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國際運輸勞連

International Transport Workers' Federation
Federación Internacional de los Trabajadores del Transporte
Fédération internationale des ouvriers du transport
Internationella Transportarbetarefederationen
Internationale Transportarbeiter-Föderation
Международная федерация транспортников
التنظيم عالمياً، النضال من أجل حقوقنا

15th March 2018

Re: Please vote AGAINST the re-election of Directors Stephen A. Paradies and Jon Aboitiz

Dear ICTSI Shareholder:

I am writing in my capacity as the President of the International Transport Workers' Federation (ITF), and co-chair of the Committee on Workers Capital. The ITF is a global union federation of over 700 transport unions, representing over 19 million transport workers from 150 countries. The ITF advises union benefit funds and their trustees on matters of corporate governance and other policy issues. We are interested in the long-term success of ICTSI, its employees, and other key stakeholders.

At the 2018 Annual Stockholders' Meeting on April 19th 2018, I urge you to vote AGAINST the re-election of Directors Stephen A. Paradies and Jon Aboitiz.

We believe there are several operational and governance issues at ICTSI that should concern shareholders, and that a large vote AGAINST Directors Paradies and Aboitiz will signal the need for ICTSI management to address these issues. Furthermore, based on our reading of disclosures to shareholders, Directors Paradies and Aboitiz bear meaningful responsibility for allowing these governance and operational issues to develop and persist.

In particular, it is our view that the company is facing major operational and governance issues including:

1. An insufficient number of independent directors – only two directors can be considered independent. ICTSI is out of alignment with the norms and practices recommended of other public companies by the Philippines Stock Exchange and Securities and Exchange Commission.
2. Entrenchment of current Board members – all ICTSI Board members have been in place for a decade or more, with an average tenure of 22 years, further compromising the Board's independence. Consistent with good governance principles, management would benefit from new perspectives and voices.
3. Conflicts on the Related Party Transaction Committee – ICTSI shares executives, directors and resources with Bloomberry Resorts. There is little transparency for ICTSI shareholders about how the costs and benefits of shared resources are split. Moreover, the Chair of the Related Party Transactions Committee is also a Director of Bloomberry Resorts and therefore conflicted when scrutinizing transactions or shared resources between the two firms.
4. Protracted disputes at multiple terminals – in the last 18 months, ICTSI has seen protracted disputes at five terminals. These disputes have involved multiple port stakeholders, including governments, global brands, and shipping lines.
5. Operational risk from transactions with censured regimes – 40 per cent (12 out of 30) of the company's ports are operated with partnerships involving regimes that are under international censure or investigation, including for crimes against humanity.ⁱ Additionally, shareholders have not been informed about the company's management agreements with the Government of Sudan, while that regime was subject to United Nations and United States sanctions.ⁱⁱ

It is our position that these challenges to good governance present sufficient reason for shareholders to vote AGAINST Directors Paradies and Aboitiz. In their committee roles, these

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Directors seem to have been unsuccessful in guiding the company towards outcomes that are better for all shareholders, and more beneficial to the company's operations and future business prospects.

Mr. Paradies is Chairman of the Nominations Sub-committee, which should not have permitted the company to continue operating with a dearth of independent directors and entrenchment of current Board members. His own long tenure and lack of independence underline the difficulty in his providing effective oversight of these issues.

Additionally, the Board Risk Oversight Committee, chaired by Mr. Paradies, has failed to ensure that ICTSI's internal controls are significant enough to avoid major operational issues including major port disputes and relationships with censured regimes. The Charter of the Board Risk Oversight Committee charges the members with overseeing management activities including, "managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management." Perhaps even more pointedly, the Charter charges the Committee with finding ways of reducing these risks. The Charter describes the responsibilities as follows, "[The Committee] Reports of the Board on a regular basis, or as deemed necessary, ICTSI's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary."

Mr. Aboitiz is Chair of the Related Party Transactions Committee, and also serves as a Director of Bloomberry Resorts. It is apparent that there is substantial sharing of resources, opportunities and human capital between ICTSI and Bloomberry Resorts. Shareholders have received little accounting about the costs and benefits of this arrangement. As a Director of both firms, Mr. Aboitiz has dual loyalties and is not in a position to monitor these arrangements.

We believe that a large vote AGAINST Directors Paradies and Aboitiz will signal the need for ICTSI management to address these issues.

Through these actions, we are sharply focused on signaling to Mr. Razon and other Board members that there is a need for change at ICTSI. In their committee roles these Directors seem to have been unsuccessful in guiding the company towards outcomes that are better for all shareholders, and more beneficial to the company's operations and future business prospects.

In the *Proxy Advisory Note* below we further outline these reasons for voting AGAINST Directors Paradies and Aboitiz. For more information please contact, votenolCTSI@itf.org.uk.

Sincerely,



Paddy Crumlin
ITF President

ⁱ At present ICTSI operates ports in the Democratic Republic of Congo, the Republic of Honduras. ICTSI also has port management agreements in place with the Republic of Sudan. The United Nations Security Council has extensive sanctions in place regarding activity in the Democratic Republic of the Congo, these sanctions date from 2004, and have most recently been extended until August 1, 2018. See: <https://www.un.org/press/en/2017/sc12883.doc.htm>. The Organization of American States has called for the rerunning of elections in Honduras due to irregularities. The OAS has yet to recognize the results of the November 2017 elections. See: <https://www.telesurvtv.net/english/news/Almagro-The-OAS-Hasnt-Recognized-Hernandez-as-Honduran-Pres.-20180213-0024.html>.

ⁱⁱ See World Bank Group, (2013). *Republic of the Sudan Diagnostic Trade Integration Study – Update*, Report No: ACS10972, World Bank Group, Massachusetts; Sudan Sea Ports Handbook 2016-18.

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