

COVER SHEET

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SEC Registration Number

C H E L S E A L O G I S T I C S H O L D I N G S C O R P .

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(Company's Full Name)

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C O R 3 1 S T S T . B O N I F A C I O G L O B A L

C I T Y , T A G U I G C I T Y

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

Atty. Henedina V. San Juan

(Contact Person)

403-4015

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

I - A C G R

(Form Type)

0 3 1 9

Month Day (Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CGFD

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[Empty box for Total No. of Stockholders]

Total No. of Stockholders

Total Amount of Borrowings

X Domestic

Foreign

To be accomplished by SEC Personnel concerned

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SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: 31 December 2017
2. SEC Identification Number: 201619734 3. BIR Tax Identification No. 009-393-167
4. Exact name of issuer as specified in its charter: CHELSEA LOGISTICS HOLDINGS CORP.
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. Stella Hizon Reyes Road, Bo.Pampanga.
Davao City 8000
Address of principal office Postal Code
8. +63 82 224 5373
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	See Chelsea Logistics 2017 SEC 17-A page 28 http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs	
2. Board has an appropriate mix of competence and expertise.	Compliant	See Chelsea Logistics 2017 SEC 17-A page 22 http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs	
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	See Chelsea Logistics 2017 SEC 17-A page 28 http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs	
Recommendation 1.2			

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<p>Only two (2) Directors hold executive positions in the Company, as follows :</p> <ol style="list-style-type: none"> 1. Chryss Alfonsus V. Damuy – President & CEO 2. Cherylyn C. Uy – Treasurer <p>The 7 other Directors do not exercise any executive functions in the Company.</p> <p>See Chelsea Logistics 2017 SEC 17-A page 28</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
Recommendation 1.3			
<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 3.2 (bb) of the Corporate Governance Manual.</p> <p>See page 8 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

<p>2. Company has an orientation program for first time directors.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 3.2 (bb) of the Corporate Governance Manual.</p> <p>See page 8 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>3. Company has relevant annual continuing training for all directors.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 3.2 (bb) of the Corporate Governance Manual.</p> <p>See page 8 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>Recommendation 1.4</p>			

1. Board has a policy on board diversity.	Compliant	<p>Article 2 – Board Governance, Section 1.0 of the Corporate Governance Manual provides for adoption of policy on Board diversity.</p> <p>See page 3 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>Further, of the 9 Directors of the Company, 8 are male and 1 is female.</p>	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Non-Compliant		The Company has adopted Board diversity measures. To date, CLC Board is composed of men and women with diversified qualifications and experiences. However, these measures are yet to be formed into a formal Board policy.
Recommendation 1.5			

<p>1. Board is assisted by a Corporate Secretary.</p>	<p>Compliant</p>	<p>See Chelsea Logistics 2017 SEC 17-A page 25</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p> <p>See page 21 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>3. Corporate Secretary is a separate individual from the Compliance Officer.</p>	<p>Compliant</p>	<p>See Chelsea Logistics 2017 SEC 17-A, page 25</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p> <p>See page 21 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

4. Corporate Secretary is not a member of the Board of Directors.	Compliant	See Chelsea Logistics 2017 SEC 17-A, page 22 http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs	
5. Corporate Secretary attends training/s on corporate governance.	Compliant	Corporate Governance Seminar by Risks, Opportunities Assessment and Management (ROAM), Inc. held on 19 March 2018, 8:00 am – 12 noon. http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed1220ed444eb3ec43ca035510b6ec2b#sthash.6KVrAWvR.dpbs Topics covered: <ul style="list-style-type: none"> • Background for CG • 2016 SEC Code of CG for PLCs • 2018 Global and Regional Trends in CG • ERM and CG • Corporate Governance Cases 	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	The Board of Directors is notified of the agenda and provided with board materials at least five business days prior to the meeting date. See attached Annex A for sample Board Notice in 2017.	
Recommendation 1.6			

1. Board is assisted by a Compliance Officer.	Compliant	<p>See Chelsea Logistics 2017 SEC 17-A, page 27</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	<p>See Chelsea Logistics 2017 SEC 17-A, page 27:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p> <p>Section 12 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

<p>3. Compliance Officer is not a member of the board.</p>	<p>Complaint</p>	<p>See Chelsea Logistics 2017 SEC 17-A, page 2:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p> <p>Section 12 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>4. Compliance Officer attends training/s on corporate governance.</p>	<p>Compliant</p>	<p>Corporate Governance Seminar by Risks, Opportunities Assessment and Management (ROAM), Inc. held on 19 March 2018, 8:00 am – 12 noon.</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed1220ed444eb3ec43ca035510b6ec2b#sthash.6KVrAWvR.dpbs</p> <p>Topics covered:</p> <ul style="list-style-type: none"> • Background for CG • 2016 SEC Code of CG for PLCs • 2018 Global and Regional Trends in CG • ERM and CG • Corporate Governance Cases 	

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

<p>1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.</p>	<p>Compliant</p>	<p>Acts and Resolutions of the Board of Directors for the Period covering August 9, 2017 to February 22, 2018</p> <p>See Chelsea Logistics 2018 Definitive Information Statement, page 25</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.cJqA7UAN.dpbs</p>	
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Recommendation 2.2

<p>1. Board oversees the development, review and approval of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>Acts and Resolutions of the Board of Directors for the Period covering August 9, 2017 to February 22, 2018</p> <p>See page 25 of Chelsea Logistics 2018 Definitive Information Statement</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.cJqA7UAN.dpbs</p> <p>The Board of Directors meets regularly on a quarterly basis.</p>	
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<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>Section 3 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>Acts and Resolutions of the Board of Directors for the Period covering August 9, 2017 to February 22, 2018</p> <p>See page 25 of Chelsea Logistics 2018 Definitive Information Statement</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.cJqA7UAN.dpbs</p> <p>The Board of Directors meets regularly on a quarterly basis.</p>	
<p>Supplement to Recommendation 2.2</p>			

<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	<p>Compliant</p>	<p>The Vision, Mission Statement and Core Values of the Company can be found in its website and in its 2017 Annual Report.</p> <p>See Chelsea Logistics website "About" http://www.chelsealogistics.ph/about</p> <p>See page 3 of Chelsea Logistics 2017 Annual Report http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
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<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<p>Section 6 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZZCorporateZGovernanceZManual.pdf</p> <p>Acts and Resolutions of the Board of Directors for the Period covering August 9, 2017 to February 22, 2018</p> <p>See page 25 of Chelsea Logistics 2018 Definitive Information Statement</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.cJqA7UAN.dpbs</p>	
Recommendation 2.3			
<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Compliant</p>	<p>See page 22 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
Recommendation 2.4			

<p>1. Board ensures and adopts an effective succession planning program for directors, key officers and management.</p>	<p>Non-compliant</p>		<p>The Company implements a succession planning program for key officers and Management. However, no particular program has been implemented yet for the Board of Directors. The present Directors, particularly the Independent Directors, have been carefully selected and are expected to serve the full terms allowed by the By-Laws.</p>
<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Compliant</p>	<p>Directors are elected for a term of one (1) year, and until their successors are elected and qualified. Independent Directors may only serve for a maximum cumulative term of nine (9) years.</p> <p>The Company has a retirement plan for key officers and employees.</p> <p>See Chelsea Logistics 2017 SEC 17-A, Note 18.2 (<i>Post-employment Defined Benefits</i>) of Audited Financial Statements:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	

Recommendation 2.5

<p>1. Board aligns the remuneration of key officers and board members with long-term interests of the company.</p>	<p>Compliant</p>	<p>Salaries of key officers are at par with industry counterparts.</p> <p>Directors are entitled to per diem for each Board meeting attended.</p> <p>See page 31 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
<p>2. Board adopts a policy specifying the relationship between remuneration and performance.</p>	<p>Compliant</p>	<p>The Company implements performance-based appraisal every year for all its employees. This is the basis of the promotions and overall increase and/or incentives granted to the employees and officers of the Company every year.</p>	
<p>3. Directors do not participate in discussions or deliberations involving his/her own remuneration.</p>	<p>Compliant</p>	<p>At present, there is no remuneration for Directors except for per diem for each Board meeting attended.</p>	

Optional: Recommendation 2.5

1. Board approves the remuneration of senior executives.	Non-compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
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.	Non-compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	<p>Article 3, Section 13 of the Amended By-Laws of the Company provides the procedure for nomination and election of Directors.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBY-LawsZ2017.pdf</p>	

<p>2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 8 of the Corporate Governance Manual.</p> <p>See page 15 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.</p>	<p>Compliant</p>	<p>Article 5 – Stockholders' Rights and Protection of Minority Stockholders' Interest of the Corporate Governance Manual</p> <p>See page 27 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>4. Board nomination and election policy includes how the board shortlists candidates.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 8 of the Corporate Governance Manual.</p> <p>See page 15 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

<p>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.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 8 of the Corporate Governance Manual</p> <p>See page 15 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.</p>	<p>Compliant</p>	<p>Article 2 – Board Governance, Section 8 of the Corporate Governance Manual.</p> <p>See page 15 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>Optional: Recommendation to 2.6</p>			
<p>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.</p>	<p>Non-compliant</p>		<p>For the initial set of Directors, they were selected on the basis of their known expertise and experience which would benefit the Company, and personally known to the majority stockholder as persons of integrity and commitment.</p>
<p>Recommendation 2.7</p>			

<p>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.</p>	<p>Compliant</p>	<p>Article III, Section 17 of the Amended By-Laws of the Company; Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>	<p>Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>	<p>Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

Supplement to Recommendations 2.7

<p>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.</p>	<p>Non-Compliant</p>		<p>The Company implements overall RPTs disclosure guidelines through the Related Party Transactions Committee of the Board.</p> <p>However, no threshold has been clearly defined. To date, no RPTs that are not classified as day-to-day business dealings with affiliates, subsidiaries, and parent company have transpired.</p>
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Compliant</p>	<p>Stockholders of record are entitled to one (1) vote per share. There is no specific manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by viva voce, by raising of hands or by balloting.</p> <p>In the event that a related party transaction for approval involves a shareholder of the Company, the non-related party shareholders shall vote on the transaction in the same manner as above.</p> <p>To date, no such transaction has occurred.</p>	

Recommendation 2.8

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Non-compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Non-compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>Recommendation 2.9</p>			

<p>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.</p>	<p>Compliant</p>	<p>The Company has a performance appraisal framework for all of its employees, including officers. This system is company-wide KRAs/KPIs.</p> <p>This framework measures the performance of each employee and subsequently each respective department. The resulting ratings are combined and calculated based on appointed weight, which would then comprise the total Company Performance Level for the whole year.</p> <p>The KRAs/KPIs are visited quarterly for continuous monitoring of progress against budget.</p>	
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<p>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.</p>	<p>Compliant</p>	<p>The Company has a performance appraisal framework for all of its employees, including officers. This system is company-wide KRAs/KPIs.</p> <p>This framework measures the performance of each employee and subsequently each respective department. The resulting ratings are combined and calculated based on appointed weight, which would then comprise the total Company Performance Level for the whole year.</p> <p>The KRAs/KPIs are visited quarterly for continuous monitoring of progress against budget.</p>	
Recommendation 2.10			
<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>Compliant</p>	<p>Article 2, Section 3.3 of the Corporate Governance Manual.</p> <p>See page 9 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	<p>Article 2, Section 3.3 of the Corporate Governance Manual.</p> <p>See page 9 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
3. Board approves the Internal Audit Charter.	Non-Compliant		The respective Committee charters of the Company are currently being drafted and will be submitted for approval at the next Board meeting.
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	<p>Article 2, Section 8.5 of the Corporate Governance Manual.</p> <p>See page 19 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Non-Compliant		The Company has no formal risk management framework, but the Board ensures that all business undertakings are carefully studied and evaluated prior to execution.
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 roles, responsibilities, and accountabilities of the Board of Directors are clearly stated in the By-Laws and Corporate Governance Manual of the Company. http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf
2. Board Charter serves as a guide to the directors in the performance of their functions.	Non-compliant		The roles, responsibilities, and accountabilities of the Board of Directors are clearly stated in the By-Laws and Corporate Governance Manual of the Company. http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf
3. Board Charter is publicly available and posted on the company's website.	Non-compliant		The By-Laws and Corporate Governance Manual of the Company are available on the Company's website. http://www.chelsealogistics.ph/corporate-governance
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Non-compliant		This policy is currently being drafted with target implementation within the year.
Optional: Principle 2			

<p>1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.</p>	<p>Compliant</p>	<p>Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>2. Company discloses the types of decision requiring board of directors' approval.</p>	<p>Compliant</p>	<p>Article III of the Amended By-Laws of the Company.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedBy-Laws2017.pdf</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.

Recommendation 3.1

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>Compliant</p>	<p>Article III, Sections 12 – 17 of the Amended By-Laws; Article 2, Section 8 of the Corporate Governance Manual.</p> <p>See page 15 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
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Recommendation 3.2

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>Article III, Section 14 of the Amended By-Laws of the Company; Article 2, Section 8.3 of the Corporate Governance Manual.</p> <p>See page 16 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>The Audit Committee is tasked to recommend to the Board, the appointment, re-appointment, removal and fees of the External Auditor.</p>	
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<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>The members of the Audit Committee are:</p> <ul style="list-style-type: none"> • Miguel Rene A. Dominguez – Chairman, Independent Director • Dennis A. Uy – Member, Chairman of the Board • Jesus S. Guevara II – Member, Independent Director <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>See page 28 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	

<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>Chairman Miguel Rene A. Dominguez is not the Chairman of the Board or of any other Committee.</p> <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
Supplement to Recommendation 3.2			
<p>1. Audit Committee approves all non-audit services conducted by the external auditor.</p>	<p>Compliant</p>	<p>Article 2, Section 8.3 of the Corporate Governance Manual.</p> <p>See page 16 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>See page 20 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	

<p>2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.</p>	<p>Non-compliant</p>		<p>In 2017, all of the items on the Agenda that needed to be discussed and approved by the different committees, and subsequently by all of the Directors, were discussed during the regular quarterly Board meetings for expediency.</p> <p>In 2018, one Audit Committee meeting was held for the approval of 2017 AFS.</p>
<p>Optional: Recommendation 3.2</p>			
<p>1. Audit Committee meets at least four times during the year.</p>	<p>Non-compliant</p>		<p>In 2017, all of the items on the Agenda that needed to be discussed and approved by different committees, and subsequently by all of the Directors, were discussed during the regular quarterly Board meetings for expediency.</p> <p>In 2018, one Audit Committee meeting was held for the approval of 2017 AFS.</p>
<p>2. Audit Committee approves the appointment and removal of the internal auditor.</p>	<p>Non-compliant</p>		<p>The Internal Audit Head was appointed by the President & CEO in 2018.</p>
<p>Recommendation 3.3</p>			
<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p>Compliant</p>	<p>Article 2, Section 8.4 of the Corporate Governance Manual.</p> <p>See page18 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>The members of the Corporate Governance Committee are:</p> <ul style="list-style-type: none"> • Jesus S. Guevara II – Chairman, Independent Director • Gener T. Mendoza – Member, Independent Director • Miguel Rene A. Dominguez – Member, Independent Director <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
<p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	<p>Compliant</p>	<p>Jesus S. Guevara II is an Independent Director.</p> <p>See page 29 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	

Optional: Recommendation 3.3.

1. Corporate Governance Committee meet at least twice during the year.	Non-compliant	Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof.	In 2017, all of the items on the agenda that needed to be discussed and approved by different committees, and subsequently by all of the Directors, were discussed during the regular quarterly Board meetings for expediency.
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	<p>Article 2, Section 8.5 of the Corporate Governance Manual.</p> <p>See page 18 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	<p>The members of the Committee are:</p> <ul style="list-style-type: none"> • Gener T. Mendoza – Chairman, Independent Director • Arthur Kenneth L. Sy – Member, Director • Miguel Rene A. Dominguez – Member, Independent Director <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	

<p>3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>BROC Chairman Gener T. Mendoza is not the Chairman of the Board or Chairman of other Board Committees.</p> <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
<p>4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.</p>	<p>Compliant</p>	<p>See page 29 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
<p>Recommendation 3.5</p>			
<p>1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.</p>	<p>Compliant</p>	<p>Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</p>	<p>Compliant</p>	<p>The members of the RPT Committee are:</p> <ul style="list-style-type: none"> • Jesus S. Guevara II – Chairman, Independent Director • Eduardo A. Bangayan – Member, Director • Gener T. Mendoza – Member, Independent Director <p>See pages 28-35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
Recommendation 3.6			
<p>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.</p>	<p>Non-compliant</p>		<p>The respective Committee charters of the Company are currently being drafted and will be submitted for approval at the next Board meeting.</p>
<p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p>	<p>Non-compliant</p>		<p>The respective Committee charters of the Company are currently being drafted and will be submitted for approval at the next Board meeting.</p>
<p>3. Committee Charters were fully disclosed on the company's website.</p>	<p>Non-compliant</p>		<p>The respective Committee charters of the Company are currently being drafted and will be submitted for approval at the next Board meeting.</p>

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

Recommendation 4.1

<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p>Compliant</p>	<p>The attendance of the Directors of all Board meetings for the period 22 March 2017 to 31 December 2017 is shown in the Company's Annual Report.</p> <p>See page 35 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>Compliant</p>	<p>Agenda and Board materials are sent to the Directors at least a week before the scheduled meeting.</p> <p>Please see attached Annex A containing sample email notification to the Board prior to scheduled meetings.</p>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p>Compliant</p>	<p>Yes, during Board meetings, the Directors actively participate and ask necessary questions.</p>	

Recommendation 4.2

<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	Compliant	<p>See Directorship in Other Reporting Companies of Chelsea Logistics 2017 SEC 17-A, page 24:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61fbfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
Recommendation 4.3			
<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	Compliant	<p>To date, Directors have not accepted additional Board positions in other companies.</p>	
Optional: Principle 4			
<p>1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.</p>	Compliant	<p>Chryss Alfonsus V. Damuy and Cherylyn C. Uy are the only executive Directors of CLC.</p> <p>Ms. Uy is also a member of Phoenix Petroleum Philippines, Inc. Board of Directors.</p>	
<p>2. Company schedules board of directors' meetings before the start of the financial year.</p> <p>3.</p>	Compliant	<p>CLC Board meetings are held every quarter.</p>	

4. Board of directors meet at least six times during the year.	Non-compliant		<p>For 2017, Board meetings were held 4 times – March 27 (Organizational Meeting), 30 May; 2 August and 22 November.</p> <p>For 2018, there have been 3 Board meetings – 21 February; 19 March and 7 May. Subsequent Board meetings have been scheduled to be held on August 17 and November 16, 2018.</p>
5. Company requires as minimum quorum of at least 2/3 for board decisions.	Non Compliant	-	The quorum provided in the Amended By-Laws is majority of the Directors.

Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs

Recommendation 5.1

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	<p>There are 3 Independent Directors – Miguel Rene A. Dominguez, Jesus S. Guevara II and Gener T. Mendoza.</p> <p>See page 22 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
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Recommendation 5.2

<p>1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.</p>	<p>Compliant</p>	<p>Article III, Section 4 of the Amended By-laws of the Company enumerate all the qualifications for Independent Directors.</p> <p>See Chelsea Logistics 2017 SEC 17-A page 28</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.dpbs</p>	
<p>Supplement to Recommendation 5.2</p>			
<p>1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.</p>	<p>Compliant</p>	<p>Section 3 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>Recommendation 5.3</p>			
<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).</p>	<p>Compliant</p>	<p>Article III, Section 4 of the Amended By-Laws of the Company.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf</p>	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	Article III, Section 4 of the Amended By-Laws of the Company. http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf	
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	To date, all Independent Directors have only served for one (1) year.	
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 Dennis A. Uy while the President and CEO is Chriss Alfonsus V. Damuy.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Article III, Section 3 of the Amended By-Laws of the Company enumerate the roles and responsibilities of the Chairman. Article IV, Section 2 of the Amended By-Laws of the Company enumerate the roles and responsibilities of the President who is the Chief Executive Officer of the Company. http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf	
Recommendation 5.5			

<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Non-compliant</p>		<p>The Company's Corporate Governance Manual provides the Directors the right to designate a lead Director among the Independent Directors.</p> <p>Article 2, Section 2.2 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>To date, Independent Directors have not designated a lead Director amongst themselves. This will be part of the Company's next Board Agenda.</p>
<p>Recommendation 5.6</p>			
<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant</p>	<p>No such transaction has taken place.</p>	
<p>Recommendation 5.7</p>			
<p>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.</p>	<p>Non-compliant</p>		<p>In 2017, all of the items on the Agenda that needed to be discussed and approved by different committees, and subsequently by all of the Directors, were discussed during the regular quarterly Board meetings for expediency.</p>

2. The meetings are chaired by the lead independent director.	Non-compliant		To date, Independent Directors have not designated a lead Director amongst themselves. This will be part of the Company's next Board Agenda.
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Non-compliant		Chairman Dennis A. Uy served as President & CEO of the Company before it was publicly-listed in 2017.
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		Each of the Company's Directors has signed an Individual Suitability Certification relating to his/her integrity and capability to serve in the Company.
2. The Chairman conducts a self-assessment of his performance.	Non-compliant		Each of the Company's Directors has signed an Individual Suitability Certification relating to his/her integrity and capability to serve in the Company.
3. The individual members conduct a self-assessment of their performance.	Non-compliant		Each of the Company's Directors has signed an Individual Suitability Certification relating to his/her integrity and capability to serve in the Company.
4. Each committee conducts a self-assessment of its performance.	Non-compliant		Each of the Company's Directors has signed an Individual Suitability Certification relating to his/her integrity and capability to serve in the Company.

5. Every three years, the assessments are supported by an external facilitator.	Non-compliant		<p>The Company was publicly-listed only on 9 August 2017, and the Directors were elected on the same year.</p> <p>The first assessment with the support of an external facilitator is targeted to be conducted in 2020.</p>
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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		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
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2. The system allows for a feedback mechanism from the shareholders.	Non-compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
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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

<p>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.</p>	<p>Non-Compliant</p>		<p>The Group has an established Code of Conduct that contains the rules and regulations of the Company regarding the discipline which is applicable to both sea-based and land-based employees.</p> <p>This Code of Conduct, however, has not been adopted at the Board Level of CLC. This will be part of the Agenda during the next board meeting.</p>
<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Non-compliant</p>		<p>During on-boarding of new employees, a copy of the Code of Conduct is shown to the new hire and he/ she is advised to read the same and refer to HR for further clarifications, if any.</p> <p>Similar to point 1 above, the Board is yet to adopt the Code for formal implementation among the Directors.</p>
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Non-compliant</p>		<p>This will be disclosed in the Company website once formally adopted by the Board of Directors.</p>
<p>Supplement to Recommendation 7.1</p>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>Yes, these policies are contained in the Group's Code of Conduct, wherein the violation, coverage and corresponding penalty are defined.</p>	
<p>Recommendation 7.2</p>			

<p>1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.</p>	<p>Non-Compliant</p>		<p>Management has a Committee on Discipline that provides a venue for filing of complaints and formal internal investigation is conducted to afford the subject employee or officers due process for alleged violation committed.</p> <p>The Committee submits its findings / recommendations to the Senior Management. However, moving forward the plan is to involve the Directors through the Corporate Governance Committee.</p>
<p>2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.</p>	<p>Non-Compliant</p>		<p>Same as the response to Recommendation 7.2.1</p>

Disclosure and Transparency

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Recommendation 8.1

<p>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.</p>	<p>Compliant</p>	<p>Article 7 of the Corporate Governance Manual.</p> <p>See page 30 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>The Company complies with the PSE's rules on required disclosures and also discloses other information regarding the Company which informs shareholders of events / transactions regarding the business operations of the Company.</p> <p>See Company Disclosures in PSE Edge</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669</p>	
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Supplement to Recommendations 8.1

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Compliant</p>	<p>The Company complies with the disclosure requirements of the SEC and the PSE on financial reports of the Company.</p> <p>The Company distributed its annual consolidated reports on 26 February 2018, 56 days from the end of fiscal year.</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE11amo.dpbs</p>	
<p>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.</p>	<p>Non-compliant</p>		<p>These principal risks were identified in the final prospectus of the Company during the Initial Public Offering. This will be stated in the Annual Report moving forward.</p> <p>http://www.chelsealogistics.ph/reports/prospectus/prospectus</p>

Recommendation 8.2

<p>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.</p>	<p>Compliant</p>	<p>The Company requires its Directors and officers to comply with Securities Regulation Code provision on dealing with the Company's shares.</p> <p>The Directors disclosed their shareholdings in the Company on 16 August 2017. No subsequent trades were executed.</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669</p>	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>The Company requires its Directors and officers to comply with Securities Regulation Code provision on dealing with Company shares.</p> <p>The Officers disclosed their shareholdings in the Company on 16 August 2017. No subsequent trades were executed.</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669</p>	

Supplement to Recommendation 8.2

<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<p>See Company Disclosures in PSE Edge</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669</p> <p>See Chelsea Logistics 2017 SEC 17-A Supplementary Schedules Map Showing the Relationship Between and Among Related Entities as of 31 December 2017</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
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Recommendation 8.3

<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>See page 22 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
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<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>See page 25 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
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Recommendation 8.4

<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>No remuneration package has been established for Directors. Directors are only entitled to per diem for each Board meeting attended.</p> <p>See page 31 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>See page 31 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Compliant</p>	<p>The Company complies with the SEC requirement of disclosing the aggregate compensation paid to the executive officers of the Company.</p> <p>See page 31 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	

Recommendation 8.5

<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Article 2, Section 8.6 of the Corporate Governance Manual.</p> <p>See page 20 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Compliant</p>	<p>Part IV, Section 4. Certain Relationships and Related Transaction of SEC 17-A page 35:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
Supplement to Recommendation 8.5			
<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<p>Article 2, Section 6 of the Corporate Governance Manual.</p> <p>See page 13 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
Optional : Recommendation 8.5			

1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	Article 2, Section 8.6 of the Corporate Governance Manual. See page 20 of Corporate Governance Manual http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
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	See Company Disclosures on PSE Edge http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Non-compliant		An independent party has not been appointed for this purpose. However, on every merger and acquisition transaction, the Management engages third-party firms, such as financial advisor, legal counsel, and/or tax counsel, to ensure the viability of the particular project.
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	There are no shareholder agreements, voting trust agreements or such other agreements as may impact the control, ownership and strategic direction of the Company.	
Recommendation 8.7			

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Yes. http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
2. Company's MCG is submitted to the SEC and PSE.	Compliant	This was submitted to SEC and PSE together with the Registration Statement for the Initial Public Offering in 2017. The Corporate Governance Manual was uploaded to the Company website on 11 January 2018.	
3. Company's MCG is posted on its company website.	Compliant	Yes http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
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	The CGM is in accordance with the latest SEC requirements. There have been no changes in the Company's governance policies since the Code was adopted on 27 March 2017.	
Optional: Principle 8			

1. Does the company's Annual Report disclose the following information:		See Chelsea Logistics 2017 SEC 17-A http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61fbfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs	
a. Corporate Objectives	Compliant	See Chelsea Logistics 2017 SEC 17-A Key Strategies and Objectives page 9	
b. Financial performance indicators	Compliant	See Chelsea Logistics 2017 SEC 17-A Key Performance Indicators page 20	
c. Non-financial performance indicators	Compliant	See Chelsea Logistics 2017 SEC 17-A Principal Competitive Strengths of the Company page 20	
d. Dividend Policy	Compliant	See Chelsea Logistics 2017 SEC 17-A Dividends page 18	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	See Chelsea Logistics 2017 SEC 17-A Board of Directors page 22	
f. Attendance details of each director in all directors meetings held during the year	Compliant	See Chelsea Logistics 2017 SEC 17-A Attendance of the Board page 41	

<p>g. Total remuneration of each member of the board of directors</p>	<p>Compliant</p>	<p>No remuneration package has been established for Directors. Directors are only entitled to per diem for each Board meeting attended.</p> <p>See Chelsea Logistics 2017 SEC 17-A page 31:</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Non-Compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>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.</p>	<p>Non-Compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>

<p>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.</p>	<p>Non-Compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>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).</p>	<p>Compliant</p>	<p>See Chelsea Logistics 2017 SEC 17-A, Risk Relating to the Company page 10;</p> <p>and Note 27 (Risk Management Objectives and Policies) of the 2017 Audited Financial Statements</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4aaWXtQ.dpbs</p>	

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

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>Article 2, Section 8.3 of the Corporate Governance Manual.</p> <p>See page 16 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Compliant</p>	<p>The selection of the external auditor was approved by the Board and ratified by the shareholders at the Annual Stockholders' Meeting held on 19 March 2018.</p> <p>100% of the shareholders who attended the Annual Stockholders' Meeting ratified the appointment.</p> <p>As of 31 December 2017, the reported fees of the external auditor were PHP 3,691,500.00.</p> <p>See Results of Annual or Special Stockholders' Meeting on PSE Edge</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=7db636e04ff8f57243ca035510b6ec2b#sthash.i3iblEKo.dpbs</p>	

3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	This is a material transaction, which if it occurs, will be disclosed by the Company.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	<p>Article 2, Section 13 of the Corporate Governance Manual.</p> <p>See page 24 of the Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	Non-Compliant		The respective Committee charters of the Company are currently being drafted and will be submitted for approval at the next Board meeting.

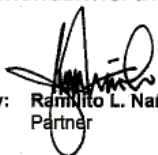
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Non-Compliant		The respective committee charters of the Company are currently being drafted and for final approval during the next board meeting.
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	SEC accredited Group A so there's quality control. Based on its SEC accreditation, the Board has recommended the re-appointment of Punongbayan & Araullo. Further, it is a member firm of an internationally recognized organization – Grant Thornton.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	SEC accredited Group A so there's quality control. Based on its SEC accreditation, the Board has recommended the re-appointment of Punongbayan & Araullo. Further, it is a member firm of an internationally recognized organization – Grant Thornton.	
Recommendation 9.3			

<p>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.</p>	<p>Compliant</p>	<p>No non-audit services were performed by the External Auditor during the last fiscal year.</p> <p>See Information on Independent Accountant and Other Related Matters page 20 of Chelsea Logistics 2017 SEC 17-A http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
<p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>	<p>Compliant</p>	<p>Article 2, Section 8.3 (g) of the Corporate Governance Manual.</p> <p>See page 17 of the Corporate Governance Manual http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

Supplement to Recommendation 9.3

<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>Compliant</p>	<p>No non-audit services were performed by the External Auditor during the last fiscal year.</p> <p>See Information on Independent Accountant and Other Related Matters page 20 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
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Additional Recommendation to Principle 9

<p>1. Company's external auditor is duly accredited by the SEC under Group A category.</p>	<p>Compliant</p>	<p>PUNONGBAYAN & ARAULLO</p>  <p>By: Ramilito L. Nafiola Partner</p> <p>CPA Reg. No. 0090741 TIN 109-228-427 PTR No. 6616015, January 3, 2018, Makati City SEC Group A Accreditation Partner - No. 0395-AR-3 (until May 19, 2019) Firm - No. 0002-FR-4 (until Apr. 30, 2018) BIR AN 08-002511-19-2015 (until Mar. 18, 2018) Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)</p> <p>Punongbayan & Araullo 20th Floor, Tower 1 The Enterprise Center 6766 Ayala Avenue 1200 Makati City Philippines</p> <p>T +63 2 988 2288</p>	
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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	Punongbayan & Araullo received the notification from SEC on May 24, 2018 and it has agreed to be subjected to the SOAR.	
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Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

Recommendation 10.1

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>The Company conducts various Corporate Social Responsibility activities.</p> <p>See Corporate Social Responsibility, page 7 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61fbfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>

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

<p>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.</p>	<p>Compliant</p>	<p>The Company uses the following channels in communicating with its stakeholders:</p> <ol style="list-style-type: none"> 1. Company website 2. Conferences 3. Press Releases 4. Annual/Quarterly/Current Reporting <p>See Company Disclosures on PSE Edge</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=669</p> <p>See Disclosures and News Report posted in the Company Website</p> <p>http://www.chelsealogistics.ph/investor-relations</p>	
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Supplemental to Principle 11

<p>1. Company has a website disclosing up-to-date information on the following:</p>	<p>Compliant</p>	<p>See Disclosures and News Report posted in the Company Website</p> <p>http://www.chelsealogistics.ph/investor-relations</p>	
<p>a. Financial statements/reports (latest quarterly)</p>	<p>Compliant</p>	<p>Q1 2018 Results - 9 May 2018</p>	

b. Materials provided in briefings to analysts and media	Compliant	CLC to conduct its first analysts' briefing in June 2018	
c. Downloadable annual report	Compliant	Annual Report 2017 – 16 April 2018 Company Annual Report 2017 – 19 March 2018	
d. Notice of ASM and/or SSM	Compliant	Notice of 2018 ASM – 8 February 2018	
e. Minutes of ASM and/or SSM	Compliant	Results of ASM – 19 March 2018	
f. Company's Articles of Incorporation and By-Laws	Compliant	http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZA_OIZ2017.pdf	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	http://www.chelsealogistics.ph/investor-relations	
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		<p>The Internal Audit Team is currently working on the establishment of a sound technology-driven internal control system. Currently, the Company has an adequate internal control processes through department manual monitoring.</p> <p>It should be noted that the Finance Department has already started using SAP for bookkeeping and approval of majority of its transactions.</p>

2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Non-compliant		The Company is in the process of establishing a Risk Management Department and this department shall be tasked to recommend a suitable enterprise risk management framework for the Group.
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Supplement to Recommendations 12.1

1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Non-compliant		The Company is in the process of establishing a Risk Management Department and this department shall be tasked to recommend a suitable enterprise risk management framework for the Group.
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Optional: Recommendation 12.1

1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	Compliant	The Company has an established process on disruption and disaster recovery system, which can easily be triggered during emergency situations. Our IT system has also been designed to efficiently identify threats to cyber security and with proper.	
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Recommendation 12.2

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	The Company has an in-house internal audit team that provides an independent and objective assurance, and consulting services to each department.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-compliant		The Company has yet to appoint a CAE. Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the Annual Report to contain the company's full compliance with the Code of Corporate Governance.
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		The Company has yet to appoint a CAE. Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the Annual Report to contain the company's full compliance with the Code of Corporate Governance.
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	The Company has a full-time CLC-employed Internal Audit Head in the person of Ms. Katherine Agbay.	
Recommendation 12.4			

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	Article 2, Section 8.5 of the Corporate Governance Manual. See Manual on Corporate Governance page 18: http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The Company will identify source of technical support, if needed.	
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 has yet to appoint its CRO. Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the Annual Report to contain the company's full compliance with the Code of Corporate Governance.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		The Company has yet to appoint its CRO. Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the Annual Report to contain the company's full compliance with the Code of Corporate Governance.
Additional Recommendation to Principle 12			

<p>1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</p>	<p>Non-compliant</p>		<p>The Company has yet to appoint its CRO.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the Annual Report to contain the company's full compliance with the Code of Corporate Governance.</p>
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Cultivating a Synergic Relationship with Shareholders

Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

<p>1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Article 5 of the Corporate Governance Manual.</p> <p>See page 27 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
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<p>2. Board ensures that basic shareholder rights are disclosed on the company's website.</p>	<p>Compliant</p>	<p>The Corporate Governance Manual is available in the Company's website.</p> <p>Article 5 of the Corporate Governance Manual.</p> <p>See page 27 of Corporate Governance Manual</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
Supplement to Recommendation 13.1			
<p>1. Company's common share has one vote for one share.</p>	<p>Compliant</p>	<p>Yes. See Item 19 - Voting Procedures in Chelsea Logistics 2018 Definitive Information Statement, page 23.</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE11amo.dpbs</p>	
<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<p>Article II of the Amended By-Laws of the Corporation.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf</p>	

3. Board has an effective, secure, and efficient voting system.	Compliant	<p>Article II of the Amended By-Laws of the Corporation.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZAmendedZBy-LawsZ2017.pdf</p>	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	<p>Article 5 of the Corporate Governance Manual, page 27.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	<p>Article 5 of the Corporate Governance Manual, page 27.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	<p>Article 5 of the Corporate Governance Manual, page 27.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p>	

7. Company has a transparent and specific dividend policy.	Compliant	<p>See Dividends on page 18 of Chelsea Logistics 2017 SEC 17-A</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p> <p>To date, no dividends have been declared by the Company.</p>	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	Punongbayan & Araullo	
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		<p>The Definitive Information Statement was first released to the stockholders on 26 February 2018, 21 days before the scheduled ASM. This is in compliance with SEC requirements on distribution of the D-IS.</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE1lamo.dpbs</p>
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			

a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	Definite Information Statement 2018 http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE11a mo.dpbs	
b. Auditors seeking appointment/re-appointment	Compliant	Definite Information Statement 2018 http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE11a mo.dpbs	
c. Proxy documents	Compliant	The proxy form was provided to respective stockholders in printed form together with the shipment of the hard copy of the D-IS.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	Itemized description of each agenda was provided in the D-IS. Definite Information Statement 2018 http://edge.pse.com.ph/openDiscViewer.do?edge_no=0ade9b6a036b158e43ca035510b6ec2b#sthash.rgE11a mo.dpbs	
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	Results of the ASM were published on PSE Edge a day after the meeting, 20 March 2018. http://edge.pse.com.ph/openDiscViewer.do?edge_no=7db636e04ff8f57243ca035510b6ec2b#sthash.5Hr4Oi4h.TLxy2F1W.dpbs	
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	The results of the ASM were posted on the Company website a day after the meeting, 20 March 2018. No special stockholders' meeting has been held to date. http://www.chelsealogistics.ph/reports/content/disclosures?limitstart=0	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The External Auditor and key officers of the Company were present at the Annual Stockholders' Meeting 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.	Non-Compliant		Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report. Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.

2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-Compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	<p>The Company's Investor Relations Officer is Ms. Rishamae S. Diaz with contact details as follows:</p> <p>T: 403-4015 M: 0917 823 6829 F: 403-4022 E: rishamae.diaz@chelseashipping.ph</p>	
2. IRO is present at every shareholder's meeting.	Compliant	Ms. Diaz was present at the Annual Stockholders' Meeting held on 19 March 2018 at Davao City.	
Recommendation 13.5			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Non-Compliant		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	As of end March 2018, the Company's public float was 30%.	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Compliant	The Investors Relations Officer interacts with the shareholders during one-on-one meetings and sends key company updates via email from time to time.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non-compliant		The Company circulated Proxy forms for stockholders who could not attend the Annual Stockholders' Meeting.
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	Article 5 of the Corporate Governance Manual, page 27. http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	Article 5 of the Corporate Governance Manual, page 27. http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf	
Recommendation 14.3			

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Compliant</p>	<p>Article 5 of the Corporate Governance Manual, page 27.</p> <p>http://www.chelsealogistics.ph/media/k2/attachments/CLCZCorporateGovernanceManual.pdf</p> <p>Investor Relations Officer Rishamae Diaz M: 0917823 6829 T: 403 4015 E: rishamae.diaz@chelseashipping.ph</p> <p>http://www.chelsealogistics.ph/investor-relations/contact-us</p>	
<p>Supplement to Recommendation 14.3</p>			
<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Non-Compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>Additional Recommendations to Principle 14</p>			

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	No requests for exemption from application of a law, rule or regulation has been filed by the Company.	
2. Company respects intellectual property rights.	Compliant	The Company adheres to intellectual property protection under the law.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	Non-Compliant		<p>The Company has no formal policy in addressing its customers' welfare but has always considered this in all its business endeavors. The Company through its subsidiaries conducts survey via social media or actual survey during scheduled trips of the vessel.</p> <p>Our offices have dedicated helpdesks and information centers for all inquiries and concerns of passengers and cargo owners.</p>
2. Company discloses its policies and practices that address supplier/contractor selection procedures	Non-Compliant		The supplier and contractor accreditation process will be posted in the Company's website upon adoption/approval by the Board of Directors.
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	<p>This is embedded in the KRAs/KPIs Company-wide program of CLC, wherein delivery of our commitments to customers, stockholders, suppliers and other stakeholders are measured and rated.</p> <p>This rating system is used to score the overall performance of the Company, which would then be the basis of the promotions and incentives granted to the employees.</p>	
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.	Non-Compliant		The ESOP program of the Company is currently being studied by the Management.
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	<p>Yes, policies and practices on health, safety and welfare of the employees are in place. Proof of which are presented as photos and statistics in the Company Annual Report.</p> <p>See page 23 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	

<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>A general statement on benefits given to the employees, including proper training and development and opportunities is indicated in the SEC 17-A of CLC.</p> <p>See Chelsea Logistics 2017 SEC 17-A page 6</p> <p>http://edge.pse.com.ph/openDiscViewer.do?edge_no=ed61bfdcca2d73c43ca035510b6ec2b#sthash.i38F6lQ4.z4qaWXtQ.dpbs</p>	
Recommendation 15.2			
<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>Non-Compliant</p>		<p>The Group has an established Code of Conduct that contains the rules and regulations of the Company regarding the discipline which is applicable to both sea-based and land-based employees.</p> <p>This Code of Conduct, however, has not been adopted at the Board Level of CLC. This will be part of the agenda during the next Board meeting.</p>

<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>Non-Compliant</p>		<p>The Group has an established Code of Conduct that contains the rules and regulations of the Company regarding the discipline which is applicable to both sea-based and land-based employees.</p> <p>This Code of Conduct, however, has not been adopted at the Board Level of CLC. This will be part of the agenda during the next Board meeting.</p>
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Supplement to Recommendation 15.2

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>Management has a Committee on Discipline that provides a venue for filing of complaints and formal internal investigation is conducted to afford due process to all employees for alleged violations.</p> <p>The Committee findings / recommendations are submitted to the Senior Management for approval. However, moving forward the plan is to involve the Directors through the Corporate Governance Committee.</p>	
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Recommendation 15.3

<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Non-compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>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.</p>	<p>Non-compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>
<p>3. Board supervises and ensures the enforcement of the whistleblowing framework.</p>	<p>Non-compliant</p>		<p>Considering that the Company was publicly listed only in August 2017, the Board has not yet fully adopted the optional recommendations in its Annual Corporate Governance Report.</p> <p>Nevertheless, the Company shall endeavor to adopt and implement this recommendation upon its next submission of the ACGR.</p>

Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.</p>	<p>Compliant</p>	<p>CSR Activities of CLC</p> <p>See page 24 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	
Optional: Principle 16			
<p>1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development</p>	<p>Compliant</p>	<p>Our vessels are compliant with pollution regulations. A summary of environment permits of the Company are indicated in the Final Prospectus for the Initial Public Offering in 2017.</p>	
<p>2. Company exerts effort to interact positively with the communities in which it operates</p>	<p>Compliant</p>	<p>CSR Activities of CLC</p> <p>See page 24 of Chelsea Logistics 2017 Annual Report</p> <p>http://www.chelsealogistics.ph/reports/annual-reports/chelsea-logistics-corp-2017-annual-report</p>	

IN WITNESS WHEREOF, we have hereunto set our hands on this ____ day of May 2018 at Taguig City.

DENNIS A. UY
Chairman

CHRYSS ALFONSUS V. DAMUY
President & CEO

MIGUEL RENE A. DOMINGUEZ
Independent Director

GENER T. MENDOZA
Independent Director

JESUS S. GUEVARA II
Independent Director

LEANDRO E. ABARQUEZ
Compliance Officer

MA. HENEDINA V. SAN JUAN
Corporate Secretary

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
Taguig City) S.S.

BEFORE ME, a Notary Public for and in Taguig City, this 18th day of May 2018, personally appeared:

<u>Name</u>	<u>TIN</u>
Dennis A. Uy	172-020-135
Chrissy Alfonsus V. Damuy	913-898-959
Miguel Rene A. Dominguez	921-338-194
Gener T. Mendoza	102-092-109
Jesus S. Guevara II	125-805-086
Leandro E. Abarquez	234-076-870
Ma. Henedina V. San Juan	120-130-044

known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of May 2018 at Taguig City.

Doc. No. 235;
Page No. 47;
Book No. J;
Series of 2018.

JACQUELYN B. VELORIA MEJIA
Appointment No. 45 (2018-2019)
Notary Public for and in Taguig City
Until December 31, 2019
APO 128, Rainbow Ridge Corporate Towers
M.L. Quezon Avenue, Taguig City 1032
Roll No. 34149 16-2-86
IBP No. 024837/1-09-18/Quezon City
PTR No. 5612441C/Quezon City
MCLE Exemption No. V-001960

Dina San Juan

From: Miguel Dominguez [redacted]
Sent: Tuesday, 24 October 2017 5:43 PM
To: Dina San Juan
Cc: Cherylyn Uy; Ed Bangayan; Jesus Guevara; Gener Mendoza; Arthur Kenneth L. Sy; Efren Uy; Dennis A. Uy; Chryss Damuy; Igna Braga
Subject: Re: Agenda - 22 November CLC Board.docx

Thanks

Sent from my iPhone

On Oct 24, 2017, at 5:35 AM, Dina San Juan [redacted] wrote:

Good afternoon Directors,

Please see the Agenda for the Board of Directors Meeting scheduled on 22 November 2017 (Wednesday) at 11:30 a.m.

The venue of the meeting will be at Binondo Room, Manila House Private Club, 8th Fl., Net Park Building, 26th St. corner 5th Ave., Bonifacio Global City, Taguig City.

We will be sending the Board Papers / materials shortly.

Best regards,

Dina

<Agenda - 22 November CLC Board.docx>