

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.


**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year: **2012**
2. Exact Name of Registrant as Specified in its Charter: **GINEBRA SAN MIGUEL INC.**
3. **3<sup>rd</sup> & 6<sup>th</sup> Floors, San Miguel Properties Centre,** **1550**  
**St. Francis Street, Mandaluyong City** Postal Code  
Address of Principal Office
4. SEC Identification Number: **142312**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: **000-086-856-000**
7. **(632) 689-9100**  
Issuer's Telephone number, including area code
8. **N/A**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Eduardo M. Cojuangco, Jr.	NED	N/A	Ramon S. Ang	October 21, 1998	May 10, 2012	Annual Meeting	14
Ramon S. Ang	NED	N/A	Ramon S. Ang	April 4, 2000	May 10, 2012	Annual Meeting	12
Bernard D. Marquez	ED	N/A	Ramon S. Ang	May 12, 2011	May 10, 2012	Annual Meeting	2
Ferdinand K. Constantino	NED	N/A	Ramon S. Ang	May 29, 2008	May 10, 2012	Annual Meeting	3
Leo S. Alvez	NED	N/A	Ramon S. Ang	April 24, 2002	May 10, 2012	Annual Meeting	10
Gabriel S. Claudio	NED	N/A	Ramon S. Ang	November 10, 2010	May 10, 2012	Annual Meeting	2
<b>Joseph N. Pineda<sup>2</sup></b>	<b>NED</b>	<b>N/A</b>	<b>Ramon S. Ang</b>	<b>May 9, 2013</b>	<b>May 9, 2013</b>	<b>Annual Meeting</b>	<b>Less than 1 year</b>
Minita V. Chico-Nazario	ID	N/A	Ramon S. Ang	March 9, 2012	May 10, 2012	Annual Meeting	1
Angelina S. Gutierrez	ID	N/A	Ramon S. Ang	May 10, 2012	May 10, 2012	Annual Meeting	1

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*The Board of Directors (the "Board") of the Company has adopted a Manual of Corporate Governance and amended the same on March 30, 2013 (the "CG Manual"). The CG Manual aims to institutionalize the principles of good corporate governance in the entire organization. The Company's Board, Management, Officers, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization as soon as possible.*

<sup>1</sup>Reckoned from the election immediately following January 2, 2012.

<sup>2</sup> Updated per advisement letter filed with SEC on January 30, 2014.

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Thus, among others, provisions on the following matters affecting shareholders were provided in the Section 5 (Shareholders' Benefit) of the CG Manual: voting rights, pre-emptive rights, power of inspection, right to information, right to dividends and appraisal rights.

On respecting the rights of minority shareholders, Section 5 of the CG Manual expressly provides, among others the following provisions: that the Board is committed to respect the rights of the shareholders and minority interests; that a director shall not be removed without cause if it will deny minority shareholders representation in the Board; that minority shareholders shall be granted the right to propose the holding of the meeting and the right to propose items in the agenda of the meeting; and that they shall have access to any and all information relating to matters for which the Management is accountable for.

On disclosure duties, Section 4 of the CG Manual lays down the reportorial or disclosure System of the Company's corporate governance policies which essentially provides that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed.

On Board responsibilities, the Company's CG Manual espouses the belief that compliance with the principles of good corporate governance shall start with the Board of Directors. Thus, the said manual is replete with provisions relative to the duties and responsibilities of the Board. In sum, the Board's general responsibility is as follows: It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders. The Board is responsible for formulating the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

- (c) How often does the Board review and approve the vision and mission?

The Board, as the need arises and upon the recommendation of Management reviews and approves the vision and mission of the Company. The Board, during its meeting held on November 9, 2012 reviewed and approved the new vision and mission of the Company.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>3</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group (Ginebra San Miguel Group):

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Eduardo M. Cojuangco, Jr.	San Miguel Pure Foods Company, Inc., Petron Corporation	NED, Chairman  NED
Ramon S. Ang	Petron Corporation, San Miguel Pure Foods Company, Inc. San Miguel Brewery Inc. San Miguel Properties, Inc.	ED, Chairman NED  NED, Chairman ED, Chairman

<sup>3</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	<i>PAL Holdings, Inc.</i> <i>Cyberbay Corp.</i> <i>Liberty Telecomms Holding, Inc.</i> <i>San Miguel Brewery Hong Kong Limited</i> <i>Petron Malaysia Refining &amp; Marketing Berhad</i>	<i>ED</i> <i>ED, Chairman</i> <i>NED, Chairman</i>  <i>NED, Chairman</i> <i>ED, Chairman</i>
<i>Ferdinand K. Constantino</i>	<i>San Miguel Corporation</i> <i>San Miguel Brewery Inc.</i> <i>San Miguel Properties, Inc.</i>	<i>ED</i> <i>NED</i> <i>NED</i>
<i>Leo S. Alvez</i>	<i>San Miguel Corporation</i>	<i>NED</i>
<b><i>Joseph N. Pineda</i></b> <sup>4</sup>	<b><i>SMC Shipping and Lighterage Corporation</i></b> <b><i>Process Synergy, Inc.</i></b> <b><i>San Miguel Holdings Corp.</i></b> <b><i>San Miguel Energy Corporation</i></b> <b><i>SMC Stock Transfer Service Corp.</i></b> <b><i>Bell Telecommunications Philippines, Inc.</i></b> <b><i>SMITS, Inc</i></b> <b><i>Anchor Insurance Brokerage Corp.</i></b> <b><i>Rapid Thoroughfares, Inc.</i></b>	<b><i>NED, Chairman</i></b> <b><i>NED, Chairman</i></b> <b><i>NED</i></b> <b><i>NED</i></b>  <b><i>NED</i></b>  <b><i>NED</i></b> <b><i>NED</i></b>  <b><i>NED</i></b> <b><i>NED</i></b>
<i>Minita V. Chico-Nazario</i>	<i>San Miguel Properties, Inc.</i>	<i>ID</i>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<i>Eduardo M. Cojuangco, Jr.</i>	<i>San Miguel Pure Foods Company, Inc.,</i> <i>Petron Corporation</i>	<i>NED, Chairman</i> <i>NED</i> <i>NED</i>
<i>Ramon S. Ang</i> <sup>5</sup>	<i>Petron Corporation,</i> <i>San Miguel Pure Foods Company, Inc.</i> <i>PAL Holdings, Inc.</i> <i>Cyberbay Corp.</i> <i>Liberty Telecomms Holding, Inc.</i> <i>San Miguel Brewery Hong Kong Limited</i> <i>Petron Malaysia Refining &amp;</i>	<i>ED, Chairman</i> <i>NED</i>  <i>ED</i> <i>NED, Chairman and President</i> <i>NED, Chairman</i> <i>NED, Chairman</i>  <i>ED, Chairman</i>

<sup>4</sup> Updated per advisement letter filed with SEC on January 30, 2014.

<sup>5</sup> Deleted Alphaland Corporation and PhilWeb Corporation from the list of companies where Mr. Ang is a director. Updated per advisement letter filed with SEC on March 14, 2014, relative to Mr. Ang's resignation as director of the said companies.

Deleted Manila Electric Company from the list of companies where Mr. Ang is a director. Updated per advisement letter filed with SEC on April 2, 2014, relative to Mr. Ang's resignation as director of the said company.

	<i>Marketing Berhad</i>	
<i>Ferdinand K. Constantino</i>	<i>San Miguel Corporation San Miguel Brewery Inc.</i>	<i>ED NED</i>
<i>Leo S. Alvez</i>	<i>San Miguel Corporation</i>	<i>NED</i>
<i>Minita V. Chico-Nazario</i>	<i>San Miguel Properties, Inc.</i>	<i>ID</i>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
<i>Eduardo M. Cojuangco, Jr.</i>	<i>San Miguel Corporation</i>	<i>Chairman and Chief Executive Officer</i>
<i>Ramon S. Ang</i>	<i>San Miguel Corporation</i>	<i>Vice-Chairman, President and Chief Operating Officer</i>
<i>Leo S. Alvez</i>	<i>San Miguel Corporation</i>	<i>Director</i>
<i>Ferdinand K. Constantino</i>	<i>San Miguel Corporation</i>	<i>Director, Chief Finance Officer and Chief Information Officer</i>
<i>Joseph N. Pineda<sup>6</sup></i>	<i>San Miguel Corporation</i>	<i>Senior Vice President, Deputy Chief Finance Officer and OIC-Corporate Treasury</i>

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

*The Company provides in its CG Manual, a "Policy on Multiple Board Seats", which provides that a "A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised."*

*The Company has also adopted the requirements of SEC Memorandum Circular No. 9 series of 2011, dated December 5, 2011, on "Term Limits of Independent Directors" relative to the limitation on the number of covered companies that a person may be elected as Independent Director of business conglomerates.*

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

<b>Name of Director</b>	<b>Number of Direct shares</b>	<b>Number of Indirect shares / Through (name of record owner)</b>	<b>% of Capital Stock</b>
<i>Eduardo M. Cojuangco, Jr.</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Ramon S. Ang</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Ferdinand K. Constantino</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Angelina S. Gutierrez</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>

<sup>6</sup> Updated per advisement letter filed with SEC on January 30, 2014.



<i>Gabriel L. Claudio</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Bernard D. Marquez</i>	<i>30,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Leo S. Alvez</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<i>Minita V. Chico Nazario</i>	<i>5,000</i>	<i>N/A</i>	<i>0.00%</i>
<b><i>Joseph N. Pineda</i></b> <sup>7</sup>	<b><i>5,000</i></b>	<b><i>N/A</i></b>	<b><i>0.00%</i></b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

*The duties and responsibilities of the Chairman and CEO are properly laid down in the Company's By-laws and CG Manual, which help in the maintenance of proper checks and balances to ensure that the Board obtains the benefit of independent views and perspectives.*

Identify the Chair and CEO:

Chairman of the Board/CEO	<i>Eduardo M. Cojuangco, Jr.</i>
President	<i>Bernard D. Marquez</i>

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	<b>Chairman</b>	<b>Chief Executive Officer</b>
Role	<i>The Company's By-laws prescribed that the Chairman of the Board shall be the Chief Executive Officer of the Company. He is the Head of the Board and presides at meetings of the directors and stockholders.  He shall exercise such other powers and performs such other functions and duties as the Board may assign.</i>	<i>Responsible for the general supervision, administration and management of business of the Company (As provided in the Company by-laws and CG Manual  Exercise such other powers and performs such other functions and duties as the Board may assign.</i>
Accountabilities	<i>Accountable to all shareholders of the Company.</i>	<i>Accountable to all shareholders of the Company.</i>
Deliverables	<i>The Chairman shall have the following duties and functions:  Ensure that the meetings of the Board are held in accordance with the by-laws</i>	<i>Among others, the Chief Executive Officer certifies the preparation and fair representation of the consolidated financial statements of the Company, as well as compliance</i>

<sup>7</sup> Updated per advisement letter filed with SEC on January 30, 2014.

	<p><i>of the Company;</i></p> <p><i>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary;</i></p> <p><i>Maintain qualitative and timely lines of communication and information between the Board and the Management; and</i></p> <p><i>Conduct regular board meetings and annual stockholders' meetings.</i></p>	<p><i>with the requirements of SEC Form 17-A.</i></p>
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3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

*The Board through the Executive Compensation Committee review, among others, the promotion and career advancement directives of the Company. (Sec 2.2.2.2.1 CG Manual).*

*The Company also have a Management Development Program (MDP) which is a holistic and purposive program aimed at ensuring the timely availability of the required number of employees at the middle level and up, with the necessary education, experience and personal characteristics, to fulfill short- and long-term needs of the organization.*

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

*Yes. The Company's CG Manual, requires, among others, that all its directors be at least college graduates or have sufficient experience in managing the business to substitute for such formal education.*

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

*Yes. The Company's CG Manual, requires, among others, that all its directors be at least college graduates or have sufficient experience in managing the business to substitute for such formal education.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
Role	<i>The Company's By-Laws prescribe that the President, who shall be a director, shall be the Chief Operating Officer of the Company and shall have general supervision and direction of the day to day business affairs of the Company. He is the</i>	<i>The Board's duty is to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and</i>	<i>Independent directors perform the same roles, duties and responsibilities as Non-Executive Directors. Their role is to exercise independent judgment in carrying out their responsibilities as a director.</i>

	<p><i>official representative of the Company to the Board. He presents the Company's performance to the Board and serves as the link between Management and the Board.</i></p>	<p><i>other stakeholders.</i></p> <p><i>The Board is responsible for formulating the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</i></p> <p><i>The Board shall ensure a high standard of best practice for the Company and its stakeholders, as reflected in its numerous duties and responsibilities, including but not limited to the following:</i></p> <ul style="list-style-type: none"> <li><i>• Implement a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;</i></li> <li><i>• Appoint competent, professional, honest and highly-motivated Management officers and adopt an effective succession planning program for</i></li> </ul>	<p><i>An Independent Director also chairs the Audit Committee of the Board.</i></p>
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		<p><i>Management;</i></p> <ul style="list-style-type: none"> <li>• <i>Provide sound strategic policies and guidelines on major capital expenditures and other programs to sustain the Company's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies;</i></li> <li>• <i>Formulate a clear policy on accurately, timely and effectively communicating or relating with the Company's stakeholders and agencies regulating the Company;</i></li> <li>• <i>Adopt a system of internal checks and balances, and to review regularly the effectiveness thereof;</i></li> <li>• <i>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions</i></li> </ul>	
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		<p><i>between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;</i></p> <p><i>The Board shall also have the following oversight responsibilities, to name a few, for ensuring the presence of adequate and effective internal control mechanisms:</i></p> <ul style="list-style-type: none"> <li><i>• Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority;</i></li> </ul>	
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		<p>extent and effectiveness of information technology; and extent of regulatory compliance;</p> <ul style="list-style-type: none"> <li>• Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.</li> </ul>	
Accountabilities	<p>The Executive Director is accountable to all the shareholders of the Company as he is in charge of the day to day operations of the Company.</p>	<p>The Board is accountable to the shareholders and stakeholders and should thus, ensure that they are provided with an adequate assessment of the Company's business condition, position and prospects through the filing of reports required by law and regulators. The Board should also ensure that they are informed of important</p>	<p>In addition to the accountabilities of Non-Executive Directors, Independent Directors are also expected to ensure that their independence is maintained.</p> <p>They are likewise, expected to as much as possible attend the meetings of the Board and Board Committee</p>

		<i>developments in the Company.</i>	<i>meetings to promote transparency.</i>
Deliverables	<i>Improved shareholder value</i>	<i>Improved shareholder value</i>	<i>Improved shareholder value</i>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*As provided in the Company's CG Manual, an "Independent Director" is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

*The Company has adopted the requirements of SEC Memorandum Circular No. 9 series of 2011, dated December 5, 2012, on "Term Limits of Independent Directors".*

*The independent directors of the Company are nominated and elected in accordance with the Company's By-laws, CG Manual and the SEC Memorandum Circular No. 9. Accordingly, an independent director may serve as such for five consecutive years only starting January 2012, after which, a "cooling off" period of two years shall be observed before he/she may be considered for re-election as independent director of the Company for another five consecutive years.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

<b>Name</b>	<b>Position</b>	<b>Date of Cessation</b>	<b>Reason</b>
<i>Carmelo L. Santiago</i>	<i>Independent Director</i>	<i>March 7, 2012</i>	<i>Resignation (To focus on his other business endeavors)</i>
<i>Carlos Palanca III</i>	<i>Independent Director</i>	<i>March 31, 2012</i>	<i>Resignation (To focus on his other business endeavors)</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<b>Procedure</b>	<b>Process Adopted</b>	<b>Criteria</b>
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<i>Nomination and Election</i> <i>Nomination:</i>	<i>As provided in the Company's By-laws and CG Manual, the following are the criteria:</i>

	<p><i>As prescribed in the Company's By-laws, nomination for the election of directors may be made by the Board as well as by any shareholder entitled to vote for the election of directors if such shareholder complies with the following:</i></p> <ul style="list-style-type: none"> <li>• <i>Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), on or before January 20 or at such earlier or later date that the Board may fix. (As amended on March 25, 1999).</i></li> <li>• <i>Each nomination shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) the interest and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.</i></li> <li>• <i>The Board, by a majority vote unless a greater majority is required under this By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is qualified for election as Director under this By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded. (As amended on 28 September</i></li> </ul>	<p><i>Qualifications:</i></p> <ul style="list-style-type: none"> <li>• <i>He shall hold at least five thousand (5,000) shares of stock of the Company;</i></li> <li>• <i>He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</i></li> <li>• <i>He shall be at least twenty one (21) years old;</i></li> <li>• <i>He shall have proven to possess integrity and probity; and</i></li> <li>• <i>He shall be assiduous;</i></li> <li>• <i>He should not be engaged in any business which competes with or is antagonistic to that of the Company.</i></li> </ul>
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	<p>1994).</p> <p><i>As prescribed in the Company's CG Manual, the nominees are then pre-screened and shortlisted by the Nomination and Hearing Committee in accordance with the qualifications and disqualifications as provided in the Company's CG Manual.</i></p> <p><i>Election:</i></p> <p><i>As prescribed in the Company's By-laws the members of the Board shall be elected at the regular meeting of stockholders.</i></p>	
<p>(ii) Non-Executive Directors</p>	<p><i>Nomination and Election</i></p> <p><i>Nomination:</i></p> <p><i>As prescribed in the Company's By-laws, nomination for the election of directors may be made by the Board, as well as by any shareholder entitled to vote for the election of directors if such shareholder complies with the following:</i></p> <ul style="list-style-type: none"> <li>• <i>Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), on or before January 20 or at such earlier or later date that the Board may fix. (As amended on March 25, 1999).</i></li> <li>• <i>Each nomination shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) the interest and positions held by each nominee in other</i></li> </ul>	<p><i>As provided in the Company's By-laws and CG Manual, the following are the criteria:</i></p> <p><i>Qualifications:</i></p> <ul style="list-style-type: none"> <li>• <i>He shall hold at least five thousand (5,000) shares of stock of the Company;</i></li> <li>• <i>He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</i></li> <li>• <i>He shall be at least twenty one (21) years old;</i></li> <li>• <i>He shall have proven to possess integrity and probity; and</i></li> <li>• <i>He shall be assiduous;</i></li> <li>• <i>He should not be engaged in any business which</i></li> </ul>

	<p><i>corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.</i></p> <ul style="list-style-type: none"> <li><i>The Board, by a majority vote unless a greater majority is required under this By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is qualified for election as Director under this By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded. (As amended on 28 September 1994).</i></li> </ul> <p><i>As prescribed in the Company's CG Manual, the nominees are then pre-screened and shortlisted by the Nomination and Hearing Committee in accordance with the qualifications and disqualifications as provided in the Company's CG Manual.</i></p> <p><i>Election:</i></p> <p><i>As prescribed in the Company's By-laws the members of the Board shall be elected at the regular meeting of stockholders.</i></p>	<p><i>competes with or is antagonistic to that of the Company.</i></p>
<p>(iii) Independent Directors</p>	<p><i>Nomination and Election</i></p> <p><i>Nomination:</i></p> <p><i>As prescribed in the Company's By-laws, nomination for the election of directors may be made by the Board, as well as by any shareholder entitled to vote for the election of directors if such shareholder complies with the following:</i></p> <ul style="list-style-type: none"> <li><i>Nominations shall be received by the Chairman of the Board of Directors (which</i></li> </ul>	<p><i>As provided in the Company's By-laws and CG Manual, the following are the criteria:</i></p> <p><i>Qualifications:</i></p> <ul style="list-style-type: none"> <li><i>He shall hold at least five thousand (5,000) shares of stock of the Company;</i></li> <li><i>He shall be at least a college graduate or have sufficient</i></li> </ul>

	<p><i>nominations may be sent to such Chairman in care of the Secretary of the Corporation), on or before January 20 or at such earlier or later date that the Board may fix. (As amended on March 25, 1999).</i></p> <ul style="list-style-type: none"> <li>• <i>Each nomination shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) the interest and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.</i></li> <li>• <i>The Board, by a majority vote unless a greater majority is required under this By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is qualified for election as Director under this By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded. (As amended on 28 September 1994).</i></li> </ul> <p><i>As prescribed in the Company's CG Manual, the nominees are then pre-screened and shortlisted by the Nomination and Hearing Committee in accordance with the qualifications and disqualifications as provided in the Company's CG Manual.</i></p> <p><i>Election:</i></p>	<p><i>experience in managing the business to substitute for such formal education;</i></p> <ul style="list-style-type: none"> <li>• <i>He shall be at least twenty one (21) years old;</i></li> <li>• <i>He shall have proven to possess integrity and probity; and</i></li> <li>• <i>He shall be assiduous;</i></li> <li>• <i>He should not be engaged in any business which competes with or is antagonistic to that of the Company.</i></li> </ul> <p><i>In addition, an Independent Director should, apart from his fees and shareholdings, have no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director.</i></p>
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	<p><i>As prescribed in the Company's By-laws the members of the Board shall be elected at the regular meeting of stockholders.</i></p> <p><i>In addition, as provided in the Company By-laws, during the regular meeting of stockholders, the Chairman of the meeting informs all stockholders in attendance of the mandatory requirement of electing independent directors.</i></p>	
<b>b. Re-appointment</b>		
(i) Executive Directors	<i>The procedure for the Selection/Appointment of Executive Directors as discussed above is also adopted in case of re-appointment.</i>	<i>The criteria for the Selection/Appointment of Executive Directors as discussed above are the same criteria used for re-appointment.</i>
(ii) Non-Executive Directors	<i>The procedure for the Selection/Appointment of Non-Executive Directors as discussed above is also adopted in case of re-appointment.</i>	<i>The criteria for the Selection/Appointment of Non-Executive Directors as discussed above are the same criteria used for re-appointment.</i>
(iii) Independent Directors	<i>The procedure for the Selection/Appointment of Independent Directors a discussed above is also adopted in case of re-appointment.</i>	<i>The criteria for the Selection/Appointment of Independent Directors as discussed above are the same criteria used for re-appointment. However, in re-appointment, the provisions on term limits of directors as provided in SEC Memorandum Circular No. 9, series of 2011, is taken into account.</i>
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<i>The Executive Director will be considered resigned from office and will no longer be considered for nomination and election as director in the succeeding annual stockholders' meeting of the Company.</i>	<p><i>Any of the following shall be a ground for permanent disqualification of a director of the Company:</i></p> <ul style="list-style-type: none"> <li><i>• Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined</i></li> </ul>

		<p><i>in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</i></p> <ul style="list-style-type: none"> <li>• <i>Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any</i></li> </ul>
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		<p><i>conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</i></p> <ul style="list-style-type: none"> <li>• <i>Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation,</i></li> </ul>
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		<p><i>perjury or other fraudulent acts or transgressions;</i></p> <ul style="list-style-type: none"> <li>• <i>Any person who has been adjudged by final judgment or order of the SEC or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;</i></li> <li>• <i>Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</i></li> <li>• <i>Any person judicially declared to be insolvent; and</i></li> <li>• <i>Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within</i></li> </ul>
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		<p><i>five (5) years prior to the date of his election or appointment.</i></p> <p><i>The foregoing grounds for disqualification apply to all directors – Executive, Non-Executive and Independent Directors.</i></p>
(ii) Non-Executive Directors	<i>The Non-Executive Director will be considered resigned from office and will no longer be considered for nomination and election as director in the succeeding annual stockholders' meeting of the Company.</i>	<i>Same grounds for permanent disqualifications of Executive Directors are applicable in the case of Non-Executive Directors.</i>
(iii) Independent Directors	<i>The Independent Director will be considered resigned from office and will no longer be considered for nomination and election as director in the succeeding annual stockholders' meeting of the Company.</i>	<i>Same grounds for permanent disqualifications of Executive Directors are applicable in the case of Independent Directors.</i>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p><i>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Company.</i></p>	<p><i>Any of the following shall be a ground for the temporary disqualification of a director:</i></p> <ul style="list-style-type: none"> <li><i>• Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</i></li> <li><i>• Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is</i></li> </ul>



		<p>due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</p> <ul style="list-style-type: none"> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>• If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</li> <li>• If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and</li> <li>• If any person earlier elected as Independent Director of the Corporation becomes an officer, employee or</li> </ul>
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		consultant of the Company.
(ii) Non-Executive Directors	<p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an officer, employee or consultant of the Company, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Company.</p>	<p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> <li>• Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</li> <li>• Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</li> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement</li> </ul>

		<p><i>in the alleged irregularity;</i></p> <ul style="list-style-type: none"> <li>• <i>If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</i></li> <li>• <i>If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and</i></li> <li>• <i>If any person earlier elected as Independent Director of the Company becomes an officer, employee or consultant of the Company.</i></li> </ul>
<p>(iii) Independent Directors</p>	<p><i>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Company.</i></p>	<p><i>Any of the following shall be a ground for the temporary disqualification of a director:</i></p> <ul style="list-style-type: none"> <li>• <i>Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</i></li> <li>• <i>Absence in more</i></li> </ul>

		<p>than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</p> <ul style="list-style-type: none"> <li>• Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>• If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</li> <li>• If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet</li> </ul>
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		<p><i>become final; and</i></p> <ul style="list-style-type: none"> <li><i>If any person earlier elected as Independent Director of the Company becomes an Officer, employee or consultant of the Company.</i></li> </ul>
<b>e. Removal</b>		
(i) Executive Directors	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the removal of the Executive Director if there is a ground to permanently disqualify the said director.</i></p> <p><i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include removal, for further review and approval of the Board.</i></p>	<p><i>The grounds for the permanent disqualification of Executive Directors should be present.</i></p> <p><i>Violation of the provisions of the CG Manual may also be a ground for removal.</i></p>
(ii) Non-Executive Directors	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the removal of a Non-Executive Director if there is a ground to permanently disqualify the said director.</i></p> <p><i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include removal, for further review and approval of the Board.</i></p>	<p><i>The grounds for the permanent disqualification of Non-Executive Directors should be present.</i></p> <p><i>Violation of the provisions of the CG Manual may also be a ground for removal.</i></p>
(iii) Independent Directors	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the removal of an Independent Director if there is a ground to permanently disqualify the said director.</i></p> <p><i>The Company's Compliance Officer</i></p>	<p><i>The grounds for the permanent disqualification of Independent Directors should be present.</i></p> <p><i>Violation of the provisions of the CG Manual may also be a ground for removal.</i></p>

	<i>monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include removal, for further review and approval of the Board.</i>	
<b>f. Re-instatement</b>		
(i) Executive Directors	<i>The procedure for the Selection/Appointment as discussed above is also adopted in case of re-instatement.</i>	<i>The criteria for the Selection/Appointment of Executive Directors as discussed above are the same criteria used for re-instatement.</i>
(ii) Non-Executive Directors	<i>The procedure for the Selection/Appointment as discussed above is also adopted in case of re-instatement.</i>	<i>The criteria for the Selection/Appointment of Non-Executive Directors as discussed above are the same criteria used for re-instatement.</i>
(iii) Independent Directors	<i>The procedure for the selection and election discussed above is also adopted in case of re-instatement.</i>	<i>The criteria for the election of Independent Directors as discussed above are the same criteria used for re-instatement. However, in re-appointment, the provision on term limits of directors as provided in SEC Memorandum Circular No. 9, series of 2011, is taken into account.</i>
<b>g. Suspension</b>		
(i) Executive Directors	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the suspension of the Executive Director, if there is a ground to temporarily disqualify the said director.</i></p> <p><i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include suspension, for further review and approval of the Board.</i></p>	<p><i>The grounds for the temporary disqualification of Executive Directors should be present.</i></p> <p><i>Violation of the provisions of the Company's CG Manual may also be a ground for suspension of a director.</i></p>

<p>(ii) Non-Executive Directors</p>	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the suspension of the Non-Executive Director, if there is a ground to temporarily disqualify the said director.</i></p> <p><i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include suspension, for further review and approval of the Board.</i></p>	<p><i>The grounds for the temporary disqualification of Non-Executive Directors should be present.</i></p> <p><i>Violation of the provisions of the Company's CG Manual may also be a ground for suspension of a director.</i></p>
<p>(iii) Independent Directors</p>	<p><i>The Nomination and Hearing Committee by the nature of its function may consider and recommend to the Board the suspension of an Independent Director, if there is a ground to temporarily disqualify the said director.</i></p> <p><i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation, which may include suspension, for further review and approval of the Board.</i></p>	<p><i>The grounds for the temporary disqualification of Independent Directors should be present.</i></p> <p><i>Violation of the provisions of the Company's CG Manual may also be a ground for suspension of a director.</i></p>

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
<ol style="list-style-type: none"> <li>1. <i>Eduardo M. Cojuangco, Jr.</i></li> <li>2. <i>Ramon S. Ang</i></li> <li>3. <i>Leo S. Alvez</i></li> <li>4. <i>Gabriel S. Claudio</i></li> <li>5. <i>Bernard D. Marquez</i></li> <li>6. <i>Roberto V. Ongpin</i></li> <li>7. <i>Ferdinand K. Constantino</i></li> <li>8. <i>Minita V. Chico-Nazario</i></li> <li>9. <i>Angelina S. Gutierrez</i></li> </ol>	<p><i>Each director received a vote of around 89% of the outstanding shares of the Company.</i></p>

6) Orientation and Education Program

- (a) Disclose details of the company’s orientation program for new directors, if any.

*The Company requires that all its new directors must have attended a Corporate Governance Seminar during his/her incumbency. New directors are also encouraged to attend other seminars which may be helpful to them in the performance of their duties and responsibilities as directors of the Company.*

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>8</sup> for the past three (3) years:

*For the past three (3) years, the Company, together with the other companies within the SMC Group and in coordination with the University of the Philippines –Institute of Judicial Administration (UP-IJA) organized Corporate Governance Seminars which were attended by the directors, officers and managers of the Company. The said seminars were held on August 4, 2009, December 9, 2010 and November 9, 2011.*

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Ramon S. Ang	July 11-12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies	BursatraSdn. Bhd. in KL, Malaysia
	September 11, 2012	Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management	The Hong Kong Institute of Directors
Roberto V. Ongpin	January 19, 2012	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
Minita V. Chico-Nazario	December 7, 2012	Corporate Governance Seminar	UP-IJA
Angelina S. Gutierrez	December 7, 2012	Corporate Governance Seminar	UP-IJA

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company’s policies on the following business conduct or ethics affecting directors, senior management and employees:

*The Company is part of the business conglomerate of San Miguel Corporation (“SMC”) and as such, except for those peculiar to the Company, the various policies of SMC cover/apply to all the companies belonging to the said conglomerate (the “San Miguel Group”) including the Company. The policies, unless otherwise provided, apply to directors, senior management and employees.*

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of	<i>The Company’s By-laws</i>	<i>The Company’s policy on</i>	<i>The Company’s policy on</i>

<sup>8</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



Interest	<p><i>prohibits the nomination and election of a director who is engaged in any business which competes with or is antagonistic to that of the Company.</i></p> <p><i>Moreover, one of the corporate values of the Company is "Integrity". The Board is dedicated to high ethical and moral standards. Uncompromising honesty, fairness, and professionalism are exercised in the Company's dealings with its employees, customers, business partners, the public and other stakeholders.</i></p> <p><i>The Company's CG Manual mandates that a director to conduct fair business transactions with the Company and ensure that personal interest does not conflict with the interests of the Company.</i></p>	<p><i>Conflict of Interest embodies the principle that officers and employees have a duty to act in the best interest of the Company. As such, in the event that any personal interest of an officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business Interest Disclosure Form should be made and a review by higher Management shall resolve the conflict.</i></p> <p><i>Moreover, one of the corporate values of the Company is "Integrity". Management is dedicated to high ethical and moral standards. Uncompromising honesty, fairness, and professionalism are exercised in the Company's dealings with its employees, customers, business partners, the public and other stakeholders.</i></p>	<p><i>Conflict of Interest embodies the principle that officers and employees have a duty to act in the best interest of the Company. As such, in the event that any personal interest of an officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business Interest Disclosure Form should be made and a review by higher Management shall resolve the conflict.</i></p> <p><i>Moreover, one of the corporate values of the Company is "Integrity". Employees are dedicated to high ethical and moral standards. Uncompromising honesty, fairness, and professionalism is exercised in the performance of their duties and responsibilities as well as in their dealings with the Company, co-employees, customers, business partners, the public and other stakeholders.</i></p>
(b) Conduct of Business and Fair Dealings	<p><i>Among others, the Company has a Policy on Securities Dealing. This policy mandates that the directors, officers and employees of the Company and its subsidiaries ("GSMI Group") to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy and the requirements under the Securities Regulation Code ("SRC"). It sets out the</i></p>	<p><i>Among others, the Company has a Policy on Securities Dealing. This policy mandates that the directors, officers and employees of the Company and its subsidiaries ("GSMI Group") to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with</i></p>	<p><i>Among others, the Company has a Policy on Securities Dealing. This policy mandates that the directors, officers and employees of the Company and its subsidiaries ("GSMI Group") to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with</i></p>

	<p><i>conditions and rules under which the directors, officers and employees of the GSMI Group ("Relevant Persons") shall deal in securities of the Company.</i></p> <p><i>The Company's policy on this matter is also reflected in its corporate value of "Integrity".</i></p> <p><i>The Company's CG Manual also mandates the Board to conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The said manual also emphasizes that a director's office is one of trust and confidence. A director shall act in a manner characterized by transparency, accountability and fairness and in the best interest of the Company. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress.</i></p>	<p><i>this policy and the requirements under the Securities Regulation Code ("SRC"). It sets out the conditions and rules under which the directors, officers and employees of the GSMI Group ("Relevant Persons") shall deal in securities of the Company.</i></p> <p><i>The Company's policy on this matter is also reflected in its corporate value of "Integrity".</i></p>	<p><i>this policy and the requirements under the Securities Regulation Code ("SRC"). It sets out the conditions and rules under which the directors, officers and employees of the GSMI Group ("Relevant Persons") shall deal in securities of the Company.</i></p> <p><i>The Company's policy on this matter is also reflected in its corporate value of "Integrity".</i></p>
(c) Receipt of gifts from third parties	<p><i>The Company's policy on this matter is reflected in its corporate value of "Integrity".</i></p> <p><i>The Company's CG Manual also mandates the Board to conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The said manual also emphasizes that a director's office is one of trust and confidence. A director shall act in a manner characterized by transparency, accountability and fairness and in the best interest of the Company. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress.</i></p>	<p><i>The Company has a Policy on Solicitation and Acceptance of Gifts. The Company is committed to succeed in a manner that upholds the highest standards of honesty, integrity and fairness. Consistent with this commitment, the Company expects each employee to observe reasonable standards of conducts. It requires employees to conduct business affairs with fairness, avoid granting undue personal favors, exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company and refuse gifts that might connote bribery in any way.</i></p> <p><i>The Company's policy on</i></p>	<p><i>The Company has a Policy on Solicitation and Acceptance of Gifts. The Company is committed to succeed in a manner that upholds the highest standards of honesty, integrity and fairness. Consistent with this commitment, the Company expects each employee to observe reasonable standards of conducts. It requires employees to conduct business affairs with fairness, avoid granting undue personal favors, exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company and refuse gifts that might connote bribery in any way.</i></p> <p><i>The Company's policy on</i></p>

		<i>this matter is also reflected in its corporate value of "Integrity".</i>	<i>this matter is also reflected in its corporate value of "Integrity".</i>
(d) Compliance with Laws & Regulations	<p><i>The Company has always espoused compliance with prevailing laws and regulations. This is manifested not only in the adoption and implementation of numerous policies all intended to ensure compliance with laws and regulations. One such policy is the Securities Dealing Policy adopted to make sure that the Relevant Persons exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy and the requirements under the SRC.</i></p> <p><i>Moreover, the Company's CG Manual specifies that it shall be the duty of the Board to ensure that the Corporation complies with all relevant laws, regulations and best business practice.</i></p>	<p><i>The Company has always espoused compliance with prevailing laws and regulations. This is manifested not only in the adoption and implementation of numerous policies all intended to ensure compliance with laws and regulations. One such policy is the Securities Dealing Policy adopted to make sure that the Relevant Persons exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy and the requirements under the SRC.</i></p>	<p><i>The Company has always espoused compliance with prevailing laws and regulations. This is manifested not only in the adoption and implementation of numerous policies all intended to ensure compliance with laws and regulations. One such policy is the Securities Dealing Policy adopted to make sure that the Relevant Persons exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy and the requirements under the SRC.</i></p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p><i>The Company's CG Manual also requires the directors to observe confidentiality of all non-public information which they may acquire or learn by reason of position as directors.</i></p> <p><i>The Company's policy on this matter is also reflected in its corporate value of "Integrity".</i></p>	<p><i>The Company has among others, Intellectual Property Procedure and Guidelines (with the objective of developing, managing, maintaining and protecting its Intellectual Property to maximize value and drive growth, innovation and cooperative relationships with other companies, consistent with its tradition of quality and integrity) as well as Information Security Policies and Guidelines (such as Electronic Communications Security Policy &amp; Guidelines) all intended to ensure respect for Trade Secrets and protection of non-public information.</i></p> <p><i>The Company's policy on</i></p>	<p><i>The Company has among others, Intellectual Property Procedure and Guidelines (with the objective of developing, managing, maintaining and protecting its Intellectual Property to maximize value and drive growth, innovation and cooperative relationships with other companies, consistent with its tradition of quality and integrity) as well as Information Security Policies and Guidelines (such as Electronic Communications Security Policy &amp; Guidelines) all intended to ensure respect for Trade Secrets and protection of non-public information.</i></p> <p><i>The Company's policy on</i></p>

		<i>this matter is also reflected in its corporate value of "Integrity".</i>	<i>this matter is also reflected in its corporate value of "Integrity".</i>
(f) Use of Company Funds, Assets and Information	<i>The Company's CG Manual mandates the Board to conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The said Manual also emphasizes that a director's office is one of trust and confidence. A director shall act in a manner characterized by transparency, accountability and fairness and in the best interest of the Company. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress.</i>	<i>The Company has various policies reflective of its corporate principles relative to the proper use of Company funds, assets and information. Among others, it has a policy on Cash Management, Cash Disbursements and Trade Management.</i>  <i>The Company Rules and Regulations for employees also sanctions the improper, irregular or unlawful use of Company funds, assets and information.</i>	<i>The Company has various policies reflective of its corporate principles relative to the proper use of Company funds, assets and information. Among others, it has a policy on Cash Management, Cash Disbursements and Trade Management.</i>  <i>The Company Rules and Regulations for employees also sanctions the improper, irregular or unlawful use of Company funds, assets and information.</i>
(g) Employment & Labor Laws & Policies	<i>One of the duties and responsibilities of the Board is to ensure that the Company complies with all relevant laws, regulations and best business practices. Thus, directors are also expected to comply with all relevant laws and regulations.</i>	<i>The Company recognizes the importance of its people as shown in its corporate value of "Respect for our People". This value is summed up in the statement below:</i>  <i>"We are committed to maintain a work environment that encourages trust, openness and mutual respect, regardless of rank or title. We promote a healthy work and life balance and provide opportunities for professional and personal growth. Our people are our strength."</i>	<i>The Company recognizes the importance of its people as shown in its corporate value of "Respect for our People". This value is summed up in the statement below:</i>  <i>"We are committed to maintain a work environment that encourages trust, openness and mutual respect, regardless of rank or title. We promote a healthy work and life balance and provide opportunities for professional and personal growth. Our people are our strength."</i>
(h) Disciplinary action	<i>The Company's Compliance Officer monitors compliance with the provisions and requirements of the Company's CG Manual and determine violations of the same. He may recommend penalty for the said violation for further review and approval of the Board.</i>	<i>The Company espouses the principle of progressive discipline in its Company Rules and Regulations on employee discipline and believes that the purpose of disciplinary action is to correct rather than to punish the individual.</i>	<i>The Company espouses the principle of progressive discipline in its Company Rules and Regulations on employee discipline and believes that the purpose of disciplinary action is to correct rather than to punish the individual.</i>

		<p><i>Should an employee violate policies, rules and regulations of the Company, disciplinary actions are imposed as much as possible, in progressive increasing weight after he has been given the right to be heard. Depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of verbal discussion, written warning, suspension and dismissal. Only in extraordinary cases does the Company impose demotion, as this is counterproductive. Likewise, it does not regard the restitution of damages to or loss of Company property as a disciplinary action.</i></p> <p><i>Progressive disciplinary action, however, does not apply to grave offenses for which the employee may be dismissed immediately. As further action, the Company may institute the necessary civil and /or criminal case against the employee.</i></p>	<p><i>Should an employee violate policies, rules and regulations of the Company, disciplinary actions are imposed as much as possible, in progressive increasing weight after he has been given the right to be heard. Depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of verbal discussion, written warning, suspension and dismissal. Only in extraordinary cases does the Company impose demotion, as this is counterproductive. Likewise, it does not regard the restitution of damages to or loss of Company property as a disciplinary action.</i></p> <p><i>Progressive disciplinary action, however, does not apply to grave offenses for which the employee may be dismissed immediately. As further action, the Company may institute the necessary civil and /or criminal case against the employee.</i></p>
(i) Whistle Blower	<p><i>The Company adopts the SMC Group-wide Whistleblowing Policy (the "Policy"). It provides that all complaints on accounting, internal accounting controls, auditing or financial reporting matters may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer"), if such concerns involves the Compliance Officer, then the same may be communicated to the President. The said complaints are ultimately referred to the Audit Committee, which complaints may be on</i></p>	<p><i>The Company adopts the SMC Group-wide Whistleblowing Policy (the "Policy"). It provides that all complaints on accounting, internal accounting controls, auditing or financial reporting matters may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer"), if such concerns involves the Compliance Officer, then the same may be communicated to the</i></p>	<p><i>The Company adopts the SMC Group-wide Whistleblowing Policy (the "Policy"). It provides that all complaints on accounting, internal accounting controls, auditing or financial reporting matters may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer"), if such concerns involves the Compliance Officer, then the same may be communicated to the</i></p>

	<p><i>anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the Audit Committee may deem necessary. If it is unclear whether a communication involves accounting, auditing, internal accounting controls or financial reporting matters, the Compliance Officer shall likewise direct such communication to the Audit Committee, with a note to that effect.</i></p> <p><i>All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit Committee member upon request.</i></p> <p><i>The Audit Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. Such action may include engaging external advisers, for which funding will be available. The determinations made by the Audit Committee in respect of each communication and any further action taken will be recorded in the log maintained for such purpose by the Compliance Officer or a person designated by the Audit Committee if the Compliance Officer is the subject of a communication. These determinations may be recorded based on the standard categories established by the Audit Committee, which may include: the communication is not a "complaint" or "concern", as contemplated by the applicable requirements; the</i></p>	<p><i>President. The said complaints are ultimately referred to the Audit Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the Audit Committee may deem necessary. If it is unclear whether a communication involves accounting, auditing, internal accounting controls or financial reporting matters, the Compliance Officer shall likewise direct such communication to the Audit Committee, with a note to that effect.</i></p> <p><i>All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit Committee member upon request.</i></p> <p><i>The Audit Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. Such action may include engaging external advisers, for which funding will be available. The determinations made by the Audit Committee in respect of each communication and any further action taken will be recorded in the log</i></p>	<p><i>President. The said complaints are ultimately referred to the Audit Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the Audit Committee may deem necessary. If it is unclear whether a communication involves accounting, auditing, internal accounting controls or financial reporting matters, the Compliance Officer shall likewise direct such communication to the Audit Committee, with a note to that effect.</i></p> <p><i>All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit Committee member upon request.</i></p> <p><i>The Audit Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. Such action may include engaging external advisers, for which funding will be available. The determinations made by the Audit Committee in respect of each communication and any further action taken will be recorded in the log maintained for such purpose by the</i></p>
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	<p><i>communication is misdirected (such as a communication involving an employment dispute); no further action shall be required because the communication can be analyzed on its face; and further action required (with a record of the action taken and its outcome). The Compliance Officer or any other person designated by the Audit Committee will report on the status of any further action directed by the Audit Committee on a monthly basis or at such frequency as the Audit Committee may otherwise require.</i></p> <p><i>Misdirected communications as determined by the Audit Committee or concerns not relating to accounting, internal accounting control, auditing or financial reporting matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of the business units affected in accordance with the SMC Group's conventional reporting channels. In this connection, employees with such concerns should raise them with their respective supervisors and the supervisors have the responsibility to ensure that such concerns are properly acted upon.</i></p> <p><i>Employees are protected from retaliation as it is categorically provided in the Policy that the SMC Group, which includes herein Company shall not tolerate retaliation in any form against a director, officer, employee or other interested party who, in good faith, raises a concern or reports a possible violation under the policy.</i></p>	<p><i>maintained for such purpose by the Compliance Officer or a person designated by the Audit Committee if the Compliance Officer is the subject of a communication. These determinations may be recorded based on the standard categories established by the Audit Committee, which may include: the communication is not a "complaint" or "concern", as contemplated by the applicable requirements; the communication is misdirected (such as a communication involving an employment dispute); no further action shall be required because the communication can be analyzed on its face; and further action required (with a record of the action taken and its outcome). The Compliance Officer or any other person designated by the Audit Committee will report on the status of any further action directed by the Audit Committee on a monthly basis or at such frequency as the Audit Committee may otherwise require.</i></p> <p><i>Misdirected communications as determined by the Audit Committee or concerns not relating to accounting, internal accounting control, auditing or financial reporting matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of</i></p>	<p><i>Compliance Officer or a person designated by the Audit Committee if the Compliance Officer is the subject of a communication. These determinations may be recorded based on the standard categories established by the Audit Committee, which may include: the communication is not a "complaint" or "concern", as contemplated by the applicable requirements; the communication is misdirected (such as a communication involving an employment dispute); no further action shall be required because the communication can be analyzed on its face; and further action required (with a record of the action taken and its outcome). The Compliance Officer or any other person designated by the Audit Committee will report on the status of any further action directed by the Audit Committee on a monthly basis or at such frequency as the Audit Committee may otherwise require.</i></p> <p><i>Misdirected communications as determined by the Audit Committee or concerns not relating to accounting, internal accounting control, auditing or financial reporting matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of the business units affected in accordance with the SMC</i></p>
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		<p><i>the business units affected in accordance with the SMC Group's conventional reporting channels. In this connection, employees with such concerns should raise them with their respective supervisors and the supervisors have the responsibility to ensure that such concerns are properly acted upon.</i></p> <p><i>Employees are protected from retaliation as it is categorically provided in the Policy that the SMC Group, which includes herein Company shall not tolerate retaliation in any form against a director, officer, employee or other interested party who, in good faith, raises a concern or reports a possible violation under the policy.</i></p>	<p><i>Group's conventional reporting channels. In this connection, employees with such concerns should raise them with their respective supervisors and the supervisors have the responsibility to ensure that such concerns are properly acted upon.</i></p> <p><i>Employees are protected from retaliation as it is categorically provided in the Policy that the SMC Group, which includes herein Company shall not tolerate retaliation in any form against a director, officer, employee or other interested party who, in good faith, raises a concern or reports a possible violation under the policy.</i></p>
(j) Conflict Resolution	<i>The Company encourages the use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Company and its shareholders or third parties, including regulatory agencies.</i>	<i>The Company encourages the use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Company and its shareholders or third parties, including regulatory agencies.</i>	<i>The Company encourages the use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Company and its shareholders or third parties, including regulatory agencies.</i>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*The Company's adherence to its Code of Ethics or Conduct can be seen in the various policies it has adopted and implemented. The relevant policy may provide the manner of monitoring compliance therewith, as well as the penalty for violation therefor.*

*With respect to the employee's code of conduct, all employees are provided with a copy of the Company Rules and Regulations (the "Rules") which lay down the acts constituting an offense and for which appropriate disciplinary action*



should be meted out. The purpose of this disciplinary action is to correct rather than to punish the individual. Should an employee violate policies, rules and regulations of the company, disciplinary actions are imposed, as much as possible in progressively increasing weight, after the employee is given opportunity to be heard. Depending on the history, circumstances and gravity of the situation, superiors can take corrective action in the form of verbal discussion, written warning, suspension and dismissal. Only in extraordinary cases does the Company impose demotion. As to restitution of damages to or loss of company property, the same is not regarded as a disciplinary action. The Rules also provide that violation of Company policies, rules and regulations not otherwise covered therein will be subject to disciplinary action dependent on the gravity or consequence of such violation. The Rules are likewise cascaded to employees by the Human Resources Office as part of the Orientation Program for new employees.

On compliance with the CG Manual, which is to ensure adherence to corporate governance principles and best practices, the Board of Directors has appointed a Compliance Officer who is responsible for monitoring compliance with the provisions and requirements of the said manual and other relevant rules and regulations.

#### 4) Related Party Transactions

##### (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>To ensure the integrity and transparency of related party transactions between the Company and its parent company, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(2) Joint Ventures	<i>To ensure the integrity and transparency of related party transactions between the Company and its joint ventures, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(3) Subsidiaries	<i>To ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by</i>

	<i>examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(4) Entities Under Common Control	<i>To ensure the integrity and transparency of related party transactions between and among the Company and entities under common control with it, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(5) Substantial Stockholders	<i>The Company has no substantial stockholders other than its parent company, SMC. At any rate, all related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(6) Officers including spouse/children/siblings/parents	<i>All related party transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(7) Directors including spouse/children/siblings/parents	<i>All related party transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
(8) Interlocking director relationship of Board of Directors	<i>All related party transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining</i>

	<i>the financial position of the related party and the market in which the related party operates. Moreover, consistent with the CG Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</i>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	NONE
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

*Describe* the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Directors/Officers/Significant Shareholders	
Company	<p><i>The Company's By-laws prohibits the nomination and election of a director who is engaged in any business which competes with or is antagonistic to that of the Company.</i></p> <p><i>Directors are mandated to fully disclose the extent of their business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations.</i></p> <p><i>Officers are required to accomplish Full Business Interest Disclosure Form.</i></p>
Group	<p><i>The Company's By-laws prohibits the nomination and election of a director who is engaged in any business which competes with or is antagonistic to that of the Company.</i></p> <p><i>Directors are mandated to fully disclose the extent of their business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations.</i></p> <p><i>Officers are required to accomplish Full Business Interest Disclosure Form.</i></p>

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>9</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>NONE</i>		

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>San Miguel Corporation</i>	<i>Licensor-Licensee</i>	<i>The Company has a Trademark Licensing Agreement with its parent company relative to the marks used in some of the Company's products.</i>

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>NONE</i>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	<i>The Company has always encouraged the use of alternative modes of dispute resolution that can amicably settle conflicts or differences. Thus, in such a situation best efforts were exerted to settle the conflicts or differences in a peaceful manner through open communication/discussion, without resorting to court action or similar action</i>
<b>Corporation &amp; Third Parties</b>	<i>The Company has always encouraged the use of alternative modes of dispute resolution that can amicably settle conflicts or differences. Thus, it actively</i>

<sup>9</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

	<p><i>participates in the mandatory conciliation and mediation proceedings prescribed by judicial, quasi-judicial and administrative bodies.</i></p> <p><i>With respect to disputes involving Management and the Company's employees who are covered by Collective Bargaining Agreements, the said agreement provides for a "Grievance Machinery". Likewise, it is provided therein that "the parties agree on the principle that all disputes between Labor and Management may be settled through friendly negotiations. The same Agreement provides for Arbitration to the effect that if the Grievance Machinery fails, the dispute may be settled by a voluntary arbitrator mutually chosen by the parties.</i></p>
<b>Corporation &amp; Regulatory Authorities</b>	<p><i>The Company has always encouraged the use of alternative modes of dispute resolution that can amicably settle conflicts or differences. Thus, the Company accordingly and promptly responds to the communications, request for clarification, comments, requirements of regulatory authorities and ultimately comply with the decision or instruction of the regulatory agency in the absence of a clear conflict with existing laws.</i></p>

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

*They are scheduled at the beginning of the year.*

- 2) Attendance of Directors<sup>10</sup>

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. of Meetings Held during the year (in 2013)</b>	<b>No. of Meetings Attended</b>	<b>%</b>
<i>Chairman</i>	<i>Eduardo M. Cojuangco, Jr.</i>	<i>October 21, 1988</i>	<b>5</b>	<b>5</b>	<b>100</b>
<i>Member</i>	<i>Ramon S. Ang</i>	<i>April 4, 2000</i>	<b>5</b>	<b>4</b>	<b>80</b>
<i>Member</i>	<i>Bernard D. Marquez</i>	<i>May 12, 2011</i>	<b>5</b>	<b>5</b>	<b>100</b>

<sup>10</sup> Updated per advisement letter filed with SEC on January 30, 2014

Member	Leo S. Alvez	April 24, 2012	5	5	100
Member	Gabriel S. Claudio	November 11, 2010	5	5	100
Member	Ferdinand K. Constantino	May 10, 2012	5	5	100
<b>Member</b>	<b>Joseph N. Pineda<sup>11</sup></b>	<b>May 9, 2013</b>	5	3	100
Independent	Minita V. Chico-Nazario	March 9, 2012	5	3	60
Independent	Angelina S. Gutierrez	May 10, 2012	5	4	80

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

*None.*

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

*No. The Company complies with Section 8 of its Amended By-Laws which requires that a majority of the number of directors as fixed in the Articles of Incorporation (which is 9 directors) shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of directors present at a meeting of which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the board.*

- 5) Access to Information

- (a) How many days in advance are board papers<sup>13</sup> for board of directors' meetings provided to the board?

*The CG Manual requires Management to provide the Board with complete, adequate and timely information about the matters to be taken during their meeting.*

- (b) Do board members have independent access to Management and the Corporate Secretary?

*Yes. As mandated in the CG Manual the members of the Board shall be given independent access to Management and the Corporate Secretary.*

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

*The Company's By-laws and CG Manual provide for the role of the Company Secretary and enumerates the powers, duties and responsibilities of the Company Secretary. The Company By-Laws provides, among others that the Corporate Secretary shall maintain and be the custodian of the corporate books and records. He shall also be the recorder of the formal actions and transactions of the Company. The CG Manual, provides among others that the Corporate Secretary coordinate with the Chairman in preparing the agenda of the meeting. It is also his responsibility to ensure that the Board has the necessary information to enable it to arrive at intelligent decisions on matters*

<sup>11</sup> He was elected on May 9, 2013.

<sup>13</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

requiring approval and in making business judgments in good faith, which necessarily includes updating the Board on relevant laws.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<p><i>Section 2.2.1.8. of the Company's CG Manual requires Management to provide the Board with complete, adequate and timely information about the matters to be taken during their meetings.</i></p> <p><i>Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.</i></p> <p><i>The members of the Board shall be given independent access to Management and the Corporate Secretary.</i></p>
Audit	<p><i>Section 2.2.1.8. of the Company's CG Manual requires Management to provide the Board with complete, adequate and timely information about the matters to be taken during their meetings.</i></p> <p><i>Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.</i></p> <p><i>The members of the Board shall be given independent access to Management and the Corporate Secretary.</i></p> <p><i>The Audit Committee Charter also provides that a notice of each meeting confirming the date, time, venue, and agenda shall be given to each member of the Committee at least two (2) working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Notices, minutes, agenda and supporting papers will be made available to any Director upon request to the Corporate Secretary.</i></p>
Nomination	<p><i>Section 2.2.1.8. of the Company's CG Manual requires Management to provide the Board with complete, adequate and timely information about the matters to be taken during their meetings.</i></p>

	<p><i>Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.</i></p> <p><i>The members of the Board shall be given independent access to Management and the Corporate Secretary.</i></p>
Remuneration	<p><i>Section 2.2.1.8. of the Company's CG Manual requires Management to provide the Board with complete, adequate and timely information about the matters to be taken during their meetings.</i></p> <p><i>Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.</i></p> <p><i>The members of the Board shall be given independent access to Management and the Corporate Secretary.</i></p>
Others (specify)	<i>None</i>

6.) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
	<i>As provided in the CG Manual, upon reasonable request, the directors individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.</i>

7.) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>NONE</i>		

**D. REMUNERATION MATTERS**

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid



		Management Officers
(1) Fixed remuneration	<i>Based on salary review and market competitiveness policy and as guided by the Executive Compensation Committee</i>	<i>Based on salary review and market competitiveness policy and as guided by the Executive Compensation Committee</i>
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus	<i>Based on the Company's performance, salary review and market competitiveness policy and as guided by the Executive Compensation Committee</i>	<i>Based on the Company's performance, salary review and market competitiveness policy and as guided by the Executive Compensation Committee</i>
(5) Stock Options and other financial instruments	<i>Based on the Company's performance and as may be warranted by circumstances.</i>	<i>Based on the Company's performance and as may be warranted by circumstances.</i>
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>Except for they President, Directors only receive a per diem of Ten Thousand Pesos (Php10,000.00) per attendance in Board and Board Committee meeting. The President's compensation package is based on salary review and market competitiveness policy and as guided by the Executive Compensation Committee.</i>		
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<i>Per Diem</i>	<i>There has been no change in the last three years which would require stockholders' approval.</i>

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

*Except for the President, Directors only receive a per diem of Ten Thousand Pesos (Php10,000.00) per attendance in Board and Board Committee meetings.*

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	<i>None</i>	<i>None</i>	<i>None</i>

(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	<i>The President of the Company, who is an Executive Director, does not receive any per diem. He receives remuneration as employee of the Company.</i>	Php340,000.00	Php120,000.00
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	None	Php340,000.00	Php120,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	<i>The President of the Company, who is an Executive Director, receives remuneration as employee of the Company.</i>	NONE	NONE
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
<b>Total</b>	NOT APPLICABLE		

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

*Only members of the Board who are employees of the Company are entitled to participate in the Employee Stock Purchase Plan (the "ESPP"), wherein qualified employees may acquire a minimum of 500 shares to a maximum of 15,000 shares per offering.*

*The subscription price of the shares under the ESPP which is equal to the weighted average market closing prices of the last quarter immediately preceding the application/subscription period, less a discount of fifteen percent (15%), shall be paid without interest through salary deduction over a period of five (5) years from Exercise Date. "Exercise Date" is the last working day of the month during which the notice addressed to the ESPP Committee*

from an employee of his decision to subscribe to shares under the ESPP is received by the Committee.

The shares covered by the ESPP are no longer available for subscription as the offering period provided under the ESPP expired on January 21, 2013. Of the 2012 members of the Board, only Mr. Bernard D. Marquez is an employee of the Company.

Director's Name	ESPP SHARES	Total % from Capital Stock
Bernard D. Marquez	30,000	0.00%

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NONE		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Chief Finance Officer	Php 33,976,728.70
Marketing Manager	
Business Procurement Manager	
Technical Services Manager	
National Sales Manager	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	3	0	No Charter	Exercise all the powers of the Board in the	Responsible for the management of	To act, by a majority vote of all its members,

					<i>management of the business and affairs of the Company when the Board is not in session.</i>	<i>the business and affairs of the Company between sessions of the Board of Directors.</i>	<i>on such specific matters within the competence of the Board, as may be delegated to it in the By-laws or on a majority vote of the Board, subject to the limitations provided by Section 35 of the Corporation Code of the Philippines.</i>
Audit	0	2	2	<i>Has Adopted a Charter</i>	<i>Assist the Board in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process and in monitoring and facilitating compliance with both the internal financial management handbook and pertinent accounting standards, legal and regulatory requirements.</i>  <i>Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.</i>	<i>The Audit Committee, among others, have the following responsibilities: Evaluate and determine any non-audit work performed by External Auditors; Establish and identify the reporting line of the Internal Auditor; Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security; Review all interim and annual financial statements before submission to the Board; Ensure that the accounting and</i>	<i>To conduct investigations and make recommendations relating to any communication or reports referred to it under the Whistle Blowing Policy Procedures of the Company, or relating to any findings of major investigations on internal control or financial reporting matters as delegated by the Board or on the Committee's own initiative , and management's response thereto.</i>

						<p>auditing processes, practices and methods of the Company comply with Philippine and internationally-accepted standards;  Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization;  and Supervise Management in Management's formulation of rules and procedures on financial reporting and internal controls in accordance with relevant guidelines.</p>	
Nomination	1	3	1	Has drafted a Charter for formal adoption.	The Nomination and Hearing Committee functions as the body that pre-screens and shortlists candidates nominated to become a member of the Board of Directors.	To ensure that all individuals nominated to become a director of the Company have all the qualifications and none of the disqualifications set forth in the Company's By-laws and CG	It has the power to set guidelines on the number of directorships which a member of the Board may hold pursuant to the policy on multiple board seats under the Company's CG Manual.

						<i>Manual.</i>	
<i>Remuneration</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>Has drafted a Charter for formal adoption.</i>	<i>The Executive Compensation Committee assists and advises the Board on remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.</i>	<i>Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors; Provide oversight over remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment; Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance set out in the CG</i>	<i>Has the power to Review (if any) of the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</i>

						<i>Manual.</i>	
<i>Others (specify)</i>							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Eduardo M. Cojuangco, Jr.</i>	<i>October 21, 1998</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>14 years</i>
Member (NED)	<i>Ramon S. Ang</i>	<i>April 4, 2000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>12 years</i>
Member (NED)	<i>Bernard D. Marquez</i>	<i>May 12, 2011</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1 year</i>
Member (NED)	<i>Ferdinand K. Constantino</i>	<i>May 10, 2012</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>7 months</i>

(b) Audit Committee <sup>14</sup>

Office	Name	Date of Appointment	No. of Meetings Held in 2013	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Minita V. Chico-Nazario</i>	<i>March 9, 2012</i>	<i>4</i>	<i>3</i>	<i>75</i>	<i>9 months</i>
Member (NED)	<i>Leo S. Alvez</i>	<i>April 24, 2002</i>	<i>4</i>	<i>4</i>	<i>100</i>	<i>10 years</i>
Member (NED)	<i>Ferdinand K. Constantino</i>	<i>May 10, 2012</i>	<i>4</i>	<i>4</i>	<i>100</i>	<i>7 months</i>
Member (ID)	<i>Angelina S. Gutierrez</i>	<i>May 10, 2012</i>	<i>4</i>	<i>3</i>	<i>75</i>	<i>7 months</i>

Disclose the profile or qualifications of the Audit Committee members.

**Minita V. Chico-Nazario**, Filipino, 73, is an Independent Director of the Company since March 9, 2012, Chairperson of the Company's Audit Committee and Member of the Company's Executive Compensation Committee. She is also an Independent Director of San Miguel Properties, Inc. since May 9, 2012. She is currently a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines. She is also the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (January 2010-June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010-September 2011) of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven years, as Presiding Justice of the Sandiganbayan (February 2003-February 2004) and Associate Justice of the Supreme Court (February 10, 2004-December 5, 2009). She is a graduate of the University of the Philippines and a member of the New York State Bar.

**Leo S. Alvez**, Filipino, 70, has been a Director of the Company since April 24, 2002. He is also the Chairman of the Company's Nomination and Hearing Committee and a Member of the Company's Audit Committee and Executive Compensation Committee. He is also a Director of San Miguel Corporation. He earned his Bachelor of Science

<sup>14</sup> Updated per advisement letter filed with SEC on January 30, 2014.

*Degree at the Philippine Military Academy and Masters in Business Administration at the University of the Philippines.*

**Ferdinand K. Constantino**, Filipino, 61, has been a Director of the Company since May 10, 2012 and is the Chairman of the Company's Executive Compensation Committee and a Member of the Company's Executive Committee and Audit Committee. He holds, among others, the following positions: Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation; Director of San Miguel Corporation, San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, Magnolia, Inc., San Miguel Global Power Corp. and Bank of Commerce; and President of Anchor Insurance Brokerage Corporation. Mr. Constantino previously served as Chief Finance Officer of San Miguel Brewery Inc. (2007-2009); Chief Finance Officer of Manila Electric Company (February 2009- May 2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009) and San Miguel Properties, Inc. (2001-2009); and has held directorships in various subsidiaries of San Miguel Corporation during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

**Angelina S. Gutierrez**, Filipino, 75, is an Independent Director of the Company since May 10, 2012 and is a Member of the Company's Audit Committee and Nomination and Hearing Committee. She is currently the Dean of the Graduate School of Law of Pamantasan ng Lunsod ng Maynila. She has served the judiciary in various capacities, as Judge of the Metropolitan Trial Court of Manila, Branch 19, Judge of the Regional Trial Court of Manila, Branch 37, Justice of the Court of Appeals and Associate Justice of the Supreme Court (December 2000-February 2008). She is a graduate of the University of Sto. Tomas and has attended legal and judicial courses abroad: Harvard Law School, University of Texas, University of Nevada and University of Southern California.

Describe the Audit Committee's responsibility relative to the external auditor.

*The Audit Committee assists the Board in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audits. With respect to the external auditor, the Company's Audit Committee Charter enumerates the following duties and responsibilities:*

- *Shall be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor.*
- *Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.*
- *Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Company's securities are listed.*
- *Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.*
- *Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.*
- *Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.*



- Ensure that the external auditor or the signing partner of the auditing firm engaged by the Company is changed every five (5) years or earlier.

(c) Nomination Committee<sup>15</sup>

Office	Name	Date of Appointment	No. of Meetings Held in 2013	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Leo S. Alvez</i>	<i>April 24, 2002</i>	<b>2</b>	<b>2</b>	<b>100</b>	<i>10 years</i>
Member (ED)	<i>Bernard D. Marquez</i>	<i>May 12, 2011</i>	<b>2</b>	<b>2</b>	<b>100</b>	<i>7 months</i>
Member (NED)	<i>Gabriel S. Claudio</i>	<i>November 11, 2010</i>	<b>2</b>	<b>2</b>	<b>100</b>	<i>2 years</i>
Member (ID)	<i>Angelina S. Gutierrez</i>	<i>May 10, 2012</i>	<b>2</b>	<b>2</b>	<b>100</b>	<i>1 year</i>
Member (NED)	<b>Joseph N. Pineda<sup>16</sup></b>	<b>May 9, 2013</b>	<b>2</b>	<b>1</b>	<b>100</b>	<b>Less than 1 year</b>
Non-Voting Member	<i>Ma. Cristina M. Menorca</i>	<i>May 10, 2012</i>	<b>1</b>			

(d) Remuneration Committee<sup>17</sup>

Office	Name	Date of Appointment	No. of Meetings Held in 2013	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Ferdinand K. Constantino</i>	<i>May 10, 2012</i>	<b>1</b>	<b>1</b>	<b>100</b>	<i>7 months</i>
Member (ED)	<i>Bernard D. Marquez</i>	<i>May 12, 2011</i>	<b>1</b>	<b>1</b>	<b>100</b>	<i>7 months</i>
Member (NED)	<i>Leo S. Alvez</i>	<i>April 24, 2002</i>	<b>1</b>	<b>1</b>	<b>100</b>	<i>10 years</i>
Member (ID)	<i>Minita V. Chico-Nazario</i>	<i>March 9, 2012</i>	<b>1</b>	<b>1</b>	<b>100</b>	<i>9 months</i>

(e) Others (Specify) *NONE*

Provide the same information on all other committees constituted by the Board of Directors: N/A

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>NOT APPLICABLE</i>					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

<sup>15</sup> Updated per advisement letter filed with SEC on January 30, 2014.

<sup>16</sup> Updated per advisement letter filed with SEC on January 30, 2014. Mr. Pineda was elected on May 9, 2013, replacing Mr. Roberto V. Ongpin.

<sup>17</sup> Updated per advisement letter filed with SEC on January 30, 2014.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

<b>Name of Committee</b>	<b>Name</b>	<b>Reason</b>
Executive	<i>None</i>	<i>None</i>
Audit	<i>Carmelo L. Santiago</i>  <i>Carlos Palanca III</i>	<i>Replaced by Minita V. Chico-Nazario due to resignation of Mr. Santiago</i> <i>Replaced by Angelina S. Gutierrez due to resignation of Mr. Palanca</i>
Nomination	<i>Carmelo L. Santiago</i>	<i>Replaced by Minita V. Chico-Nazario due to resignation of Mr. Santiago</i>
Remuneration	<i>Carmelo L. Santiago</i>  <i>Carlos Palanca III</i>	<i>Replaced by Minita V. Chico-Nazario due to resignation of Mr. Santiago</i> <i>Replaced by Angelina S. Gutierrez due to resignation of Mr. Palanca</i>
Others (specify)	<i>None</i>	<i>None</i>

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

<b>Name of Committee</b>	<b>Work Done</b>	<b>Issues Addressed</b>
Executive	<i>No Executive Committee meeting was held in 2012.</i>	<i>No material issues, such as issues of compliance matters were required to be addressed by the committee.</i>
Audit	<i>Endorsed for approval by the stockholders, and the stockholders approved the appointment of Manabat Sanagustin &amp; Co., CPAs as the Company's independent external auditor for 2012;</i>  <ul style="list-style-type: none"> <li><i>• Reviewed and approved the terms of engagement of the external auditor, including the audit, audit-related and any non-audit services provided by the external auditor to the Company and the fees for such services, and ensured that the same did not impair the external auditor's independence and objectivity;</i></li> <li><i>• Reviewed and approved the scope of the audit and audit programs of the external auditor as well as the internal audit group of the Company, and have discussed the results of their audit processes and</i></li> </ul>	<i>No material issues, such as issues on compliance matters were required to be addressed by the committee.</i>

	<p><i>their findings and assessment of the Company's internal controls and financial reporting systems;</i></p> <ul style="list-style-type: none"> <li>• <i>Reviewed, discussed and recommended for approval of the Board the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition and comply with the regulatory requirements of the Securities and Exchange Commission ("SEC");</i></li> <li>• <i>Reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom; and</i></li> <li>• <i>Adopted on November 9, 2012 an Audit Committee Charter, in compliance with the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange issued by the SEC under SEC Memorandum Circular No.4, Series of 2012.</i></li> </ul>	
Nomination	<i>Pre-screened and short listed all candidates nominated to become a member of the Board of Directors of the Company for 2012, in accordance with the qualifications and disqualifications as provided in the By-laws and CG Manual.</i>	<i>No material issues, such as issues on compliance matters were required to be addressed by the committee,</i>
Remuneration	<i>No meeting was held in 2012.</i>	<i>No material issues, such as issues on compliance matters were required to be addressed by the committee.</i>
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	Implementation of the Self-Assessment Process	To align with corporate governance best practice
Nomination	Formally Adopt a Committee Charter	To align with corporate governance best practices
Remuneration	Formally Adopt a Committee Charter	To align with corporate governance best practices
Others (specify)	None	None

**F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*The Company is aware that engaging in a business is an undertaking which entails a lot of risks. Thus, it has in place a system of identifying, prioritizing, measuring, monitoring and addressing and minimizing various risks. The various units/departments/offices of the Company are in charge of managing the risks associated or related to their respective functions and are expected to take into account these risks when undertaking their day-to-day activities and in establishing their plans and programs.*

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*The Audit Committee conducts a regular review of the Company's activities related to risk management. This is included in the accomplishment of the Committee in 2012.*

(c) Period covered by the review;

*2012*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

*The Board has oversight responsibilities for ensuring presence of adequate and effective internal control mechanisms. The Audit Committee is mandated to assist the Board in the performance of this oversight responsibility. Thus, risk management system is monitored regularly.*

(e) Where no review was conducted during the year, an explanation why not.

*A review was conducted in 2012.*

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered

by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Competitor Risk	<i>Maintain a strong brand and product portfolio; Expand product portfolio if necessary; and monitor consumer trends and competitor activities.</i>	<i>To be the brand of choice of consumers and to cater to shifting consumer preference.</i>
Regulatory Risk	<i>Appropriately address changes in regulations and actions by national or local regulators.</i>	<i>Cushion the effect/s of the regulatory changes.</i>
Raw Materials and Supply Risk	<i>Maintain raw materials flexibility; Regular monitoring of its raw materials; Import materials when necessary; and Enter into various commodity derivatives.</i>	<i>To ensure steady supply of materials; Manage the price risk on strategic commodities; and Fix price of commodities at levels acceptable to the Company.</i>
Foreign Currency Risk	<i>Enter into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards or swaps.</i>	<i>Reduce or eliminate earnings volatility and any adverse impact on equity.</i>
Credit Risk	<i>To enter into transactions with a diversity of credit worthy parties; and Maintain an internal mechanism to monitor the granting of credit and management of credit exposures.</i>	<i>Mitigate any significant concentration of credit risk.</i>
Interest Rate Risk	<i>Use an optimal combination of fixed and variable rate debt instruments.</i>	<i>To reduce the impact of short-term fluctuations on the Company's earnings.</i>
Commodity Price Risk	<i>Enter into various commodity derivatives to manage its price risks on strategic commodities.</i>	<i>Fix the prices of commodities at levels acceptable to the Company. Thus, protecting raw material costs and preserving margins.</i>
Liquidity Risk	<i>Constant monitoring and management of its liquidity position, liquidity gaps or surplus on a daily basis; Ensure availability of funds through committed stand-by credit facility from several local banks; and Use derivative instruments.</i>	<i>To ensure the adequate funding is available at all times; To meet commitments as they arise without incurring unnecessary costs; To be able to access funding when needed at the least possible cost; and To maintain an adequate time spread of refinancing maturities.</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Competitor Risk	<i>Maintain a strong brand and product portfolio; Expand product</i>	<i>To be the brand of choice of consumers and to cater to shifting</i>

	<i>portfolio if necessary; and monitor consumer trends and competitor activities.</i>	<i>consumer preference.</i>
Regulatory Risk	<i>Appropriately address changes in regulations and actions by national or local regulators.</i>	<i>Cushion the effect/s of the regulatory changes.</i>
Raw Materials and Supply Risk	<i>Maintain raw materials flexibility; Regular monitoring of its raw materials; Import materials when necessary; and Enter into various commodity derivatives.</i>	<i>To ensure steady supply of materials; Manage the price risk on strategic commodities; and Fix price of commodities at levels acceptable to the Company.</i>
Foreign Currency Risk	<i>Enter into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards or swaps.</i>	<i>Reduce or eliminate earnings volatility and any adverse impact on equity.</i>
Credit Risk	<i>To enter into transactions with a diversity of credit worthy parties; and Maintain an internal mechanism to monitor the granting of credit and management of credit exposures.</i>	<i>Mitigate any significant concentration of credit risk.</i>
Interest Rate Risk	<i>Use an optimal combination of fixed and variable rate debt instruments.</i>	<i>To reduce the impact of short-term fluctuations on the Group's earnings.</i>
Commodity Price Risk	<i>Enter into various commodity derivatives to manage its price risks on strategic commodities.</i>	<i>Fix the prices of commodities at levels acceptable to the Group. Thus, protecting raw material costs and preserving margins.</i>
Liquidity Risk	<i>Constant monitoring and management of its liquidity position, liquidity gaps or surplus on a daily basis; Ensure availability of funds through committed stand-by credit facility from several local banks; and Use derivative instruments.</i>	<i>To ensure the adequate funding is available at all times; To meet commitments as they arise without incurring unnecessary costs; To be able to access funding when needed at the least possible cost; and To maintain an adequate time spread of refinancing maturities.</i>

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
<i>As every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock in his name in the books of the Company, there is a possibility that majority shareholders will be able to overturn the votes or decisions of the minority shareholders. The Company, however, have provisions in its CG Manual, which would afford protection to minority shareholders such as the non-removal of director without cause, if it will have the effect of denying minority shareholders' representation in the Board.</i>

3) Control System Set Up  
 (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Competitor Risk</i>	<i>Monitoring of competitive activities and tri-media campaign; Periodic evaluation of industry &amp; market reports by third parties.</i>	<i>Market Share Readings; Advertising Efficiency Reports; Sales-To-Trade Volume Reports.</i>
<i>Regulatory Risk</i>	<i>Monitoring of government agencies' regulations and legislations by presence in agency briefings and public hearings.</i>	<i>Advocacy on proposed regulation and legislations such as, excise tax, product standards, patents and certifications.</i>
<i>Foreign Currency Risk</i>	<i>Coordinates with SMC Group for placements, if necessary.</i>	<i>Close coordination with the parent company's treasury group.</i>
<i>Credit Risk</i>	<i>Monitoring of Accounts Receivable balances.</i>	<i>Aging Analysis of Accounts Receivable; Periodic Trade Inventory Counts to establish collection gaps, if any.</i>
<i>Interest Rate Risk</i>	<i>Monitoring of Funds Requirements, Credit Facilities and Interest Rates.</i>	<i>Treasury Bill Rates, LIBOR and SIBOR</i>
<i>Commodity Price Risk</i>	<i>Monitoring of Major Raw Material and Packaging Prices and Supplies.</i>	<i>Forward Contracts on Molasses and other alternative feed stocks for brewing and distillation. Negotiated Cost for Bottles and Packaging Materials.</i>
<i>Liquidity Risk</i>	<i>Monitoring of Short-Term Debt vs. Funds Requirement.</i>	<i>Maintaining a balance between Debt and Trade Financing Analysis of Liquidity Measures, i.e., Current Ratio, Debt-to-Equity Ratio and Earnings Before Interest, Depreciation &amp; Amortization (EBITDA).</i>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Competitor Risk</i>	<i>Monitoring of competitive activities and tri media campaign; Periodic evaluation of industry &amp; market reports by third parties.</i>	<i>Market Share Readings Advertising Efficiency Reports Sales-To-Trade Volume Reports</i>
<i>Regulatory Risk</i>	<i>Monitoring of government agencies' regulations and legislations by presence in agency briefings and public hearings.</i>	<i>Advocacy on proposed regulation and legislations such as, excise tax, product standards, patents and certifications.</i>
<i>Foreign Currency Risk</i>	<i>Coordinates with SMC Group for placements, if necessary.</i>	<i>Close coordination with the parent company's treasury group.</i>

<i>Credit Risk</i>	<i>Monitoring of Accounts Receivable balances.</i>	<i>Aging Analysis of Accounts Receivable; Periodic Trade Inventory Counts to establish collection gaps, if any.</i>
<i>Interest Rate Risk</i>	<i>Monitoring of Funds Requirements, Credit Facilities and Interest Rates.</i>	<i>Treasury Bill Rates, LIBOR and SIBOR</i>
<i>Commodity Price Risk</i>	<i>Monitoring of Major Raw Material and Packaging Prices and Supplies.</i>	<i>Forward Contracts on Molasses and other alternative feed stocks for brewing and distillation. Negotiated Cost for Bottles and Packaging Materials.</i>
<i>Liquidity Risk</i>	<i>Monitoring of Short-Term Debt vs. Funds Requirement.</i>	<i>Maintaining a balance between Debt and Trade Financing Analysis of Liquidity Measures, i.e., Current Ratio, Debt-to-Equity Ratio and Earnings Before Interest, Depreciation &amp; Amortization (EBITDA).</i>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
<i>Business Procurement Group (Raw Materials and Supply and Commodity Price Risks)</i>	<i>Raw Material and Packaging Supply and Prices</i>	<i>Monitors Prices and Supply of Molasses, Alcohol and Packaging Materials Price Negotiations of Raw and Packaging Materials.</i>
<i>Sales and Marketing Groups (Competitor Risk)</i>	<i>Industry/Consumer Trends Market Share</i>	<i>Monitors consumer trends and competitive activities Address immediate issues with tactical programs Develop products for changing customer consumption patterns.</i>
<i>Finance Group/Internal Audit (Regulatory, Credit, Interest Rate, Liquidity and Foreign Currency Risks)</i>	<i>Working Capital Management</i>	<i>Monitors Customer Credit Standing Collection Gap Analysis Trade Inventory Count Conducts Periodic Inventory Count of Full Goods and Materials &amp; Supplies.</i>

**G. INTERNAL AUDIT AND CONTROL**

*The Company is part of the business conglomerate of SMC and as such, except for those peculiar to the Company, the various policies of SMC, including those relating to internal audit and controls cover/apply to all the companies belonging to the SMC Group including the Company.*



1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

*Internal control, as defined by the Company in its “Corporate Policy on Internal Control” comprises any action taken by management, the Board and other parties to enhance risk management, and increase likelihood that established objectives and goals will be achieved. The primary objectives of internal control are to ensure:*

- *Reliability and integrity of financial and operational information;*
- *Effectiveness and efficiency of operation;*
- *Safeguarding of assets;*
- *Compliance with policies, plans, procedures, laws, regulations and contracts; and*
- *Accomplishment of established objectives and goals for operations or programs.*

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

*The Audit Committee conducts a regular review of the Company’s internal control system. This is included in the accomplishment of the Committee in 2012.*

(c) Period covered by the review;

*2012.*

(d) How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

*The Board has oversight responsibilities for ensuring presence of adequate and effective internal control mechanisms. The Audit Committee is mandated to assist the Board in the performance of this oversight responsibility. Thus, internal controls are monitored regularly.*

(e) Where no review was conducted during the year, an explanation why not.

*A review was conducted in 2012.*

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
<i>Ginebra San Miguel Group Audit (GSMGA) provides independent, objective assurance</i>	<i>The scope of work of GSMGA is to assist the Board and Management in determining</i>	<i>In-house with Outsourcing</i>	<i>Group Audit Manager: Isadora A. Papica  Auditing Firms:</i>	<i>Functionally to the GSMI Audit Committee; administratively to the GSMI</i>

<p><i>and consulting services designed to add value and improve the operations of GSMI and its Subsidiaries, and help the Ginebra San Miguel Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</i></p>	<p><i>whether the risk management, control, and governance processes within the GSMI Group, as designed and represented by Management, are adequate and effective in a manner to ensure that:</i></p> <ul style="list-style-type: none"> <li>• <i>Significant exposures to risks are appropriately identified and adequately managed.</i></li> <li>• <i>Significant financial, managerial, and operating information is accurate, reliable, and timely.</i></li> <li>• <i>Employees' and Company's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.</i></li> <li>• <i>Resources are acquired economically, used efficiently, and adequately protected.</i></li> <li>• <i>Objectives</i></li> </ul>		<ul style="list-style-type: none"> <li>• <i>MV Reyes &amp; Associates</i></li> <li>• <i>Reyes Tacandong &amp; Co.</i></li> </ul>	<p><i>President</i></p>
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	<p><i>and goals for operations or programs are achieved.</i></p> <ul style="list-style-type: none"> <li>• <i>Effectiveness, efficiency and continuous improvement are promoted in the Company's operating systems and processes.</i></li> </ul>			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*Yes. The Audit Committee Charter provides, among others, that the Audit Committee confirms the appointment or replacement by management of the head of the internal auditor. The said Committee also reviews and confirms the annual audit and strategic plans prepared by the internal auditor in consultation with Management. Such plans include, among others, the outsourcing of some audit functions to an auditing firm.*

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*The Internal Auditor reports functionally to the Audit Committee. The office of the Internal Auditor has direct and unfettered access to the Board and the audit committee, as well as to Company records, properties and personnel in the conduct of internal audit function.*

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<b>Name of Audit Staff</b>	<b>Reason</b>
<i>NOT APPLICABLE</i>	<i>NOT APPLICABLE</i>

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;

- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.

<b>Progress Against Plans</b>	<i>Completed the 2012 Annual Audit Plan</i>
<b>Issues<sup>18</sup></b>	<i>There are no compliance matters that arise from adopting different interpretations</i>
<b>Findings<sup>19</sup></b>	<i>As reported to the Audit Committee during its quarterly meetings</i>
<b>Examination Trends</b>	<i>Generally adequate and effective internal control</i>

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<i>San Miguel Group Policies and Guidelines on Revenue Cycle</i>	<i>Generally in order</i>
<i>San Miguel Group Policies and Guidelines on Procurement Cycle</i>	<i>Generally in order</i>
<i>San Miguel Group Policies and Guidelines on Supply Chain – Logistics Cycle</i>	<i>Generally in order</i>
<i>San Miguel Group Policies and Guidelines on Finance – Treasury Cycle</i>	<i>Generally in order</i>

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<i>The Board through the Audit Committee performs its oversight responsibility of the Company’s corporate governance processes relating to the independence and performance of its internal and external auditors. The Audit Committee Charter</i>	<i>As they are considered “third parties” or public, the PSE-disclosure rules to protect public interest shall apply.</i>	<i>As they are considered “third parties” or public, the PSE-disclosure rules to protect public interest shall apply.</i>	<i>As they are considered “third parties” or public, the PSE-disclosure rules to protect public interest shall apply.</i>

<sup>18</sup>“Issues” are compliance matters that arise from adopting different interpretations.

<sup>19</sup>“Findings” are those with concrete basis under the company’s policies and rules.

<p><i>lays down the specific duties and responsibilities of the Audit Committee with respect to the Internal and External Auditors and such duties and responsibilities include, among others, the obligation of maintaining the independence and objectivity of the said auditors.</i></p> <p><i>Internal Auditors are covered by the Securities Dealing Policy of the Company. Moreover, its Charter espouses the principle of independence and objectivity. The said charter espouses the following:</i></p> <p><i>“Internal Auditing” is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations; and</i></p> <p><i>“Internal Audit Group” is a staff organization and functions in an advisory capacity; it exercises no direct authority over the operating activities or functions it reviews.</i></p> <p><i>As to its External Auditor, the Company is guided by the current ethical standards in the engagement of the services of such auditors and does not engage the same to render</i></p>			
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<i>non-audit services if such services may create threats to the auditor's independence.</i>			
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

*The Compliance Officer, as prescribed under the Company's CG Manual issues a certification every January 30<sup>th</sup> on the extent of the Company's compliance with the CG Manual for the completed year. When the said certification is filed with SEC, the Company's President countersigns the same.*

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	<p><i>The Company's policies on this matter are guided by the Company's corporate value of "Consumer-focused". The said value is summed up in this statement: "We delight our consumers by providing them with superior products and services that anticipate their needs and exceed their expectations. We engage them by creating unique and memorable experiences that entice them to come back for more. Our consumers are at the heart of what we do."</i></p> <p><i>The Company also has a system of addressing customer complaints.</i></p>	<p><i>Conduct of various activities (sampling, promotional events) to keep the customers interested in the Company's products as well as update them on new products.</i></p> <p><i>Monitor and promptly address consumer complaints.</i></p>
Supplier/contractor selection practice	<p><i>The Company has in place a Supplier Accreditation System which lays down the process of assessing a supplier's capability in meeting the Company's requirements for goods and services with the objective, among others, of maintaining a pool of world-class suppliers.</i></p>	<p><i>Assessment and evaluation of all prospective suppliers to determine qualification for accreditation.</i></p> <p><i>Conduct of supplier accreditation visits.</i></p> <p><i>Periodic review of accreditation.</i></p>

		<p><i>Determination of Suppliers' Offense and corresponding consequence/actions.</i></p> <p><i>Updating Supplier Information Record.</i></p>
Environmentally friendly value-chain	<p><i>It is the Company's policy to do its share in taking care of the environment. Thus, it is committed to comply with environmental laws, as well as rules and regulations issued by the Department of Environment and Natural Resources and its attached agencies.</i></p>	<p><i>The Company complies with the relevant environmental laws, rules and regulations and secures necessary environmental-related permits, licenses and authority.</i></p>
Community interaction	<p><i>Guided by the Company's corporate value of "Social Responsibility" summed up in this statement: "We are guided by our corporate values in the way we work and interact with all our stakeholders. As we deliver reasonable returns to our shareholders, we recognize that we are part of a bigger community. Thus, we commit to uplift the quality of life through education, environment – protection and community development programs. We create positive impact wherever we operate."</i></p> <p><i>In recognition of the above-mentioned value, the Company has annual Corporate Social Responsibility Programs in immediate and/or communities-at-stake areas of operation implemented by the relevant plants/office of the Company. The major thrusts of the CSR are education; environment, health and safety; Entrepreneurship and Employee Volunteerism.</i></p>	<p><i>Establish and maintain good relationship with the Community where the Company operates.</i></p> <p><i>Implement community development programs or activities intended to achieve the thrusts established by the Company.</i></p>
Anti-corruption programmes and procedures?	<p><i>The Company has a policy on Solicitation and Acceptance of Gifts which espouses the Company's commitment to succeed in a manner that upholds the highest standards of honesty, integrity and fairness. Consistent with this commitment, the Company expects each employee to observe reasonable standards of conduct. It requires employees to conduct business affairs with</i></p>	<p><i>Regular monitoring of compliance</i></p>

	<i>fairness, avoid granting undue personal favors, exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company and refuse gifts that might connote bribery in any way.</i>	
Safeguarding creditors' rights	<i>The Company has a Debt Financing Policy intended to guide the Company in negotiating and securing loans.</i>	<i>Regular monitoring of compliance</i>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

*Concern for its employees' safety, health and welfare has always been the Company's top priority. The Company, among others, has adopted the Department of Labor and Employment's Self-Assessment for Occupational Safety and Health and adopted a Crises Management Manual.*

*To ensure the employees' safety, health and welfare, Annual Physical Examinations of employees are conducted, as well as other related activities are conducted throughout the year.*

*It is also the Company's policy to promote career advancement and development through the numerous training programs and seminars implemented by and/or facilitated by the Company's Human Resources Department.*

*The Company has adopted a Policy on Anti-Sexual Harassment, declaring all forms of sexual harassment in the workplace as unlawful. In the said policy, the Company declares its commitment in upholding the rights and dignity of all its employees through the creation of a work environment characterized by professionalism, fairness, openness, trust and respect.*

*The Company has also adopted a Policy and Guidelines on Drug Abuse. The said policy is intended to promote a workplace that is free from drug abuse as it is detrimental to the safety, health and work performance of its employees. Consistent with this policy, the Company shall provide opportunities to rehabilitate employees who are engaged in drug abuse and discipline employees who persistently refuse to give up drug abuse.*

(b) Show data relating to health, safety and welfare of its employees.

*In 2012, the Company implemented the following programs/activities:*

*On Health:*

*Health and Wellness Day*

*Health Forum: "Liver Ko, Love Ko", "Stop Smoking Before It Stops You" and "Lay Fora on Osteoporosis"*

*Blood Letting Program*

*SSS UMID for All Employees*

*On Welfare:*

*Monthly First Friday Mass*

*Sportsfest*



Summer Outing  
Bida Kids/Bida Parents Awards  
Plant Anniversary Celebration  
Fun Run  
Model Team

On Safety:  
Implementation of Frisking During Ingress and Egress of all employees  
Conduct of Fire Drill  
Crises Management Table Top exercise

(c) State the company's training and development programmes for its employees. Show the data.

*In 2012, the Company provided opportunities to its employees to attend numerous training programs covering various topics, conducted here and abroad. Training programs were also conducted in house. In summary, the number of employees who participated in the training programs are as follows:*

Local-External	251
Foreign-External	4
In-House Programs	341
Total	596

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

*The Company has a variable pay program which provides financial incentives contingent in the achievement of the Company's annual goals and objectives.*

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

*The Company has a Whistleblowing Policy (the "Policy"). It provides that all complaints on accounting, internal accounting controls, auditing or financial reporting matters may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer"), if such concerns involves the Compliance Officer, then the same may be communicated to the President. The said complaints are ultimately referred to the Audit Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the Audit Committee may deem necessary. If it is unclear whether a communication involves accounting, auditing, internal accounting controls or financial reporting matters, the Compliance Officer shall likewise direct such communication to the Audit Committee, with a note to that effect.*

*All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit Committee member upon request.*

*The Audit Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. Such action may include engaging external advisers, for which funding will be available. The determinations made by the Audit Committee in respect of each communication and any further action taken will be recorded in the log maintained for such purpose by the Compliance Officer or a person designated by the Audit Committee if the Compliance Officer is the subject of a communication. These determinations may be recorded based on the standard categories established by the Audit Committee, which may include: the communication is not a "complaint" or "concern", as contemplated by the applicable requirements; the communication is misdirected (such as a communication involving an employment dispute); no further action shall be required because the communication can be analyzed on its face; and further*

action required (with a record of the action taken and its outcome). The Compliance Officer or any other person designated by the Audit Committee will report on the status of any further action directed by the Audit Committee on a monthly basis or at such frequency as the Audit Committee may otherwise require.

Misdirected communications as determined by the Audit Committee or concerns not relating to accounting, internal accounting control, auditing or financial reporting matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of the business units affected in accordance with the SMC Group's conventional reporting channels. In this connection, employees with such concerns should raise them with their respective supervisors and the supervisors have the responsibility to ensure that such concerns are properly acted upon.

Employees are protected from retaliation as it is categorically provided in the Policy that the SMC Group, which includes herein Company, shall not tolerate retaliation in any form against a director, officer, employee or other interested party who, in good faith, raises a concern or reports a possible violation under the policy.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more (As of December 31, 2012 based on SEC Form 17-A)

Shareholder	No. of Shares Held	Percent	Beneficial Owner
<i>San Miguel Corporation (parent company)</i>	<i>216,972,000 (Common)</i>	<i>77.36%</i>	<i>NOT APPLICABLE</i>
	<i>32,786,885 (Preferred)</i>		
<i>PCD Nominee Corporation (Filipino)</i>	<i>20,006,065</i>	<i>6.20%</i>	<i>NOT APPLICABLE</i>
<i>PCD Nominee Corporation (Non-Filipino)</i>	<i>18,220,544</i>	<i>5.64%</i>	<i>NOT APPLICABLE</i>

There are no officers or senior management officials of the Company who holds 5% shareholding or more in the Company.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>NOT APPLICABLE</i>	<i>NOT APPLICABLE</i>	<i>NOT APPLICABLE</i>	<i>NOT APPLICABLE</i>
<b>TOTAL</b>			

### 2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES

Details of whistle-blowing policy	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>Manabat Sanagustin &amp; Co., CPAs</i>	<i>7 million</i>	

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*The Company keeps the stakeholders updated on material information through the filing of structured (such as but not limited to the following: SEC Form 17-A; SEC Form 17-Q; General Information Sheet; IS-20; Consolidated Financial Statements; Public Ownership Report; and Foreign Ownership Report) and unstructured reports (relative to the information relayed through the filing of SEC- Form 17-C on current reports) filed with the Securities and Exchange Commission and/or Philippine Stock Exchange, Inc. .*

*The Company also conducts quarterly Investor's Briefing. Other information are disclosed to the Company through press releases and information uploaded in the Company website.*

5) Date of release of audited financial report:

*The Audited Consolidated Financial Statements of the Company for the fiscal year 2012 was filed with the SEC on April 15, 2013*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES

Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 7) Disclosure of RPT

RPT	Relationship	Nature	Value (in Millions)
<i>The Company and its subsidiaries (GSMI Group) in the normal course of business purchases products and services from and sells products to related parties made at normal market prices and terms</i>	<i>Seller-Buyer</i>	<i>Revenue from Related Parties ("RP")</i>	<i>Php 146,911</i>
	<i>Buyer-Seller</i>	<i>Purchases from RP</i>	<i>Php3,961,169</i>
	<i>Creditor-Debtor</i>	<i>Amounts owed by RP</i>	<i>Php355,656</i>
	<i>Debtor-Creditor</i>	<i>Amounts owed to RP</i>	<i>Php3,763,961</i>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

*Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.*

*The Company observes an arm's length policy in its dealings with related parties.*

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	<i>A quorum shall consist of stockholders representing a majority of the subscribed and outstanding capital stock.</i>
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<i>The approval of corporate acts will require an affirmative vote of the majority of the shares of stock present or represented by proxy at the meeting.</i>
<b>Description</b>	<i>The counting of Ayes and Nays or a show of hands is the method by which the votes are counted. The Corporate Secretary, with the assistance of the Company's stock transfer agent, is authorized to count any votes cast during the meeting.</i>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<p><i>Voting Rights</i>  <i>Proprietary Rights: Right to Dividends and to Liquidation Assets</i>  <i>Remedial Rights</i>  <i>Appraisal Rights</i>  <i>Right to Inspect Books</i></p>	<p><i>Right not to be denied representation in the Board as shown in the CG Manual provision which states that a director shall not be removed without cause if it will deny minority shareholders representation in the Board;</i></p> <p><i>The right specifically given to minority shareholders to propose the holding of the meeting and to propose items in the agenda of the meeting; and</i></p> <p><i>Right that any doubt about the validity of the proxy shall be resolved in the shareholder's favor.</i></p>

Dividends

Declaration Date	Record Date	Payment Date
<i>No dividend declaration in 2012</i>		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	3. Communication Procedure
4. <i>Proxy form</i>	5. <i>Attached to the Information Statement sent to the stockholders.</i>
6. <i>Question and Answer/Open Forum</i>	7. <i>Stockholders are given the chance to ask questions, as well as make a statement or suggestion during the Annual Stockholders' Meeting.</i>

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares

c. Transfer of all or substantially all assets, which in effect results in the sale of the company

*Shareholders are encouraged to actively participate in the annual meeting to discuss and approve the foregoing matters. Stockholders are encouraged to personally attend the annual meeting but if they cannot they are encouraged to appoint a proxy to represent them in the meeting. A sample of the proxy form, which need not be notarized is attached to the Information Statement distributed to stockholders for their easy reference.*

*The Company's CG Manual also emphasizes the duty of the directors in the promotion of shareholders' rights, as shown in the following duties of the directors:*

- *duty to remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights;*
- *duty to encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms.;*
- *duty to be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person; and*
- *duty to pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.*

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

*No. Pursuant to its By-laws, the Company sends notices of regular meetings of stockholders at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address. Thus, effectively, the Company sends out the said notices at least fifteen (15) business days prior to the date of the annual stockholders' meeting.*

a. Date of sending out notices: *April 17, 2012*

b. Date of the Annual/Special Stockholders' Meeting: *May 10, 2012*

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions	Answers
<p><i>A stockholder asked about the new products of the Company.</i></p>	<p><i>Mr. Marquez, the Company President, stated that a lot of products were introduced and proceeded to enumerate them:</i></p> <p><i>In the gin category – GSM Blue Light, 50 proof, which is the lightest gin in the market and GSM Blue Flavors, which is 35 proof, with flavors such as Mojito, Brown Coffee, Lychee and Apple. Dalandan and Melon variants for Ginebra San Miguel;</i></p> <p><i>In the Antonov line - new flavors such as Espresso and Currant, which are 50 proof, were introduced in the market;</i></p> <p><i>For Antonov mixed drink category - Ice, Mandarin and Apple flavors were introduced last year. Ginger Ale, Kamikaze and Cosmopolitan flavors were added this year.</i></p>

<i>The stockholder requested for an explanation on the Company's performance in 2011, particularly the decline in revenue.</i>	<i>The Chairman explained that 2011 was a very trying year for the Company. The increasing cost of raw materials, excise tax, as well as the shift in consumer preferences all worked against the Company. Mr. Marquez added that the shift in consumer preference, the increase in raw materials, particularly the rising cost of molasses all contributed to a lower bottom line. On the shift in consumer preference, the Company introduced lighter proof products to cater to the young market.</i>
<i>A stockholder inquired about the 1st quarter 2012 performance of the Company.</i>	<i>The Chairman replied that there has been a consistent growth in volume and hoped that it would continue for the rest of the year. Mr. Marquez added that signs of recovery were already showing, specifically for the month of April. As to domestic brands, the bottom line is positive in the 1st quarter of 2012.</i>
<i>The same stockholder asked about quarterly dividends to stockholders.</i>	<i>Mr. Marquez replied that last year the Company declared dividends. For this year, the declaration of dividends would depend on the Company's financial performance.</i>
<i>A stockholder requested for an update on the Company's plan of consolidating the liquor business with San Miguel Brewery.</i>	<i>The Chairman stated that the plan is still being studied and evaluated.</i>

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16. Approval of the previous minutes	17. About 89%	18. None	19. None
20. Approval of the Annual report	21. About 89%	22. None	23. None
24. Ratification of acts and proceedings of the Board of Directors and Corporate Officers	25. About 89%	26. None	27. None
28. Appointment of External Auditors – KPMG Manabat and San Agustin, CPAs	29. About 89%	30. None	31. None
32. Election of Directors	33. About 89%	34. None	35. None

36. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

*On the date of the 2012 Annual Stockholders' Meeting, the results of the votes were immediately disclosed to the stockholders physically present in the meeting since every item in the agenda was taken up and voted upon and the attendance and quorum were announced at the beginning of the meeting.*

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
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NONE	NOT APPLICABLE
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(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<i>Directors Present:</i>  <i>Eduardo M. Cojuangco, Jr.</i> <i>Ramon S. Ang</i> <i>Bernard D. Marquez</i> <i>Leo S. Alvez</i> <i>Gabriel S. Claudio</i> <i>Minita V. Chico-Nazario</i>	<i>May 10, 2012</i>	<i>By show of hands</i>	<i>0.65%</i>	<i>88.43%</i>	<i>89%</i>
Special	<i>No Special Meeting was held in 2012</i>					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SsMs?

*The counting of the ayes and nays or show of hands is the method by which votes are counted during the annual stockholders' meeting. The Corporate Secretary, with the assistance of SMC Stock Transfer Service Corporation, as the Company's stock transfer agent, is authorized to count any votes cast during the meeting.*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

*Every stockholder entitled to vote during the annual stockholders' meeting shall be entitled to one (1) vote for each share of stock in his name in the books of the Company. However, in electing members to the Board, every stockholder is entitled to accumulate his votes in accordance with Section 24 of the Corporation Code.*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>Proxies must be in writing, executed by the stockholders or his duly authorized attorney-in-fact and must be submitted to the Corporate Secretary.</i>
Notary	<i>Proxies need not be notarized.</i>
Submission of Proxy	<i>Section 7 of the Company's By-Laws required that all proxies must be in the hands of the Corporate Secretary not later</i>



	<i>than ten (10) working days before the time set for the meeting unless the Board of Directors shall fix another period, which period must be made known to the stockholders within a reasonable time.</i>
Several Proxies	<i>The Company complies with the provisions on proxy as provided in the Implementing Rules and Regulations of the Securities Regulation Code. Accordingly, where the Company receives more than one (1) proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized. Where a proxy is given to two (2) or more persons in the alternative in one instrument, the proxy designated as an alternate can only act as proxy in the event of non-attendance of the other designated person. Where the same stockholder gives two (2) or more proxies, the latest one given is to be deemed to revoke all former proxies.</i>
Validity of Proxy	<i>Proxies shall be valid only for the meeting at which it has been presented to the Corporate Secretary.</i>
Proxies executed abroad	<i>Proxies executed abroad to be effective and honored by the Company should be duly authenticated by the Philippines Embassy or Consular Office.</i>
Invalidated Proxy	<i>Invalidated proxies shall not be included for quorum and voting purposes.</i>
Validation of Proxy	<i>The Board shall schedule when the validation of proxies shall take place, which schedule is made known to the stockholders through the Notice of Meeting and Information Statement sent to them prior to the Annual Stockholders' Meeting</i>
Violation of Proxy	<i>If the instruction of the stockholder as set out in his proxy form is not followed, then the proxy vote shall not be honored.</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

<b>Policies</b>	<b>Procedure</b>
<i>Notices of regular meetings of stockholders together with the Information Statement are sent by the Corporate Secretary at least two (2) weeks prior to the date of the meeting to each stockholder of record. The notice shall state the place, date and hour of the meeting.</i>	<i>Notices of regular meetings of stockholders together with the Information Statement are sent by the Corporate Secretary by personal delivery or by mailing the notice at least two weeks prior to the date of the meeting to each stockholder of record at his last known post office address.</i>

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive</b>	<i>1,090 Stockholders were entitled to receive the</i>
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<b>Definitive Information Statements and Management Report and Other Materials</b>	<i>Information Statement.</i>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<i>April 17, 2012</i>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	<i>April 17, 2012</i>
<b>State whether CD format or hard copies were distributed</b>	<i>Hard copies</i>
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	<i>Not Applicable</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

*Yes, the information asked below were all included in the Information Statement circulated to the stockholders entitled to vote in the 2012 Annual Stockholders' Meeting.*

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

<b>Policies</b>	<b>Implementation</b>
<i>The Company is committed to respect minority interests and declares such in its CG Manual.</i>	<p><i>Minority stockholders are accorded, among others, the following rights:</i></p> <p><i>Right not to be denied representation in the Board as shown in the CG Manual provision which states that a director shall not be removed without cause if it will deny minority shareholders representation in the Board;</i></p> <p><i>The right specifically given to minority shareholders to propose the holding of the</i></p>

	<p><i>meeting and to propose items in the agenda of the meeting;</i></p> <p><i>Right that any doubt about the validity of the proxy shall be resolved in the shareholder's favor</i></p>
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(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

*The Company has a Business Affairs Communications Group who handles communication with media and internal publications. It likewise has the Investor Relations unit under the Planning and Management Services Group which handles regular communications with institutional investors.*

*All information/disclosures for release are cleared and approved by the Corporate General Counsel, Chief Finance Officer and the President.*

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	<b>Details</b>
(1) Objectives	<i>To effectively communicate the company's performance, plans and strategies to the capital market, as well as, develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing and manage the content and flow of company information/disclosures to the financial markets.</i>
(2) Principles	<i>Provide a consistent and reliable information that would assist investors in their investment decision.</i>
(3) Modes of Communications	<i>Company disclosures, One-on-one meetings, Email, Telephone calls and quarterly joint investors briefing with the SMC Group.</i>
(4) Investors Relations Officer	<i>Serenico "Rey" Peralta Contact no. +63 2 6614780 Email – <a href="mailto:speralta@smg-sanmiguel.com.ph">speralta@smg-sanmiguel.com.ph</a></i>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

*Any major plans or extraordinary transactions of the Company pass through a team that evaluates the viability of the transaction and ensures that it will have a strategic fit with the Company. This is eventually presented to the Board for approval.*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*The Company gets the services of Investment Banks who provides advice on the fairness of transaction price.*

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

<b>Initiative</b>	<b>Beneficiary</b>
<i>CSR Program on Education which grants scholarships to students enrolled in full-time college courses and technical vocational programs.</i>	<i>High school graduates 25 years old and below, from a family whose per capita income is not more than Php10,000.00 per month.</i>
<i>Partnership with SMC and private foundation AGAPP (Aklat, Gabay, Aruga tungo sa Pag-angat at Pag-asa) to build library-cum-classrooms in public schools in disadvantaged communities.</i>	<i>Public schools in disadvantaged communities.</i>
<i>The Company establishes an Annual Corporate Social Responsibility Program.</i>	<i>Communities where the Company operates.</i>

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>	<i>Accomplishment of Annual Self-Rating Form</i>	<i>Performance of the Board in accordance with best practices in corporate governance and effectiveness of the Company's governance process.</i>  <i>The assessment covers the following areas of Board performance: Fulfillment of the Board's Key Responsibilities; Board-Management Relationship; Effectiveness of Board Process and Meetings; Individual performance of directors.</i>
<b>Board Committees</b>	<i>Accomplishment of Self-Assessment Worksheet by the Audit Committee Members (pursuant to its Manual, which will be implemented in 2013)</i>  <i>A similar Self-Assessment Worksheet is intended to be adopted for the Nomination and Hearing Committee and Executive Compensation Committee.</i>	<i>Assessment of the performance of the Committees based on their respective charters to determine if the same accords with best practice.</i>

<b>Individual Directors</b>	<i>Accomplishment of Annual Self-Rating Form (Portion on Individual Performance of Board Members)</i>	<i>Assessment of the individual performance of the Directors to determine if the same is in accordance with best practices in corporate governance.</i>
<b>CEO/President</b>	<i>Annual Performance Evaluation</i>	<i>Key Performance Indicators, which includes, among others, the business performance of the Company.</i>

#### **N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

<b>Violations</b>	<b>Sanctions</b>
<i>Violations of the provisions of the CG Manual</i>	<i>The CG Manual provides that the among the duties of a Compliance Officer is the determination of violation/s of the CG Manual and recommendation of penalty for the said violation/s for further review and approval of the Board.</i>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**

(ORIGINAL SIGNED)  
 EDUARDO M. COJUANGCO, JR.  
 Chairman of the Board and  
 Chief Executive Officer

(ORIGINAL SIGNED)  
 MINITA V. CHICO-NAZARIO  
 Independent Director

(ORIGINAL SIGNED)  
 ANGELINA S. GUTIERREZ  
 Independent Director

(ORIGINAL SIGNED)  
 VIRGILIO S. JACINTO  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this 21<sup>st</sup> day of June 2013, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

<u>NAME</u>	<u>TYPE OF I.D./NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	Passport No. XX0410612	Feb. 16, 2012	Manila
Minita V. Chico-Nazario	TIN No. 146-148-455		
Angelina S. Gutierrez	TIN No. 130-188-514		
Virgilio S. Jacinto	Passport No. EB0971552	Sep 17, 2010	Manila

**NOTARY PUBLIC**

CARMELA T. DELA PAZ  
 Commission No. 0364-12  
 Notary Public for Mandaluyong City  
 Until Dec. 31, 2013  
 SMC, 40 San Miguel Ave., Mandaluyong City  
 Roll No. 57052  
 PTR No. 1619906; 01/03/13; Mandaluyong City  
 IBP Lifetime Member No. 010580; 02/09/12; Makati City

Doc No. 105;  
 Page No. 22;  
 Book No. IV;  
 Series of 2013.