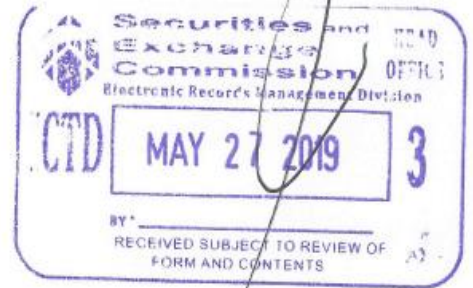


FIRST METRO PHILIPPINE EQUITY  
EXCHANGE - TRADED FUND

# 2018 Integrated Annual Corporate Governance Report



## SEC FORM – I-ACGR

### INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended December 31, 2018
2. SEC Identification Number C201300728 3. BIR Tax Identification No. 008-447-745-000
4. Exact name of issuer as specified in its charter FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC
5. Makati City, Philippines  
Province, Country or other jurisdiction of or organization
6.  (SEC Use Only)  
Industry Classification Code: incorporation
7. 18f, PSBank Center, 777 Paseo de Roxas corner Sedeño St., Makati City 1226  
Address of principal office Postal Code
8. (632) 8912860  
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**

	<b>COMPLIANT/ NON- COMPLIANT</b>	<b>ADDITIONAL INFORMATION</b>	<b>EXPLANATION</b>
<b>The Board's Governance Responsibilities</b>			
<b>Principle 1:</b> 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.			
<b>Recommendation 1.1</b>			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-go">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-go</a>	
2. Board has an appropriate mix of competence and expertise.	Compliant	Board is composed of people who have extensive experience in the banking industry and/or capital markets.	
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	<p>Aside from people in the banking industry, we have members who used to hold critical and related posts in the government, and one from the academe.</p> <p>Since 2013 to the present, all directors possess all of the qualifications, and none of the disqualifications of directors in listed companies as required under the SRC.</p> <p>They are required to attend the seminar on Corporate Governance at least once a year.</p>	

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**Recommendation 1.2**

1. Board is composed of a majority of nonexecutive directors.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a>  The FMETF is a passive company. There are no employees as its activities are being handled by a fund manager, and its tracking the Philippine Index.	
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**Recommendation 1.3**

1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-go">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-go</a>	
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2. Company has an orientation program for first time directors.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
3. Company has relevant annual continuing training for all directors.	Compliant	Directors are required to attend in-house seminars on AMLA, Data Privacy Act, and updates on other relevant laws and regulations.	

<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity.	Compliant	Most of the board of directors are male.	
<b>Optional: Recommendation 1.4</b>			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	Compliant	Source link:	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant	<a href="http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	<a href="http://firstmetroeff.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroeff.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	

4. Corporate Secretary attends training/s on corporate governance.	Compliant	Corporate Secretary attends Seminar on Corporate Governance at least once a year, and in-house seminars on AMLA, Data Privacy Act, Mandatory Continuing Legal Education, and others. Hours spent are approximately 20 hours.	
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.			
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	Compliant	Source link:	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	<a href="http://firstmetroetf.com.ph/about-us/executive-officers/">http://firstmetroetf.com.ph/about-us/executive-officers/</a>	
3. Compliance Officer is not a member of the board.	Compliant		
4. Compliance Officer attends training/s on corporate governance.	Compliant	Compliance Officer attends Seminar on Corporate Governance at least once a year, and in-house seminars on AMLA, Data Privacy Act, and other related laws. Hours spent are approximately 20 hours.	

**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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**Recommendation 2.2**

1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	Business objective is straightforward, for the fund to track/mirror the PSEi.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		

**Supplement to Recommendation 2.2**

1. Board has a clearly defined and updated vision, mission and core values.	Non-compliant		Company's vision, mission and core values are pending for approval.
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Non-compliant		Not applicable. Fund is passive, it mainly tracks the PSEi, so management intervention is minimal.

**Recommendation 2.3**

<p>1. Board is headed by a Competent and qualified Chairperson.</p> <p style="text-align: center;">Compliant</p> <p>Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>   <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>
<b>Recommendation 2.4</b>

1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	FMETF has no employees, as it is a passive fund. Directors and key officers are chosen based on experience and in accordance with the requirements of the SRC and ETF Rules.	
2. Board adopts a policy on the retirement for directors and key officers.	Compliant		
<b>Recommendation 2.5</b>			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Non-compliant		FMETF has no employees, as it is a passive fund.
2. Board adopts a policy specifying the relationship between remuneration and performance.	Non-compliant		FMETF has no employees, as it is a passive fund.
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		



**Optional: Recommendation 2.5**

1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			

**Recommendation 2.6**

1. Board has a formal and transparent board nomination and election policy.	Compliant	Source link :	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	<a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	<a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		

5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		
<b>Optional: Recommendation to 2.6</b>			
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.			
<b>Recommendation 2.7</b>			

1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	No RPT transactions yet.	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		

### Supplement to Recommendations 2.7

1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  See Manual of Corporate Governance; RPT would be those defined under the law.	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant	Company would follow provisions under the Corporation Code in approving RPTs.	

### Recommendation 2.8

1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Non-compliant		FMETF is a passive fund with no employees. Only officers on board level are appointed, including a Compliance Officer.
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).	Non-compliant		FMETF is a passive fund with no employees. Only officers on board level are appointed, including a Compliance Officer.

**Recommendation 2.9**

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Non-compliant		Not applicable. Fund has no employees
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.	Non-compliant		Not applicable. Fund has no employees

**Recommendation 2.10**

1. Board oversees that an appropriate internal control system is in place.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Non-Compliant		Not applicable since Internal Audit function is done by Metrobank as mandated

#### 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	NAV calculator is a third party, and there are disclosure and other policies with respect to the fund's tracking of the PSEi.	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant		

#### Recommendation 2.12

1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		

3. Board Charter is publicly available and posted on the company's website.	Compliant		
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<b>Additional Recommendation to Principle 2</b>			
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1. Board has a clear insider trading policy.	Compliant	The company is bound by the fund manager's parent company insider trading policy.	
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<b>Optional: Principle 2</b>			
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1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			

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**Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

<b>Recommendation 3.1</b>			
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1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>	
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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>Source link:   <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
<p>2. Audit Committee is composed of at least three appropriately qualified nonexecutive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>Source link:   <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></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>Source link:   <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>   <a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a></p>	

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>  <a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a>	
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>	



2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>	
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	

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3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
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**Optional: Recommendation 3.3.**

1. Corporate Governance Committee meet at least twice during the year.			
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**Recommendation 3.4**

1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Non-compliant		Not applicable in the business structure.
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2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-compliant		Not applicable in the business structure.
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Non-compliant		Not applicable in the business structure.
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Non-compliant		Not applicable in the business structure.

### Recommendation 3.5

1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	Source link: <a href="https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	

		<a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>	
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### Recommendation 3.6

1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Complaint		
3. Committee Charters were fully disclosed on the company's website.	Complaint	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	

**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>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p> <p><a href="https://www.firstmetroetf.com.ph/downloads/ETF%20-%20Certification%20on%20the%20Attendance%20-%202018.pdf">https://www.firstmetroetf.com.ph/downloads/ETF%20-%20Certification%20on%20the%20Attendance%20-%202018.pdf</a></p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>Compliant</p>	<p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></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>This could be found in the Board minutes.</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 longterm strategy of the company.</p>	<p>Compliant</p>	<p>Source link:   <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a></p>	
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**Recommendation 4.3**

<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	<p>Compliant</p>	<p>Source link:   <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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**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>			
<p>2. Company schedules board of directors' meetings before the start of the financial year.</p> <p>3.</p>			
<p>4. Board of directors meet at least six times during the year.</p>			

5. Company requires as minimum quorum of at least 2/3 for board decisions.			
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**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	Source link: <a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a>	
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**Recommendation 5.2**

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
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**Supplement to Recommendation 5.2**

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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**Recommendation 5.3**

1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	Company only started in 2013.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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	Company only started in 2013.	

#### Recommendation 5.4

1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a>	
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2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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#### Recommendation 5.5



1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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#### Recommendation 5.6

1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Non-compliant		Not applicable. No director has material interest in a transaction affecting the fund.
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#### Recommendation 5.7

1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	All directors are non-executive.	
2. The meetings are chaired by the lead independent director.	Compliant		

#### Optional: Principle 5

1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	Company has no CEO, only board directors	
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**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Every beginning of the year and/or upon their election, all directors and committee members conduct an annual self-assessment of its performance as a whole.	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		Conducting of self-assessment of performance is done internally.

**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		Only manual assessment is conducted every beginning of the year or upon election of directors.
2. The system allows for a feedback mechanism from the shareholders.	Non-compliant		Assessment is currently for internal use only.

**Principle 7:** Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

**Recommendation 7.1**

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	Company is bound by the Code of Ethics of the fund manager.	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	<p>Only to the board and executive officers as the company has no employees.</p> <p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
3. The Code is disclosed and made available to the public through the company website.	Compliant	<p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/downloads/Annual%20Corporate%20Governance%20Report%20(ACGR)%20-%202014.pdf">http://firstmetroetf.com.ph/downloads/Annual%20Corporate%20Governance%20Report%20(ACGR)%20-%202014.pdf</a></p>	
<b>Supplement to Recommendation 7.1</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	FAMI, the fund manager has the policy on prohibition against receiving bribe.	

Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		
<b>Disclosure and Transparency</b>			

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

#### Recommendation 8.1

1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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#### Supplement to Recommendations 8.1

1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty five (45) days from the end of the reporting period.	Compliant	104 days Audited Financial Statement 36 days (Quarterly report) 17-Q	
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<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>	Compliant	<p>Source link:</p> <p><a href="https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf">https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf</a></p>	
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### 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>	Compliant	<p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></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>	Compliant	<p><a href="https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf">https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf</a></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>	Compliant	<p>Source link:</p> <p><a href="http://edge.pse.com.ph/disclosureData/etf_firm.do">http://edge.pse.com.ph/disclosureData/etf_firm.do</a></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>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a></p> <p><a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a></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>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/board-of-directors-5/">http://firstmetroetf.com.ph/about-us/board-of-directors-5/</a></p> <p><a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a></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>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Non-compliant		Not applicable Fund has no employees
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	<p>SEC 20-IS discloses director remuneration; Fund has no employees.</p> <p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a></p>	

### Recommendation 8.5

1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	<p>Fund has no contracts with companies where any of its directors is a director or stakeholder.</p> <p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	No RPT transactions yet.	
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**Supplement to Recommendation 8.5**

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	Every beginning of the year and/or upon their election, all directors are required to accomplish a questionnaire on related party transactions and results thereof are reported to the Related Party Transaction Committee (RPTCOM) of its fund manager – FAMI.	
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**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	Provide link or reference where this is disclosed, if any	
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**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	Source link:  <a href="http://edge.pse.com.ph/disclosureData/etf_firm.do">http://edge.pse.com.ph/disclosureData/etf_firm.do</a>	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Non-compliant		Not applicable. Fund just follows the PSEi.

**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.	Not applicable		Not applicable. No such agreements had been executed
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**Recommendation 8.7**

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		

**Supplement to Recommendation 8.7**

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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**Optional: Principle 8**

1. Does the company's Annual Report disclose the following information:			
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a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors			
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.			

3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.			
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.			
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).			

**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
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3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	There is no case yet where our external auditors are removed/changed.	
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**Supplement to Recommendation 9.1**

1. Company has a policy of rotating the lead audit partner every five years.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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**Recommendation 9.2**

<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <p>i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	Compliant	<p>We are observing or following charter of FAMI.</p> <p>Source link:</p> <p><a href="https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	Compliant	<p>We are observing or following charter of FAMI.</p> <p>Source link:</p> <p><a href="https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	

**Supplement to Recommendations 9.2**

<p>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.</p>	Compliant	<p>We are observing or following charter of FAMI.</p> <p>Source link:</p> <p><a href="https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	We are observing or following charter of FAMI.  Source link:  <a href="https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">https://www.firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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### Recommendation 9.3

1. Company discloses the nature of nonaudit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	No non-audit services were performed by the external auditor.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on nonaudit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	

### Supplement to Recommendation 9.3

1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
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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>Provide information on company's external auditor, such as:</p> <ol style="list-style-type: none"> <li>1. Name of the audit engagement partner; Janet A. Paraiso</li> <li>2. Accreditation number; 0778-AR-3 (Group A)</li> <li>3. Date Accredited; June 19, 2018</li> <li>4. Expiry date of accreditation; June 18, 2021.</li> <li>5. Name, address, contact number of the audit firm. SyCip Gorres Velayo &amp; Co.</li> </ol>	
<p>2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).</p>	<p>Compliant</p>	<p>Audit Firm : SGV</p>	

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>Source link: <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
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**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	FMETF website:  <a href="http://firstmetroetf.com.ph">http://firstmetroetf.com.ph</a>  PSE Edge  <a href="http://edge.pse.com.ph/">http://edge.pse.com.ph/</a>	
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**Supplemental to Principle 11**

1. Company has a website disclosing up-to date information on the following:	Compliant	Source link:  FMETF website:	
a. Financial statements/reports (latest quarterly)	Compliant	<a href="http://firstmetroetf.com.ph">http://firstmetroetf.com.ph</a>	
b. Materials provided in briefings to analysts and media	Compliant	PSE Edge  <a href="http://edge.pse.com.ph/">http://edge.pse.com.ph/</a>	
c. Downloadable annual report	Compliant		



d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		

#### Additional Recommendation to Principle 11

1. Company complies with SEC-prescribed website template.	Compliant		
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### Internal Control System and Risk Management Framework

**Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

#### Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	Source links:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>  <a href="http://www.firstmetroetf.com.ph/resource-materials/prospectus/">http://www.firstmetroetf.com.ph/resource-materials/prospectus/</a>	
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2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	Source link:  <a href="https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf">https://www.firstmetroetf.com.ph/downloads/ANNUAL%20PART%202%20FMETF%20AAFS%202018.pdf</a>	
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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.	Compliant	All employees shall be provided with adequate training on anti-money laundering law, rules and regulations as well as the policies and procedures to ensure awareness and compliance. Training on shall be on a regular basis to create awareness in new rules and regulations.	
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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.			
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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	Internal audit: Metrobank  External audit: SyCip Gorres Velayo & Co	
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**Recommendation 12.3**

1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non compliant		Not applicable since this is outsourced to Metrobank
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant	Internal audit function is outsourced to Metrobank.	
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 head of Metrobank Internal Audit Group is the de-facto CAE.	

**Recommendation 12.4**

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	The risk management committee is responsible to identify and evaluate exposures, develop risk management strategies, and oversee the implementation of the risk management plan.	
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**Supplement to Recommendation 12.4**

1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The parent firm of fund manager, First Metro Investment Corporation is the source of external technical support on risk issues.	
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**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		Not applicable. The risk management committee is headed by the director who is responsible for the development and oversight of the risk management program of the fund.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		Not applicable. The risk management committee is headed by the director who is responsible for the development and oversight of the risk management program of the fund.

**Additional Recommendation to Principle 12**

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Non-compliant		Internal audit function is outsourced to Metrobank.
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**Cultivating a Synergic Relationship with Shareholders**

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

**Recommendation 13.1**

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	Compliant	Provided in the by-laws	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	Company only issues common shares	
3. Board has an effective, secure, and efficient voting system.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	

<p>4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Compliant</p>	<p>Voting on matters as required by the Corporation Code and the SRC are in Articles of Incorporation and by-laws</p> <p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/">http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/</a></p>	
<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Compliant</p>	<p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/">http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/</a></p>	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<p>Source link:</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/">http://firstmetroetf.com.ph/about-us/corporate-documents/articles-of-incorporation/</a></p>	

7. Company has a transparent and specific dividend policy.	Compliant	Source link:  SEC 20-IS; Prospectus  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>  <a href="http://firstmetroetf.com.ph/resource-materials/prospectus/">http://firstmetroetf.com.ph/resource-materials/prospectus/</a>	
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**Optional: Recommendation 13.1**

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
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**Recommendation 13.2**

1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
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**Supplemental to Recommendation 13.2**

1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
b. Auditors seeking appointment/reappointment	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	
c. Proxy documents	Compliant	Source link:  <a href="http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf">http://firstmetroetf.com.ph/downloads/DEFINITIVE%20INFORMATION%20STATEMENT%20-%20APPROVED%20BY%20THE%20SEC.pdf</a>	

**Optional: Recommendation 13.2**



1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	Minutes of the Board Meeting, Memoranda to the Board.	
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### 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	No relevant questions raised and answered during the ASM and special meeting.	
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.	No-compliant		Minutes are available but within a longer time frame, as these are circulated and reviewed by the Board members first.

### 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	External Auditor: SGV, Corp Sec. IRO, Chairman, President	
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### Recommendation 13.4

1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	Source link:  <a href="http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	Source link:  <a href="http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroeff.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a>	
<b>Recommendation 13.5</b>			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Non-compliant		Company has appointed an Information Officer instead.
2. IRO is present at every shareholder's meeting.	Non-compliant		Company has appointed an Information Officer instead.
<b>Supplemental Recommendations to Principle 13</b>			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Non-compliant		Not applicable. Since it is a passive fund
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	Free float level : 57.94%	

**Optional: Principle 13**

1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting

2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.

**Duties to Stakeholders**

**Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

**Recommendation 14.1**

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.

Compliant

Source link:

<http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/>

**Recommendation 14.2**

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

Compliant

Source link:

<http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/>

**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>Source link</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p> <p>Stakeholders are open to exercise their rights under the Corporation Code and the ETF rules.</p>	
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### Supplement to Recommendation 14.3

<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>Source link</p> <p><a href="http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/">http://firstmetroetf.com.ph/about-us/corporate-governance/manual-on-corporate-governance/</a></p>	
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### 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.</p>	<p>Compliant</p>	<p>No exemption yet from application of a regulatory requirement.</p>	
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2. Company respects intellectual property rights.	Compliant	As a financial institution, FMETF considers intellectual property to be an essential part of its business strategy. Our basic policy is to develop our own robust intellectual portfolio, while at the same time respecting the intellectual property rights of others.	
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**Optional: Principle 14**

1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			

**Principle 15:** A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

**Recommendation 15.1**

1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of	Non-compliant		Fund has no employees.
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the company's goals and in its governance.			
<b>Supplement to Recommendation 15.1</b>			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Non-compliant		Fund has no employees.
2. Company has policies and practices on health, safety and welfare of its employees.	Non-compliant		Fund has no employees.
3. Company has policies and practices on training and development of its employees.	Non-compliant		Fund has no employees.
<b>Recommendation 15.2</b>			
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.	Non-compliant		Fund has no employees.

2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Non-compliant	Identify how the board disseminated the policy and program to employees across the organization	Fund has no employees.
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### Supplement to Recommendation 15.2

1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Non-compliant		Fund has no employees.
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### Recommendation 15.3

1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Non-compliant		Fund has no employees.
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Non-compliant		Fund has no employees.
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Non-compliant		Fund has no employees.


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

### Recommendation 16.1

<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.</p>	<p>Compliant</p>	<p>The Fund manager conducts investment literacy talks and seminars in different places in the country throughout the year, such as PSE Focus on Philippine ETF, ETF and SBL Briefing for Insurance Companies. Strong advocacy for investment literacy; understanding financial markets, understanding value and risk, price and risk, and all important risk reward relationship.</p>	
<p><b>Optional: Principle 16</b></p>			
<p>1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development</p>			
<p>2. Company exerts effort to interact positively with the communities in which it operates</p>			

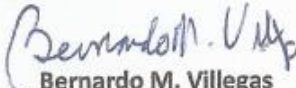


Pursuant to the requirement of the Securities and Exchange Commission and The Philippine Stock Exchange, Inc., this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_ 2019.

  
**Eduardo R. Carreon**  
 Chairman of the Board

  
**Eduardo S. Mendiola**  
 President

  
**Amb. Romualdo A. Ong**  
 Independent Director

  
**Bernardo M. Villegas**  
 Independent Director


  
**Jonathan T. Tabac**  
 Chief Compliance Officer

  
**Melissa B. Reyes**  
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of **MAY 27 2019**, affiant(s) exhibiting to me their TIN, as follows:

Name	ID	ID Number
Eduardo R. Carreon	TIN	160-247-790
Eduardo S. Mendiola	TIN	129-884-568
Amb. Romualdo A. Ong	TIN	135-867-828
Bernardo M. Villegas	TIN	111-622-998
Jonathan T. Tabac	TIN	111-299-468
Melissa B. Reyes	TIN	702-504-000

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 Series of 2019.

  
 NOTARY PUBLIC  
**ATTY. ROGELIO J. BOLIVAR**  
 NOTARY PUBLIC IN QUEZON CITY  
 AM Adm. Not. Com. No. NR-124 1-12-19 until 12-31-2020  
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020  
 PTR O.R. No. 7376155 C. 1-7-19 / Roll No. 33832 / TIN# 129-881-009  
 MCLE No. V-0019286 valid from 04/15/2016 until 04/14/2019/PASIG CITY  
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