit a proposal for consideration or agenda item at the AGM or special meeting. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Shareholders’ Benefits) | |
| 6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Shareholders’ Benefits) | |

| | | | |
|--|---------------|--|--|
| 7. Company has a transparent and specific dividend policy. | Compliant | <ul style="list-style-type: none"> ❖ SEC17-A 2020 (Dividends and Dividend Policy) ❖ Information Statement 2020 (Dividends) ❖ On 12 December 2016, the Company's Board of Directors declared stock dividends of 50.0% equivalent to Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) shares based on the record date to be set by the Securities and Exchange Commission. On 5 September 2017, the Company issued Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) common shares with a par value of One Peso (PHP1.00) per share, as stock dividends to stockholders of record as of 19 September 2017. On 13 October 2017, the stock dividends were listed in the Philippine Stock Exchange. | |
| Optional: Recommendation 13.1 | | | |
| 1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting. | Compliant | ❖ The Corporation appointed its stock transfer agent, RCBC Trust and Investment, as its independent party to count and validate votes. | |
| Recommendation 13.2 | | | |
| 1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting. | Non-Compliant | | ❖ Notice of the Annual and Special Shareholder's Meeting in accordance with the provisions of the Corporation's By-Laws, are sent to the Shareholders at least fifteen (15) business days before the meeting and posted on the Corporation's website and disclosed via PSE Edge. |
| 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 | ❖ Contained in the Information Statement 2020 (Directors and Executive Officers) which are made available together with the notice sent to shareholders as of record. | |
| b. Auditors seeking appointment/re-appointment | Compliant | ❖ Contained in the Information Statement 2020 (Action with Respect to Reports) which are made available together with the notice sent to shareholders as of record. | |
| c. Proxy documents | Compliant | ❖ Proxy forms are made available together with the notice sent to shareholders as of record. | |
| Optional: Recommendation 13.2 | | | |
| 1. Company provides rationale for the agenda items for the annual stockholders meeting | Compliant | Provide link or reference to the rationale for the agenda items ❖ Information Statement 2020 (Action with Respect to Reports) | |
| 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 | ❖ 2017 Manual on Corporate Governance (Right to Information) ❖ ASM Draft minutes are posted on the company website not later than five (5) working days after the meeting ❖ Company Website: www.harborstar.com.ph | |
| 2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting. | Compliant | ❖ Company Website: www.harborstar.com.ph | |
| Supplement to Recommendation 13.3 | | | |
| 1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM. | Compliant | ❖ The Corporation ensures that the external auditor and other relevant individuals are in attendance in the ASM to answer shareholders questions. | |

| Recommendation 13.4 | | | |
|---|---------------|--|--|
| 1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. | Compliant | ❖ The alternative dispute resolution system adopted by the Corporation is the Philippine Arbitration Law. | |
| 2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance. | Compliant | ❖ 2017 Manual on Corporate Governance (Alternative Dispute Resolution Mechanics) | |
| Recommendation 13.5 | | | |
| 1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. | Compliant | ❖ Details of the Corporation's Investor Relations Officer below: MR. DANY CLEO B. USON T: (+632) 8886-3703 F: (+632) 8887-2103 E: dbuson@harborstar.com.ph | |
| 2. IRO is present at every shareholder's meeting. | Compliant | ❖ Mr. Dany Cleo B. Uson is present in all regular and special shareholder's meeting. | |
| Supplemental Recommendations to Principle 13 | | | |
| 1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group | Non-Compliant | | ❖ The Board believes anti-takeover measures are not necessary at this time as the public float is only 31.12%. |
| 2. Company has at least thirty percent (30%) public float to increase liquidity in the market. | Compliant | ❖ As of 31 March 2021, the Corporation's public float is 31.12% | |
| Optional: Principle 13 | | | |
| 1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting | Compliant | ❖ 2017 Manual on Corporate Governance (Investor Relations) | |
| 2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting. | Compliant | ❖ HSSSI Guidelines for Participating via Remote Communication and Voting in Absentia and through Proxy (23 September 2020) | |

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 | ❖ Mission Statement |
|---|-----------|---------------------|

Recommendation 14.2

| | | |
|---|-----------|---------------------------------------|
| 1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. | Compliant | ❖ Code of Business Conduct and Ethics |
|---|-----------|---------------------------------------|

Recommendation 14.3

| | | |
|--|-----------|--|
| 1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights. | Compliant | Based on the Code of Business Conduct and Ethics, the Board and its directors, the CEO, senior financial officers and chief legal officer shall promptly report any known or suspected violations of the Code to the Chairman of the Governance Committee, who is an independent director. All other employees should communicate any such or relevant information to Management. Employees may also report questionable behavior in the same manner as they may report complaints regarding accounting, internal accounting controls or auditing matters to the Corporation's auditors. No retaliatory action of any kind will be permitted against anyone making such a report in good faith, and the Governance Committee will strictly enforce this prohibition. |
|--|-----------|--|

Supplement to Recommendation 14.3

| | | |
|--|-----------|---|
| 1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner. | Compliant | ❖ The alternative dispute resolution system adopted by the Corporation is the Philippine Arbitration Law. |
|--|-----------|---|

| 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 | <ul style="list-style-type: none"> ❖ SEC Form 10-1: Notice of Application for Confirmation Exempt Transaction ❖ Stock Dividends of a PLC are exempt transaction per SEC Rule and needs only a Confirmation Certificate from the SEC | |
| 2. Company respects intellectual property rights. | Compliant | <ul style="list-style-type: none"> ❖ Company ensures that intellectual property rights of the Company and of third parties are recognized and respected thereby putting in provisions in applicable contracts for the protection of the same. | |
| Optional: Principle 14 | | | |
| 1. Company discloses its policies and practices that address customers' welfare | Compliant | <ul style="list-style-type: none"> ❖ Code of Business Conduct and Ethics | |
| 2. Company discloses its policies and practices that address supplier/contractor selection procedures | Compliant | <ul style="list-style-type: none"> ❖ Code of Business Conduct and Ethics | |
| Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes. | | | |
| Recommendation 15.1 | | | |
| 1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Encouraging Employee's Participation) ❖ Code of Business Conduct and Ethics | |
| Supplement to Recommendation 15.1 | | | |
| 1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. | Compliant | <ul style="list-style-type: none"> ❖ Job Performance Bonus and Revenue Performance Bonus Policy | |

| | | | |
|---|---------------|---|--|
| 2. Company has policies and practices on health, safety and welfare of its employees. | Compliant | ❖ The Corporation is ISO 45001:2018 accredited for Occupational Health and Safety Management. The Corporation goes through an occupational health and safety assessment series for health and management systems. It was formulated to assist organizations in mitigating occupational health and safety risks. The establishment of ISO 45001:2018 is geared towards decreasing and avoiding accidents and accident-related loss of lives and resources. | |
| 3. Company has policies and practices on training and development of its employees. | Compliant | ❖ Part of the Annual Business Planning of the Corporation includes Training and Development Program per Business Unit/Department/Individual. Each employee is required to attend at least one (1) training/workshop or skills development annually. | |
| Recommendation 15.2 | | | |
| 1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. | Compliant | Code of Business Conduct and Ethics | |
| 2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture. | Compliant | <ul style="list-style-type: none"> ❖ Information is disseminated through the issuances of Board Memoranda ❖ Mission Statement | |
| Supplement to Recommendation 15.2 | | | |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes. | Non-Compliant | | While the Company's Code of Business Conduct and Ethics has a provision for Reporting Known or Suspected Violations, said provision does not provide the parameters and mechanism for this. The board, thru the Corporate Governance Committee and in consultation with Management, intends to deliberate how this can be operationalized. |

| Recommendation 15.3 | | | |
|--|---------------|---|--|
| 1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation | Non-Compliant | | While the Company's Code of Business Conduct and Ethics has a provision for Reporting Known or Suspected Violations, said provision does not provide the parameters and mechanism for this. The board, thru the Corporate Governance Committee and in consultation with Management, intends to deliberate how this can be operationalized. |
| 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. | Non-Compliant | | Ibid. |
| 3. Board supervises and ensures the enforcement of the whistleblowing framework. | Non-Compliant | | Ibid. |
| Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. | | | |
| Recommendation 16.1 | | | |
| 1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. | Compliant | <ul style="list-style-type: none"> ❖ Mission Statement ❖ 2017 Manual on Corporate Governance (Encouraging Sustainability and Social Responsibility) ❖ Annual Report Magazine (Corporate Social Responsibility) | |
| Optional: Principle 16 | | | |
| 1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development | Compliant | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Encouraging Sustainability and Social Responsibility) ❖ Mission Statement | |

| | | | |
|--|------------------|---|--|
| <p>2. Company exerts effort to interact positively with the communities in which it operates</p> | <p>Compliant</p> | <ul style="list-style-type: none"> ❖ 2017 Manual on Corporate Governance (Encouraging Sustainability and Social Responsibility) ❖ Annual Report Magazine (Corporate Social Responsibility) <ul style="list-style-type: none"> ○ Adopt-a- Mangrove Project - every year the Coastal Conservation and Education Foundation, Inc. (CCEF), one of the partners of Harbor Star in the corporate social responsibility program, submits a report which includes activities done for the year such as, but not limited to, the information drive to the LGU(s) and educational institutes, total mangrove planted and the survival rate. ○ Coastal Clean Up Program | |
|--|------------------|---|--|

Pursuant to the requirement of the Securities and Exchange Commission, 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 on 28 MAY 2021 May 2021.

SIGNATURES


GERONIMO P. BELLA, JR.

Chairman of the Board and Chief Executive Officer


GENE S. DE GUZMAN

Independent Director/Chairperson
Corporate Governance Committee


GEMMA V. SADIUA

Independent Director


DANY CLEO B. USON

Compliance Officer


IGNATIUS A. RODRIGUEZ

Corporate Secretary

28 MAY 2021

SUBSCRIBED AND SWORN to before me this day of _____, affiants exhibiting to me their Tax Identification Number (TIN) as follows:

| NAME | TIN |
|------------------------|-------------|
| Geronimo P. Bella, Jr. | 138-640-367 |
| Gene S. De Guzman | 105-466-561 |
| Gemma V. Sadiua | 169-970-141 |
| Dany Cleo B. Uson | 131-298-769 |
| Ignatius A. Rodriguez | 123-199-139 |

NOTARY PUBLIC


FELIPPE MART E. CLOSA

Notary Public for Makati City

Appointment No. M-195

Extended until 30 June 2021

5/F SGV II Building,

6758 Ayala Avenue, Makati City

Roll of Attorneys No. 58673

PTR No. 8533827 / Makati / 04 January 2021

IBP No. 144479 / Batangas / 06 January 2021

MCLE Compliance No. VI-0017034/

Pasig City/ 28 December 2018

Doc No. 146
Page No. 3
Book No. X
Series of 2021.

