

COVER SHEET

SEC Registration Number

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Company Name

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C	O	R	P	O	R	A	T	I	O	N																			

Principal Office (No./Street/Barangay/City/Town)Province)

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Form Type

I-ACGR 2019

Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

ilodestar@yahoo.com

Company's Telephone Number/s

(632) 89209306

Mobile Number

N/A

No. of Stockholders

60

Annual Meeting
Month/Day

2nd Thursday of May

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Atty. Venus L. Gregorio

Email Address

nitsbeng.gregoriolaw@gmail.com

Telephone Number/s

(632) 89209306

Mobile Number

N/A

Contact Person's Address

7th Floor Peaksun Bldg., 1505 Princeton St., Shaw Blvd., Mandaluyong City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: **31 December 2019**
2. SEC Identification Number: **54106**
3. BIR Tax Identification No.: **200-751-430-000**
4. Exact name of issuer as specified in its charter:
LODESTAR INVESTMENT HOLDINGS CORPORATION
5. **Mandaluyong City, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **7th Peaksun Bldg., Princeton St., Greenhills East Wackwack, Mandaluyong City**
Address of principal office Postal Code: **1555**
8. **02(89209306)**
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	https://lodestarholdings.com/ Section 6.4, <u>Qualifications of Directors</u> , 2017 Manual of Corporate Governance.	
2. Board has an appropriate mix of competence and expertise.	Compliant	Section 6.7, <u>Membership Criteria</u> , 2017 Manual of Corporate Governance.	
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	GIS 2019 https://www.lodestarholdings.com/site/assets/files/1384/lihc_gis_12_11_2019.p df	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Section 6.12, <u>Orientation of New Members</u> , 2017 Manual of Corporate Governance. Section 6.13, <u>Board Education</u> , 2017 Manual of Corporate Governance.	

2. Company has an orientation program for first time directors.	Compliant	Certificate of Attendance of Directors and Officers in the Annual Corporate Governance Seminar sponsored by Risks, Opportunities, Assessment and Management on 4 December 2019.	
3. Company has relevant annual continuing training for all directors.	Compliant	https://www.lodestarholdings.com/site/assets/files/1379/lihc_cg_seminar_attendance_2019.pdf	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	Section 6.2(a), <u>Specific Duties and Functions of the Board</u> , 2017 Manual of Corporate Governance.	
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	Background Information on the Corporate Secretary, Form 20-IS for 2019 Annual Stockholders' Meeting p. 9. https://www.lodestarholdings.com/site/assets/files/1376/lihc_dis_2019.pdf Section 8.2, <u>The Secretary</u> , 2017 Manual of Corporate Governance.	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Non-compliant		Due to the Company's minimal operations and requirements, the duties and responsibilities of a Compliance Officer are performed by the Corporate Secretary.
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	Background Information on the Corporate Secretary, Form 20-IS for 2019 Annual Stockholders' Meeting p. 9. https://www.lodestarholdings.com/site/assets/files/1376/lihc_dis_2019.pdf	

4. Corporate Secretary attends training/s on corporate governance.	Compliant	Certificate of Attendance of Directors and Officers in the Annual Corporate Governance Seminar sponsored by Risks, Opportunities, Assessment and Management on 4 December 2019. https://www.lodestarholdings.com/site/assets/files/1379/lihc_cg_seminar_attendance_2019.pdf	
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	Background Information on the Compliance Officer, Form 20-IS for 2019 Annual Stockholders' Meeting p.9. Section 8.4, <u>The Compliance Officer</u> , 2017 Manual of Corporate Governance.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-compliant		Due to the Company's minimal operations and requirements, the duties and responsibilities of a Compliance Officer are performed by the Corporate Secretary.
3. Compliance Officer is not a member of the board.	Compliant	Background Information on the Compliance Officer, Form 20-IS for 2019 Annual Stockholders' Meeting p.9.	
4. Compliance Officer attends training/s on corporate governance.	Compliant	Certificate of Attendance of Directors and Officers in the Annual Corporate Governance Seminar sponsored by Risks, Opportunities, Assessment and Management on 4 December 2019.	

		https://www.lodestarholdings.com/site/assets/files/1379/lihc_cg_seminar_attendance_2019.pdf	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	The Directors attended, participated in, deliberated and acted as a body in the meetings called for the year. They acted on matters that required attention in accordance with the Company's goals and objectives. <u>Summary of matters taken up and approved during the Board Meetings of 2019</u> , 2019 SEC Form 20-IS, p18-20	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	<u>Summary of matters taken up and approved during the Board Meetings of 2019</u> , 2019 SEC Form 20-IS, p18-20.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	https://www.lodestarholdings.com/site/assets/files/1376/lihc_dis_2019.pdf The Board is updated on the actions taken by management and deliberate thereon during its quarterly meetings.	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	Section 2, <u>Mission and Vision</u> , 2017 Manual of Corporate Governance. The Mission, Vision and Core Values are reviewed on an annual basis.	
2. Board has a strategy execution process that facilitates effective management performance and is	Non-compliant		The Company has no manual or corporate document containing a strategy execution process, However, the Company is sufficiently being run by a Management and

attuned to the company's business environment, and culture.			Board who consult and deliberate before making decisions.
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	https://www.lodestarholdings.com/site/assets/files/1376/lihc_dis_2019.pdf <u>Background Information on the Chairman of the Board of Directors</u> , 2019 SEC Form 20-IS, p. 8. Section 6.8, <u>The Chairman of the Board</u> , 2017 Manual of Corporate Governance.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Non-compliant	Section 8.1.2, <u>Succession Planning and Evaluation</u> , 2017 Manual of Corporate Governance. Paragraph 6.2.b, <u>Appointment of Officers and Succession Planning</u> , 2017 Manual of Corporate Governance.	The provision on Succession Planning only applies to the CEO and management. The Board discusses vacancies in the board and undergoes the nomination and election processes to fill such vacancies. The Company has no retirement policy for directors and key officers as they are not working on full time capacity. The Company will adopt a retirement policy when the need arises.
2. Board adopts a policy on the retirement for directors and key officers.	Non-compliant		
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	Section 7.5, <u>The Remuneration Committee</u> (Remuneration packages), 2017 Manual of Corporate Governance.	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	Item 10, <u>Executive Compensation</u> , 2019 Annual Report (17-A), p15.	
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.			
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	Section 6.7, <u>Membership Criteria</u> , 2017 Manual of Corporate Governance. Section 6.11, <u>Nomination and Election Procedures</u> , 2017 Manual of Corporate Governance. Article IV, Section 2, <u>Nomination Committee</u> , Amended By laws.	
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.			
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	Section 11, <u>Related Party Transactions</u> , 2017 Manual of Corporate Governance. The Company has advances to a stockholder in the amount of ₱1.56m.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	The advances to a stockholder are noninterest-bearing, unsecured and are due and collectible upon demand. These advances are generally settled in cash.	
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)	Compliant	The materiality threshold of the Company for Related Party Transaction is Five Million Pesos (P 5,000,000.00). Section 11.1, <u>Policies, Related Party Transactions</u> , 2017 Manual of Corporate Governance.	

month period should be considered for purposes of applying the thresholds for disclosure and approval.			
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant	By way of practice, all acts of the Company, whether RPTs or not, are approved and / or ratified by shareholders present or represented during an Annual or Special Stockholders' Meetings. Among the matters approved last 2019 ASM is "Ratification of all acts of the Board of Directors and Management for the period covered from 13 December 2018 to the date of the Annual Stockholders Meeting."	
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	Section 6.2, <u>Specific Duties and Functions of the Board</u> , 2017 Manual of Corporate Governance. The Management Team of the Company is composed of its Chairman, Mr. Antonio Victoriano F. Gregorio III, President, Mr. Chi Ho Co and its Treasurer, Mr. Delfin S. Castro. Jr.	
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	Section 4, <u>Governance Framework</u> , 2017 Manual of Corporate Governance. Section 6, <u>The Board of Directors</u> , 2017 Manual of Corporate Governance. The Assessment process is informal. This is done during the organizational meeting of the board during which the Management Team is appointed.	

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	Section 8, <u>The Management</u> , 2017 Manual of Corporate Governance. Section 8.1, <u>The President</u> , 2017 Manual of Corporate Governance.	
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	Section 6.2.e, <u>Specific Duties and Functions of the Board</u> , 2017 Manual of Corporate Governance.	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	Section 6.2.e, <u>Specific Duties and Function of the Board</u> , 2017 Manual of Corporate Governance. Section 7.4, <u>The Audit Committee</u> , 2017 Manual of Corporate Governance. Section 9, <u>Accountability and Audit</u> , 2017 Manual of Corporate Governance. Section 13, <u>Internal Controls</u> , 2017 Manual of Corporate Governance.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Non-compliant		There is no mechanism in place but the Board, in cooperation with Management, decide as a body on all matters to prevent conflict of interest.
3. Board approves the Internal Audit Charter.	Non-Compliant		Due to the Company's minimal operations and requirements, an Internal Audit Charter and Internal Audit are yet to be put in

			place. The same will be implemented when the business needs of the Company require.
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	Section 12, <u>Risk Management</u> , 2017 Manual of Corporate Governance.	
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.	Non-compliant		The Company has no Board Charter but the frameworks and principles of good governance for the Board of Directors are extensively provided in the Manual of Corporate Governance
2. Board Charter serves as a guide to the directors in the performance of their functions.	Non-Compliant		The Company has no Board Charter but the frameworks and principles of good governance for the Board of Directors are extensively provide in the Manual of Corporate Governance
3. Board Charter is publicly available and posted on the company's website.	Non-compliant		The Company has no Board Charter but the frameworks and principles of good governance for the Board of Directors are extensively provide in the Manual of Corporate Governance
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	Section 10.1, <u>Share Dealings</u> , Code of Business Conduct and Ethics	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring			

that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	https://www.lodestarholdings.com/corporate-governance/board-committees/ SEC Form 17-C dated 11 December 2019. https://www.lodestarholdings.com/site/assets/files/1381/lihc_17c_11_december_2019_asm.pdf Section 7, <u>Standing Committees of the Board</u> , 2017 Manual of Corporate Governance.	
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	Section 7, <u>Audit Committee</u> , By-laws https://www.lodestarholdings.com/site/assets/files/1010/lihc_audit_committee_charter.pdf Section 7.4, <u>The Audit Committee</u> , 2017 Manual of Corporate Governance.	
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	https://www.lodestarholdings.com/corporate-governance/board-committees/	The Audit Committee members were primarily chosen for their finance background.

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Non-compliant		With the mix of directors, most have no background in finance, accounting and audit. The minimal operations of the Company only require simple financial reporting. The Company will implement these principles when the business of the Company require.
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Non-compliant		The Company only has 2 Independent Directors, considering the need to fill the other committees, the Independent Directors are tasked to head more than 1 Committee.
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	Section 4.2,i, <u>External Auditors</u> , Audit Committee Charter.	During the year, there were no non-audit services conducted by the External auditors.
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-compliant		Management is required in audit meetings to discuss details of the Financial Statements.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	Section 7.2, <u>The Governance Committee</u> , 2017 Manual of Corporate Governance.	

2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Non-compliant		The Company only has 2 Independent Directors and is yet to implement the addition of an Independent Director due to its minimal operations.
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	https://www.lodestarholdings.com/corporate-governance/board-committees/	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.			
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Non-compliant		Due to the Company's minimal operations and requirements, a BROC is yet to be put in place. The same will be implemented when the business needs of the Company require so.
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-compliant		Due to the Company's minimal operations and requirements, a BROC is yet to be put in place. The same will be implemented when the business needs of the Company require so.
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Non-compliant		Due to the Company's minimal operations and requirements, a BROC is yet to be put in place. The same will be implemented when the business needs of the Company require so.
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	Non-compliant		Due to the Company's minimal operations and requirements, an RPT Committee is yet to be put in place. The same will be

material related party transactions of the company.			implemented when the business needs of the Company require so.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Non-compliant		Due to the Company's minimal operations and requirements, an RPT Committee is yet to be put in place. The same will be implemented when the business needs of the Company require so.
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		Due to the minimal operations and requirements, only the Audit Committee has a Charter. The charters of the other committees are yet to be put in place. The same will be implemented when the business needs of the Company require so. In the meantime, the Corporate Governance Manual of the Company provides sufficient rules, principles and standards for the various committees.
2. Committee Charters provide standards for evaluating the performance of the Committees.	Non-compliant		The Corporate Governance Manual of the Company provides sufficient standards for evaluating the performance of the various committees.
3. Committee Charters were fully disclosed on the company's website.	Non-compliant		The charters of the other committees are yet to be put in place. The same will be implemented when the business needs of the Company require so. In the meantime, the Corporate Governance Manual of the Company provides sufficient standards for the various committees.
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	Compliant	Section 6.14, <u>Board Meetings</u> , 2017 Manual of Corporate Governance.	The Company implements the SEC guidelines on tele-conferencing and follows the rules, in as much as the same can be practically implemented.

tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.			
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Section 6.14, <u>Board Meetings</u> , 2017 Manual of Corporate Governance.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	The directors have the freedom to express their opinions or seek clarifications and explanations during board meetings. However, during all the board meetings for 2019, all the matters passed were discussed without question and / or clarifications.	
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	https://www.lodestarholdings.com/ Section 6.1, <u>Board Composition</u> , 2017 Manual of Corporate Governance. <u>Background of Directors and Officers</u> , 2019 SEC Form 20-IS, p. 8-10. Item 9. <u>Directors and Executive Officers of the Issuer</u> , p.11 of the 2019 Annual Report Form 17-A.	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Non-compliant		It is the prerogative of the Directors to accept directorships in other companies. Annually, the curriculum vitae of the directors are updated which keeps track of the corporate affiliations of the directors.
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. Board of directors meet at least six times during the year.			
4. Company requires as minimum quorum of at least 2/3 for board decisions.			

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	https://www.lodestarholdings.com/	Due to the minimal operations and requirements of the Company, there are only 2 independent directors in the Board. In compliance with the rules, the independent directors sit in various committees to ensure independence of review and assessment of the performance of the Board and Management.
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Recommendation 5.2

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Section 6.9, <u>Independent Directors</u> , 2017 Manual of Corporate Governance. https://www.lodestarholdings.com/Certification of Independent Directors , 2019 SEC Form 20-IS, pp, 163-166.	
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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	<u>Voting Trust of Five Percent (5%) or More</u> , 2019 SEC Form 20-IS, p. 6.	
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Recommendation 5.3

1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	Section 6.9, <u>Independent Directors</u> , 2017 Manual of Corporate Governance.	
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		Background of Directors and Officers, <u>List of Nominees</u> , 2019 SEC Form 20-IS, p. 10.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	Section 6.9, <u>Independent Directors</u> , 2017 Manual of Corporate Governance.	
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	No instance when this occurred in 2019.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Chairman of the Board is Atty. Antonio Victoriano F. Gregorio III and the CEO is Mr. Chi Ho Co.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Section 6.8, <u>Chairman of the Board</u> , 2017 Manual of Corporate Governance. Section 8.1, <u>The President</u> , 2017 Manual of Corporate Governance. The Chairman and CEO are not related to each other, either by consanguinity or affinity.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	Section 6.10, <u>Lead Independent Director</u> , 2017 Manual of Corporate Governance. The Chairman of the Board is not an Independent Director.	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the	Compliant	No instance when this arose for 2019.	

corporation abstain from taking part in the deliberations on the transaction.			
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-compliant		Due to the minimal operations and requirements of the Company, there were no meetings called among the non-executive directors (NEDs), external auditor and heads of the internal audit, compliance and risk functions, without any executive present.
2. The meetings are chaired by the lead independent director.	Non-compliant		Due to the minimal operations and requirements of the Company, there were no meetings called among the non-executive directors (NEDs), external auditor and heads of the internal audit, compliance and risk functions, without any executive present.
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Non-compliant		There were no written assessments due to the minimal operations of the Company but during the annual Corporate Governance Seminar, the directors had a chance to revisit the requirements and demands of their positions as directors of the Company.
2. The Chairman conducts a self-assessment of his performance.	Non-compliant		There were no written assessments due to the minimal operations of the Company but during the annual Corporate Governance Seminar, the directors had a chance to

			revisit the requirements and demands of their positions as directors of the Company.
3. The individual members conduct a self-assessment of their performance.	Non-compliant		There were no written assessments due to the minimal operations of the Company but during the annual Corporate Governance Seminar, the directors had a chance to revisit the requirements and demands of their positions as directors of the Company.
4. Each committee conducts a self-assessment of its performance.	Non-compliant		There were no written assessments due to the minimal operations of the Company but during the annual Corporate Governance Seminar, the directors had a chance to revisit the requirements and demands of their positions as Committee members of the Company.
5. Every three years, the assessments are supported by an external facilitator.	Non-compliant		There were no written assessments due to the minimal operations of the Company but during the annual Corporate Governance Seminar, the directors had a chance to revisit the requirements and demands of their positions as directors of the Company.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	Section 6.16, <u>Performance Assessment</u> , 2017 Manual of Corporate Governance.	
2. The system allows for a feedback mechanism from the shareholders.	Non-compliant		Due to the minimal operations and requirements of the Company, a feedback mechanism from shareholders is currently not in place. The same will be implemented when the needs of the Company require so.
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			

Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	https://www.lodestarholdings.com/corporate-governance/code-of-business-conduct-and-ethics/	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	Members and management were given copies of the Code.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	https://www.lodestarholdings.com/corporate-governance/code-of-business-conduct-and-ethics/	
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	Section 6, <u>Gifts and Courtesies</u> , Code of Business 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	Section 1.2, <u>Administration of the Code</u> , Code of Business Ethics. Directors, Management and employees are required to comply with the Code.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	No findings on non-compliance.	
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	Section 10, <u>Disclosure and Transparency</u> , 2017 Manual of Corporate Governance.	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Non-compliant	<p>The Annual Report were filed with the SEC and the PSE on 29 June 2020.</p> <p>The quarterly reports were filed with the SEC and PSE within 45 days from the end of the reporting period:</p> <ul style="list-style-type: none"> • 1st Quarter 2020 – filed last 29 June 2020 • 3rd Quarter 2019 – filed last 4 November 2019 • 2nd Quarter 2019 – filed last 6 August 2019 • 1st Quarter 2019 – files last 14 May 2019 <p>The SEC issued Memorandum Circular No. 5, Series of 2020 extending the filing of SEC Forms 17A (2019 Annual Report) and 17Q (2020 First Quarter Report), until 30 June 2020 due to the recognition of the impact of the 2019 Coronavirus Disease (COVID-19) pandemic on the regular operations of corporations and to ease the regulatory burden of the business sector during these trying times.</p>	The Financial Statements were filed on time but not ahead as what these standard require.

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	2019 Annual Report, SEC Form 17-A, pp. 6, 15-17.	
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	Section 10, <u>Share Dealings</u> , Code of Business Ethics. https://www.lodestarholdings.com/company-disclosures/sec-filings/statements-of-beneficial-ownership/	
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	https://www.lodestarholdings.com/site/assets/files/1382/lihc_23a_lbc_12_11_2019.pdf	
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	https://www.lodestarholdings.com/company-disclosures/sec-filings/statements-of-beneficial-ownership/ https://www.lodestarholdings.com/site/assets/files/1382/lihc_23a_lbc_12_11_2019.pdf	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on	Compliant	https://www.lodestarholdings.com/	

individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.		<u>Background information on Directors and Officers</u> , 2019 SEC Form 20-IS pp. 8-10.	
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	<u>Background information on Directors and Officers</u> , 2019 SEC Form 20-IS pp. 8-10.	
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	Section 7.5, <u>The Remuneration Committee</u> , 2017 Manual of Corporate Governance.	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	Section 7.5, <u>The Remuneration Committee</u> , 2017 Manual of Corporate Governance.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	Item 10. <u>Executive Compensation</u> , 2019 SEC Form 17-A, Annual Report, p15	
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	Section 11, <u>Related Party Transactions</u> , 2017 Manual of Corporate Governance. No instance when this occurred in 2019.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	Item 12. <u>Certain Relationships and Related Transactions</u> , 2019 SEC Form 17-A, Annual Report, p17	

		<p>Note 10, Related Party Transactions of the Annual Audited Financial Statements, 2019 SEC Form 17-A, Annual Report</p> <p>Related Party Transaction, details as follows:</p> <ol style="list-style-type: none"> 1. Name of related party: Chi Ho Co 2. Relationship with the party: President, Director and Stockholder of the company 3. Type/nature of transaction; amount or contract price; and terms of the transaction: The Company has advances to a stockholder in the amount of ₱1.56m. The advances to a stockholder are noninterest-bearing, unsecured and are due and collectible upon demand. These advances are generally settled in cash. 	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	No instance when this arose for 2019.	
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	Compliant	https://www.lodestarholdings.com/site/assets/files/1381/lihc_17c_11_december_2019_asm.pdf	

significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.		https://www.lodestarholdings.com/site/assets/files/1371/change_in_corporate_contact_details_and_or_website.pdf https://www.lodestarholdings.com/site/assets/files/1354/lihc_17c_5_april_2019.pdf	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	There was no instance in 2019 when this was required.	
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	Items 4.d.3 and 4.e, <u>Voting Securities and Principal Holders thereof, Voting Trust Holders of 5% or More, Change in Control</u> , 2019 SEC Form 20-IS p.6.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	https://www.lodestarholdings.com/site/assets/files/1030/amended_lihc_cgm_2017.pdf	
2. Company's MCG is submitted to the SEC and PSE.	Compliant	http://edge.pse.com.ph/openDiscViewer.do?edge_no=037a7d72fb5b28fc3318251c9257320d#sthash.rNzIEc4B.dpb	
3. Company's MCG is posted on its company website.	Compliant	s	
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	Amended MCG with stamp received by the SEC on 31 May 2017.	

		https://www.lodestarholdings.com/site/assets/files/1030/amended_lihc_cgm_2017.pdf http://edge.pse.com.ph/openDiscViewer.do?edge_no=037a7d72fb5b28fc3318251c9257320d#sthash.kVAdilxs.dpbs	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:	Compliant	Business Plan, 2019 Annual Report SEC Form 17-A, pp. 7.	
a. Corporate Objectives	Compliant	Financial Performance, 2019 Annual Report SEC Form 17-A, p. 8.	
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Non-Compliant		The Company's operations do not yet support a study of the non-financial indicators. When the business of the Company requires so, the same will be implemented.
d. Dividend Policy	Compliant	2019 Annual Report SEC Form 17-A, p. 7.	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	Item 9, <u>Directors and Executive Officers of the Issuer</u> , 2019 Annual Report SEC Form 17-A, p. 12-14.	
f. Attendance details of each director in all directors meetings held during the year	Non-compliant		The Company does not state the directors' attendance in the Annual Report. Should it be required, the Company will comply.
g. Total remuneration of each member of the board of directors	Compliant	Item 10, <u>Executive Compensation</u> , 2019 Annual Report SEC Form 17-A, pp. 15.	
2. The Annual Report contains a statement confirming the	Non-Compliant		The Annual report indicates that the Company shall submit the ACGR for 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.			year as required by the SEC and the PSE. Should a statement of compliance be required, the Company will comply.
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.	Non-compliant		Due to the minimal operations and requirements of the Company, material controls are currently not in place. The same will be implemented when the needs of the Company require so.
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.	Non-Compliant		The Company's operations do not support the implementation of internal controls and risk management systems, hence, the Board does not make any representations on the adequacy of the same. These are contained in the Company's Audited Financial Statements. When required to do so, the same shall be complied with.
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	Note 2.3 (b) of the 2019 Audited Financial Statements. Note 3.1 of the 2019 Audited Financial Statements. Note 4 of the 2019 Audited Financial Statements. Note 15 of the 2019 Audited Financial Statements. 2019 Sustainability Report.	Apart from the usual risks contained in the Financial Statement, risk analysis on the novel strain of corona virus (COVID-19) as a public health emergency of international concern' was also discussed.

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	Compliant	Section 4.2, <u>External Auditors</u> , Audit Committee Charter.	
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recommending the appointment, reappointment, removal, and fees of the external auditors.			
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	During the 2019 Annual Stockholders' Meeting held on 11 December 2019, shareholders owning 85% of the Company's outstanding authorized capital stock approved the external auditor recommended by the Board of Directors.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	There was no instance in 2019 when this was required.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	Section 4.2.e, <u>External Auditors</u> , Audit Committee Charter.	
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 	Compliant	Section 4.2, <u>External Auditors</u> , Audit Committee Charter.	

Philippine professional and regulatory requirements.			
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	Section 4.2, <u>External Auditors</u> , Audit Committee Charter.	
Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	Section 4.2, <u>External Auditors</u> , Audit Committee Charter.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	Section 4.2, <u>External Auditors</u> , Audit Committee Charter.	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	Preparation of Special Audit report by Punongbayan & Araullo to support the Company's application for capital increase in 2017.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	Section 4.2.j, <u>External Auditors</u> , 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	The fees paid for the audit of the 2019 financial statements was ₱280,000 while the fees paid for the Special Audit Report to support the application	

		for capital increase in 2017 was ₱69,000.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	Christopher M. Ferarezza, Partner Punongbayan & Araullo SEC Group A Accreditation: Partner No. 1185-AR-2 until May 9, 2021 Firm No. 0002-FR-5 until Mar. 28, 2021 20 th Floor, Tower 1, The Enterprise Center, 6766 Ayala Ave., 1200 Makati City, Philippines Tel No. +63289882288	
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	Name of Audit firm: Punongbayan & Araullo Members of the Engagement Team: Christopher M. Ferarezza Jerome Ona Hannah Pineda	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Non-compliant		Due to the minimal operations and requirements of the Company, there is no clear and focused policy on the disclosure of non-financial information. The same will be implemented when the needs of the Company require so.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	2019 Sustainability Report https://lodestarholdings.com/site/assets/files/1403/lihc_17a_2019.pdf	The Company complied with the submission of the Sustainability Report in the SEC prescribed format.
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.	Non-Compliant		Due to the minimal operations and requirements of the Company, there were no media and analysts briefings for the year. The same will be implemented when the needs of the Company require so.
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	Compliant	https://lodestarholdings.com/site/assets/files/1404/lihc_17q1_2020.pdf	
a. Financial statements/reports (latest quarterly)	Compliant	https://lodestarholdings.com/site/assets/files/1403/lihc_17a_2019.pdf	
b. Materials provided in briefings to analysts and media	Non-compliant	https://www.lodestarholdings.com/site/assets/files/1070/notice_of_annual_or_special_stockholders_meeting.pdf	Due to the minimal operations and requirements of the Company, there were no media and analysts briefings for the year. The same will be implemented when the needs of the Company require so.
c. Downloadable annual report	Compliant	https://www.lodestarholdings.com/site/assets/files/1071/lihc_11_december_2019_asm_minutes.pdf	
d. Notice of ASM and/or SSM	Compliant	https://www.lodestarholdings.com/site/assets/files/1/lihc_amended_ai_and_b-l-09142010.pdf	
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant	https://www.lodestarholdings.com/site/assets/files/1/lihc_amended_articles_of_incorporation_06_14_2017.pdf	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	https://www.lodestarholdings.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.	Non-compliant		Due to the minimal operations and requirements of the Company, there are no quality service programs for the internal audit functions. The same will be implemented when the needs of the Company require so.
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Non-compliant		Due to the minimal operations and requirements of the Company, a framework for enterprise risk management is provided in the Company's Corporate Governance Manual, but the same is not yet implemented. The same will be implemented when the needs of the Company require so.
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Non-compliant		Due to the minimal operations and requirements of the Company, a framework for laws and regulations compliance is provided in the Code of Business Conduct and Ethics but the same is not yet implemented. The same will be implemented when the needs of the Company require so.
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.			
Recommendation 12.2			
1. Company has in place an independent internal audit	Non-compliant		Due to the minimal operations and requirements of the Company, a framework

function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.			for independent internal audit function is provided in the Company's Corporate Governance Manual, but the same is not yet implemented. The same will be implemented when the needs of the Company require so.
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-compliant		Due to the minimal operations and requirements of the Company, no CAE has been appointed. The same will be implemented when the needs of the Company require so.
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-compliant		Due to the minimal operations and requirements of the Company, no CAE has been appointed. The same will be implemented when the needs of the Company require so.
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Non-compliant		Due to the minimal operations and requirements of the Company, no CAE has been appointed. The same will be implemented when the needs of the Company require so.
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Non-compliant		Due to the minimal operations and requirements of the Company, no separate risk management function is in place. The same will be implemented when the needs of the Company require so.
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Non-compliant		Due to the minimal operations and requirements of the Company, there is no need for technical support risk management. The same will be implemented when the needs of the Company require so.

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		Due to the minimal operations and requirements of the Company, no CRO has been appointed. The same will be implemented when the needs of the Company require so.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		Due to the minimal operations and requirements of the Company, no CRO has been appointed. The same will be implemented when the needs of the Company require so.
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		Due to the minimal operations and requirements of the Company, no internal audit control is in place. The same will be implemented when the needs of the Company require so.
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	Section 6.14.4, <u>Stockholders' Rights and Protection of Minority Shareholders' Interests</u> , 2017 Manual of Corporate Governance.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	https://www.lodestarholdings.com/site/assets/files/1030/amended_lihc_cgm_2017.pdf	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	Item 17, <u>Voting Procedures</u> , 2019 SEC Form 20-IS, p. 20.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	The Company has 3,000,000,000 shares. All shares have the same rights for voting, subscription and transfer.	

3. Board has an effective, secure, and efficient voting system.	Compliant	Item 4.c <u>Voting Rights</u> , Form 20-IS for 2019 Annual Stockholders' Meeting p. 5. Item 17, <u>Voting Procedure</u> , Form 20-IS for 2019 Annual Stockholders' Meeting p. 20.	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	For purposes of complying with PSE rules, the majority of minority are required to vote on certain matters ie., share issuances.	
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	There was no instance in 2019 when this occurred.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Section 6.14.4, <u>Stockholders' Rights and Protection of Minority Shareholders' Interests</u> , 2017 Manual of Corporate Governance.	
7. Company has a transparent and specific dividend policy.	Non-compliant		The Company was not in a position to declare dividends for the year. A transparent and specific dividend policy will be issued when the Company declares dividends.
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	Compliant	For 2019, the Company sent out SEC Form 20-IS on 12 November 2019 or 28 days before the date of the meeting.	

with sufficient and relevant information at least 28 days before the meeting.		The agenda did not include shareholders' approval of remunerations or any changes therein. https://www.lodestarholdings.com/company-disclosures/notice-of-annual-or-special-stockholders-meetings/	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:		https://www.lodestarholdings.com/company-disclosures/notice-of-annual-or-special-stockholders-meetings/	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	Item 5.a, <u>Disclosure of information concerning the background of the Registrant's officers, directors, and other key personnel</u> , 2019 SEC Form 20-IS, pp. 7-10.	
b. Auditors seeking appointment/re-appointment	Compliant	Item 7, <u>Independent Public Accountants</u> , 2019 SEC Form 20-IS, pp. 13-14.	
c. Proxy documents	Compliant	2019 SEC Form 20-IS, pp. 3,4,20.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Non-Compliant		The Agenda for 2019 consist of simple and standard items. In the past years, more details and explanations were provided if the corporate acts being approved or ratified are more complex.
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	https://edge.pse.com.ph/openDiscViewer.do?edge_no=050c5d1896c1764befdfc15ec263a54d	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company	Compliant	https://www.lodestarholdings.com/site/assets/files/1071/lihc_11_december_2019_asm_minutes.pdf	

website within five business days from the end of the meeting.			
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	During the 2019 Annual Stockholders' meeting held on 11 December 2019, the Audit Manager in charge of the company's audit Mr. Jerome Ona was present.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Non-Compliant		The Company has no ADR in place. In the event of intra-corporate disputes, the Corporation will offer the shareholders alternative dispute mechanisms to amicable settle any disputes.
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-Compliant		The Company has no ADR in place. In the event of intra-corporate disputes, the Corporation will offer the shareholders alternative dispute mechanisms to amicable settle any disputes.
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	https://www.lodestarholdings.com/site/assets/files/1381/lihc_17c_11_december_2019_asm.pdf	Mr. Richard N. Palou is the Company's IRO
2. IRO is present at every shareholder's meeting.	Compliant	https://www.lodestarholdings.com/site/assets/files/1381/lihc_17c_11_december_2019_asm.pdf	Mr. Richard N. Palou is the Company's IRO
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		Due to the minimal operations of the Company, an anti-takeover measure is not in place.
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-compliant	The Company's public ownership percentage is 24.66%.	

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.	Non-Compliant		Due to the Company's minimal operations, the stakeholders are limited to the shareholders.
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Non-Compliant		Due to the Company's minimal operations, the stakeholders are limited to the shareholders.
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.	Non-Compliant		Due to the Company's minimal operations, the stakeholders are limited to the shareholders.
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is	Non-Compliant		Due to the Company's minimal operations, the stakeholders are limited to the shareholders.

settled in a fair and expeditious manner.			
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	None	
2. Company respects intellectual property rights.	Compliant	None	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Non-Compliant	.	The Company had no employee for 2019.
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that	Non-compliant		The Company had no employee for 2019.

accounts for the performance of the company beyond short-term financial measures.			
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	Section 2.3, <u>Health and Safety Laws</u> , Code of Business Conduct and Ethics	
3. Company has policies and practices on training and development of its employees.	Non-compliant		The Company had no employee for 2019.
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	Section 7, <u>Political Contributions</u> , 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.	Non-Compliant		The Company has no employees for 2019.
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	Section 7, <u>Political Contributions</u> , Code of Business Conduct and Ethics. Section 6.1, <u>Gifts and Business Courtesies</u> , Code of Business Conduct and Ethics. Section 11.4, <u>Accountability for Violations</u> , Code of Business Conduct and Ethics.	
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical	Non-compliant		Due to minimal operations, the Company has no whistle blowing policy but the same will be adopted when the business of the Company requires.

practices, without fear of retaliation			
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		Due to minimal operations, the Company has no whistle blowing policy but the same will be adopted when the business of the Company requires.
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Non-compliant		Due to minimal operations, the Company has no whistle blowing policy but the same will be adopted when the business of the Company requires.
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.	Non-compliant		Due to minimal operations, the Company has not engaged in promotional activities but the same will be adopted when the business of the Company requires.
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development			
2. Company exerts effort to interact positively with the communities in which it operates			

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized in the City of **QUEZON CITY** on July 27, 2020.

SIGNATURES


 Felixes G. Latonero
 Independent Director


 Antonio Victoriano F. Gregorio III
 Chairman & President


 Leonardo B. Cua
 Independent Director



 Venus L. Gregorio
 Corporate Secretary, Compliance Officer and CIO

JUL 27 2020

Subscribed and sworn to before me this _____ day of July 2020, affiants exhibiting to me their competent identification as follows:

Name	ID Number	Expiry
Antonio Victoriano F. Gregorio III	Driver's License No. N02-90-140220	11/05/2021
Felixes G. Latonero	Driver's License No. N02-00-426715	06/11/2022
Leonardo B. Cua	OSCA ID 02966	
Venus L. Gregorio	Driver's License No. D16-98-196471	11/16/2022

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 Page No. 97;
 Book No. V;
 Series of 2020.


ATTY. ROGELIO J. BOLIVAR
 NOTARY PUBLIC IN QUEZON CITY
 AM Adm. Not. Com. No. NP-060 1-12-19 until 12-31-2020
 BP O.R. No. 055255 Jan. 2019 & 18P O.R. NO. 055256 Jan. 2020
 P.T.R. No. 731813 C 1-7-19 / P.T. No. 30132 / T.M. 123-871-009
 M.C.E. No. V0019286 valid from 04-01-2019 until 04-01-2024 PASIG CITY
 Address: 31-F Marwin St. Cubao, Quez.