

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM - I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended  
Dec 31, 2018
2. SEC Identification Number  
11840
3. BIR Tax Identification Number  
000-100-341-000
4. Exact name of issuer as specified in its charter  
SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation  
Philippines
6. Industry Classification Code(SEC Use Only)
  
7. Address of principal office  
23F The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro  
Manila  
Postal Code  
1605
8. Issuer's telephone number, including area code  
(632) 317-5000
9. Former name, former address, and former fiscal year, if changed since last report  
N/A

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**San Miguel Food and Beverage, Inc.**  
**FB**

**PSE Disclosure Form I-ACGR - Integrated Annual Corporate Governance Report**  
*Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard*

**Description of the Disclosure**

Please see attached Integrated Annual Corporate Governance Report of the Company for the year ended December 31, 2018 filed with the SEC on May 29, 2019.

**Filed on behalf by:**

<b>Name</b>	Alexandra Trillana
<b>Designation</b>	Corporate Secretary and Compliance Officer

COVER SHEET

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S. E. C. Registration Number

S A N M I G U E L F O O D

A N D B E V E R A G E , I N C .

(Company's Full Name)

23 r d F I r. J M T B I d g. A D B

A v e. P a s i g C i t y

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 317-5450

Company Telephone Number

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT SEC FORM

Month

Day

I - A C G R

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings Domestic

Domestic

Total Amount of Borrowings Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

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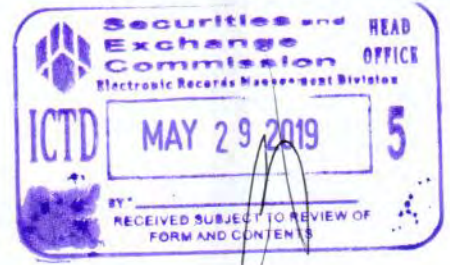
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**SEC FORM - I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended December 31, 2018
2. SEC Identification Number 11840      3. BIR Tax Identification No. 000-100-341-000
4. Exact name of issuer as specified in its charter: SAN MIGUEL FOOD AND BEVERAGE, INC.  
(formerly San Miguel Pure Foods Company Inc.)
5. Philippines      6.  (SEC Use Only)  
Province, Country or other jurisdiction      Industry Classification Code:  
of incorporation or organization
7. 23F The JMT Corporate Condominium      1605  
ADB Avenue, Ortigas Center, Pasig City, Metro Manila  
Address of principal office      Postal Code
8. (632) 317-5000  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

	COMPLIANT / NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<b>Principle 1:</b> The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
<b>Recommendation 1.1</b>			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 32-34, setting out the academic qualifications, industry knowledge and professional expertise of the directors, and page 55 under the heading "Annual Training or Program on Corporate Governance", stating the relevant training of the directors.	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	See also Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 3, fourth paragraph, pages 11-16 under Sections 2.2.1.5-2.2.1.6, pages 20-21 under Section 2.2.2.1.3, and page 43 under Section 6, all providing the qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of their performance.	
<b>Recommendation 1.2</b>			

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<p>For the year ended 2018, the Board consisted of nine members, namely Eduardo M. Cojuangco, Jr., Ramon S. Ang, Francisco S. Alejo III, Menardo R. Jimenez, Ma. Romela M. Bengzon, Carmelo L. Santiago, Minita V. Chico-Nazario, Ricardo C. Marquez and Cirilo P. Noel. All of them, save for Francisco S. Alejo III and, effective July 5, 2018, Ramon S. Ang, are non-executive directors. Following the approval of the SEC in January 2019, the number of directors as reflected in the amended Articles of Incorporation of the Company, increased to 15, with one seat vacant, 10 of whom are non-executive directors. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 32-34, setting out the effective dates and type of directorship of the directors, page 37 under the heading "Composition and Qualification" and page 31, setting out the names of the incumbent directors and the type of their directorships.</p>	
<b>Recommendation 1.3</b>			
<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 11 under Section 2.2.1.4 (h), and page 43 under Section 6, both discussing the policy on training of directors. The new directors of the Company in 2018, Ms. Ma. Romela M. Bengzon and Mr. Cirilo P. Noel, are not first time directors, hence there was no need to conduct an orientation program from them.</p> <p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 55 under the heading "Annual Training or Program on Corporate Governance", stating the annual training attended by the directors, including the number of hours attended and topics covered, page 37 under the heading "Composition and Qualification", second paragraph, stating the orientation program for new or first time directors, and pages 33-34, setting out</p>	

2. Company has an orientation program for first time directors.	Compliant	the directorships of Ms. Bengzon and Mr. Noel.	
3. Company has relevant annual continuing training for all directors.	Compliant	<p>See SEC Form 17-C dated September 24, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf</a>, SEC Form 17-C dated November 23, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_Nov_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_Nov_2018).pdf</a>, SEC Form 17-C dated December 10, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_06Dec18).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_06Dec18).pdf</a>, and SEC Form 17-C dated December 13, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_06Dec18_-_Mr._RNH).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_06Dec18_-_Mr._RNH).pdf</a>, all submitting copies of the Certificates of Attendance to the annual corporate governance seminar issued to the directors.</p>	
<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity.	Compliant	<p>See policy on board diversity in the Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 11, under the heading “Qualification and Disqualification of Directors”, first paragraph. The Company’s Board of Directors for the year ended 2018 is composed of seven male directors and two female directors. See Amended General Information Sheet filed on September 14, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_GIS_filed_with_SEC_on_Sep_12_2018_(Election_of_Mr_CPNoel).pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_GIS_filed_with_SEC_on_Sep_12_2018_(Election_of_Mr_CPNoel).pdf</a>, page 3.</p>	
<b>Optional: Recommendation 1.4</b>			

1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.		Provide information on or link/reference to a document containing the company's policy and measureable objectives for implementing board diversity.  Provide link or reference to a progress report in achieving its objectives.	
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	Compliant	The Corporate Secretary of the Company is Atty. Alexandra Bengson Trillana. See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a> , page 33, providing her	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Non-compliant	qualifications.  Atty. Trillana is not a member of the Board of Directors. See Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 31-33 under Section 2.2.4, setting out the duties and functions of the Corporate Secretary.  See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 55 under the heading "Annual Training or Program on Corporate Governance", stating that the Corporate Secretary attended a seminar on corporate governance, including number of hours attended and topics covered. See SEC Form 17-C filed on September 24, 2018 at	The organizational set-up and resources of the Company provide for the positions of Corporate Secretary and Compliance Officer to be held by the same individual. Such individual is the General Counsel or Chief Legal Officer of the Company, and thus is ably supported by a competent legal and non-legal staff to ensure that her responsibilities as Corporate Secretary and Compliance Officer are performed well. The Board deems that this arrangement is effective, efficient and maximizes the Company's resources.
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	<a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf</a> ,	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	submitting a copy of the Certificate of Attendance to such training issued to the Corporate Secretary, Atty. Alexandra B. Trillana.	



Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	The Corporate Secretary hereby attests that she distributes materials for Board meetings at least five business days before the scheduled meetings. See also glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 38 under the heading "Board Performance".	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	The Compliance Officer of the Company is Atty. Alexandra Bengson Trillana. See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-</a>	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-compliant	<a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">A for the year ended December 31, 2018 filed with SEC on April 15, 2019.pdf</a> , page 33, providing her qualifications. Atty. Trillana is not a member of the Board of Directors. See Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 1-2 under Section 2.1, setting out the duties and functions of the Compliance Officer.	The Compliance Officer is also the General Counsel or Chief Legal Officer of the Company, a position with adequate stature and authority in the corporation. She has a rank of Vice President. There is no person with the rank of Senior Vice President in the Company.
3. Compliance Officer is not a member of the board.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 55 under the heading "Annual Training or Program on Corporate Governance", stating that the Compliance Officer attended a seminar on corporate governance, including number of hours attended and topics covered. See SEC Form 17-C filed on September 24, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(CG_Seminar_held_on_21_September_2018).pdf</a>	
4. Compliance Officer attends training/s on corporate governance.	Compliant	submitting a copy of the Certificate of Attendance to such training issued to the Compliance Officer, Atty. Alexandra B. Trillana.	

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

**Recommendation 2.1**

<p>1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.</p>	<p>Compliant</p>	<p>The undersigned directors and officers, including the Corporate Secretary, hereby attest that directors actively participate during Board and Committee meetings. They seek clarification and provide their inputs on matters taken up at the meetings. They give recommendations when necessary or appropriate to protect the interests of the Company and its stakeholders. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 36 under the heading "Board of Directors", second paragraph. See various matters approved by the Board set out in the Current Reports (SEC Form 17-C) uploaded on November 13, October 8, August 8, July 5, May 11, May 9, March 14 and February 2, 2018 at <a href="http://www.smfb.com.ph/disclosures/l/current-reports--sec-form-17-c-">http://www.smfb.com.ph/disclosures/l/current-reports--sec-form-17-c-</a>.</p>	
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**Recommendation 2.2**

<p>1. Board oversees the development, review and approval of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>The undersigned directors and officers, including the Corporate Secretary, hereby attest that the Board oversees the development, review and approval of the Company's business objectives and strategy. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 53 under the heading "Corporate Objectives and Strategies".</p> <p>See SEC Form 17-C dated February 2, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC-SEC-Form-17-C-February-2-2017-SBOD-mtg-on-Cash-Dividend-Declaration.pdf">http://www.smfb.com.ph/files/reports/SMPFC-SEC-Form-17-C-February-2-2017-SBOD-mtg-on-Cash-Dividend-Declaration.pdf</a>, which aside from disclosing the cash dividend declaration, reports on the review and approval by the Board of the core purpose, core value, vision and strategic thrusts of the Company.</p> <p>The Board oversees and monitors the implementation of the Company's business objectives and strategy on a quarterly basis throughout the year, upon presentation</p>	
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<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>by management of the results of operations and financial performance for the quarter just ended at the regular Board meetings held prior to submission of the Company's Quarterly Reports (SEC Form 17-Q).</p> <p>See also SEC Form 17-C dated May 9, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_9,_2018_BOD_mtg._on_Cash_Div_.Declaratio_n).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_9,_2018_BOD_mtg._on_Cash_Div_.Declaratio_n).pdf</a>, SEC Form 17-C dated August 8, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follo_w_on_offer_etc).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follo_w_on_offer_etc).pdf</a>, and SEC Form 17-C dated November 13, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf</a>, all reporting on the approval by the Board of the submission of such Quarterly Reports to the SEC and PSE.</p>	
<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 1 under the heading "Our Core Value", and pages 52-53 under the heading "Corporate Mission and Vision". The Board reviews and approves the corporate mission and vision of the Company every three years or after such period as it deems necessary, or upon the recommendation of management.</p>	

<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 53 under the heading "Corporate Objectives and Strategies".</p> <p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf</a>, page 30 under Section 2.2.3.2 (a), stating the responsibility and function of the President to implement or execute corporate strategy approved by the Board.</p>	
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**Recommendation 2.3**

<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Compliant</p>	<p>The Chairman of the Company is non-executive director Mr. Eduardo M. Cojuangco, Jr. See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, page 29, providing his qualifications. See Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf</a>, pages 29-30 under Section 2.2.3.1, setting out the responsibilities and functions of the Chairman.</p>	
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**Recommendation 2.4**

1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Non-compliant		The Board approved the Corporate Governance (CG) Committee Charter on August 9, 2017 as a first step in the adoption of a succession planning program, including policy on retirement age, for directors and key officers. See CG Charter at <a href="http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf</a> , page 4 under Section 4.5. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMPFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMPFB2018AnnualReport.pdf</a> , page 40, under the heading “Corporate Governance Committee”, which states that the CG Committee oversees the implementation of policies relating to succession planning.
2. Board adopts a policy on the retirement for directors and key officers.	Non-compliant		

**Recommendation 2.5**

1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	See Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 4-5 under Section 2.2.1.2 (c).	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	See Corporate Governance Committee Charter as of August 9, 2017 at <a href="http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf</a> , pages 3-4 under Section 4.2.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	See 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMPFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMPFB2018AnnualReport.pdf</a> , page 52, fifth paragraph, which discusses the implementation of the policy on remuneration based on performance.	

**Optional: Recommendation 2.5**

1. Board approves the remuneration of senior executives.		Provide proof of board approval	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 52, fifth paragraph, providing that the Company adopts a performance management system and salary review program wherein senior executives, which include executive directors, are appraised annually on the basis of achievement of specific objectives and key performance indicators. Bonuses are determined in accordance with San Miguel Corporation's (SMC) Annual Incentive Program (LTIP), which tracks attainment of the San Miguel Group's earnings targets. The Company is also part of the Long Term Incentive Program of SMC for the San Miguel Group. The LTIP is a variable reward program that provides key executives with financial incentives that are contingent to the achievement of the Group's medium to long range business goals, sustained growth, expansion, and continued financial success.	
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	Compliant	See Manual on Corporate Governance at <a href="http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 16-17 under Section 2.2.1.7, which sets out the formal Board nomination and election policy and process, including the acceptance of nominations even from minority shareholders and the shortlisting of candidates that are aligned with the strategic direction of the Company, as well as pages 11-16 under Section 2.2.1.5, which sets out the criteria for qualification and disqualification of directors in the Company.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	See SEC Form 17-C dated November 13, 2018 at <a href="http://www.smbf.com.ph/files/reports/SMFB_SEC_Form_17-">http://www.smbf.com.ph/files/reports/SMFB_SEC_Form_17-</a>	

4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	<a href="#">C (Nov. 13, 2018 BOD mtg . re approval of 17Q, FS and Internal Audit Plan) .pdf</a> , on the implementation of the policy for the 2019 Annual Stockholders' Meeting (ASM). The said disclosure expressly invites shareholders to nominate candidates to the Board for election at the 2019 ASM.	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 40, second paragraph, which states that the Board assessed as effective the nomination and election process for directors.	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		
<b>Optional: Recommendation to 2.6</b>			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.		Identify the professional search firm used or other external sources of candidates	
<b>Recommendation 2.7</b>			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	See Related Party Transactions Policy as of March 14, 2018, as further amended on March 13, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf</a> .  Pursuant to the Policy, see also SEC Form 17-C dated August 8, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follow_on_offer_etc).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follow_on_offer_etc).pdf</a> , which reports that the RPT Committee endorsed to the Board the assignment by the Company of its entire shareholding in its non-operating 100%-owned subsidiary RealSnacks Mfg. Corp., to San Miguel Foods, Inc., a 99.99%-owned subsidiary of the Company.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		
<b>Supplement to Recommendations 2.7</b>			



<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<p>See coverage and materiality threshold for disclosure and approval of RPTs in page 1 of the Related Party Transactions Policy as of March 14, 2018, as further amended on March 13, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy as of March 13, 2019.pdf</a>.</p>	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Non-compliant</p>		<p>Under the Company's Related Party Transactions Policy as of March 14, 2018, as further amended on March 13, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy as of March 13, 2019.pdf</a>, the Company ensures that the rights of minority shareholders are protected at all times, especially from abusive actions by, or in the interest of controlling shareholders. As such, all transactions, including RPTs determined by the Committee, which require shareholders' approval in accordance with law and regulations, will be submitted to all shareholders, including minority shareholders, for approval. The Company encourages disinterested shareholders to decide on the matter.</p>

**Recommendation 2.8**

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 4 under Section 2.2.1.2 (a) and (b), which provide that it is the specific duty and function of the Board of Directors to select and appoint officers and management, and pages 7-8 under Section 2.2.1.3.1 (c) to (e), which provide that the Board shall select and appoint the CEO and other management officers as part of its oversight responsibilities on ensuring internal controls.</p> <p>See SEC Form 17-C dated May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf</a>, which reports on the election by the Board of the key officers of the Company at the organizational meeting held on May 11, 2018, and SEC Form 17-C dated July 5, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_on_July_5,_2018_re_Appointment_of_KeyOfficers.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_on_July_5,_2018_re_Appointment_of_KeyOfficers.pdf</a>, which reports on the creation by the Board of new officer positions and the appointment by the Board of such officers at its special meeting held on July 5, 2018 as a result of the restructuring of the food and beverage businesses of San Miguel Corporation under the Company.</p>	
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<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 8 under Section 2.2.1.3.1 (j), stating that the Board shall assess the performance of management led by the CEO, and control functions led by their respective heads (CFO, Compliance Officer, Internal Audit Group Head).</p> <p>See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 52, fifth paragraph, discussing the assessment process and stating that the appraisal of performance of management is conducted on an annual basis.</p>	
<b>Recommendation 2.9</b>			
<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 52, fifth paragraph, which provides the Board's performance management framework for management and personnel.</p>	
<p>2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>		
<b>Recommendation 2.10</b>			
<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 7-8 under Section 2.2.1.3.1, which provides that the Board has certain oversight responsibilities for ensuring the presence of appropriate, adequate and effective internal control mechanisms. See also Corporate Policy on Internal Control posted at</p>	

2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	<a href="http://www.smfb.com.ph/files/reports/Coporate_Policy_on_Internal_Control.pdf">http://www.smfb.com.ph/files/reports/Coporate_Policy_on_Internal_Control.pdf</a> .	
3. Board approves the Internal Audit Charter.	Compliant	See Internal Audit Group Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf</a> .  See SEC Form 17-C dated March 16, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_SEC_17-C_on_Mar_16_2017_on_new_director_RCMarquez_Internal_audit_charter_notice_of_ASM.pdf">http://www.smfb.com.ph/files/reports/SMPFC_SEC_17-C_on_Mar_16_2017_on_new_director_RCMarquez_Internal_audit_charter_notice_of_ASM.pdf</a> , reporting that upon endorsement of the Audit Committee, the Board approved the Internal Audit Group Charter of the Company and its subsidiaries.	
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 8-9 under Section 2.2.1.3.2, which provides that the Board shall oversee that a sound ERM framework is in place to effectively identify, monitor,	

		<p>assess and manage key business risks. In this regard, the Board created a Board Risk Oversight Committee (BROC), and adopted a BROC Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Board_Risk_Oversight_Committee_Charter_approved_on_August_9,_20171.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Board_Risk_Oversight_Committee_Charter_approved_on_August_9,_20171.pdf</a>, as the first step in developing such ERM framework. The Board subsequently approved the Enterprise Risk Management Roadmap for the Company and its food subsidiaries in order to advance its goal to complete its ERM framework, as reported in SEC Form 17-C dated March 14, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt_.Roadmap).pdf">http://www.smfb.com.ph/files/reports/SMPFC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt_.Roadmap).pdf</a>. The Company has engaged SGV &amp; Co. to assist in establishing its ERM framework. Moreover, as provided in the glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 45 under the heading "Risk Management", the Company has established policies to</p>	
<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	<p>Compliant</p>	<p>identify and analyze the key risks faced by the organization. Risk management functions are currently performed at the management committee level of each operating subsidiary of the Company, as well as assumed by the Chief Operating Officers and heads of corporate service units of each division in the Company.</p>	
<b>Recommendation 2.12</b>			
<p>1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.</p>	<p>Non-compliant</p>		<p>The Manual on Corporate Governance posted on the Company's website at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> was expanded to integrate therein the roles, responsibilities and</p>

2. Board Charter serves as a guide to the directors in the performance of their functions.	Non-compliant		accountabilities of the Board of Directors in carrying out its fiduciary duties. Accordingly, the Board deems that said Manual already serves as a sufficient guide to the directors in the performance of their functions.
3. Board Charter is publicly available and posted on the company's website.	Non-compliant		
<b>Additional Recommendation to Principle 2</b>			
1. Board has a clear insider trading policy.	Compliant	See Policy on Securities Dealing at <a href="http://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing_(SMPFC).pdf">http://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing_(SMPFC).pdf</a> .	
<b>Optional: Principle 2</b>			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	See Related Party Transactions Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf</a> , page 1 under Section B (2), stating that a loan or advance to and from a director at whatever amount, which shall be conducted at arm's length and at market rate, will be considered material and thus covered by the Policy.	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	See Related Party Transactions (RPT) Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_RPT_Policy_as_of_March_13,_2019.pdf</a> , pages 1-2 under Sections B and E, which indicates the types of transactions that are considered material RPT, thus subject to review by the RPT Committee, who shall then endorse the transaction to the Board for final approval if found at arm's length, the terms are fair and will inure to the best interest of the Company.	
<b>Principle 3:</b> Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
<b>Recommendation 3.1</b>			

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 40-42 under the heading “Board Committees”, which sets out all Committees created by the Board to aid in the optimal performance of its roles and responsibilities.</p>	
<p><b>Recommendation 3.2</b></p>			
<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smbf.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 22-26 under Section 2.2.2.2, which provides information on the Audit Committee, including its functions. In this connection, it is the Audit Committee’s responsibility to recommend the appointment and removal of the Company’s external auditor.</p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 40-41 under the heading “Audit Committee”, which provides that all Committee members have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance, and page 42 under the heading “Board Committee Members” and sub-heading “Audit Committee” in the Table of Attendance at Committee meetings, which provides information on the members of the Audit Committee for the year ended 2018, including their type of directorship.</p>	

<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>The members of the Audit Committee for the year ended 2018 are Chairman Carmelo L. Santiago (Independent) and Directors Minita V. Chico-Nazario (Independent), Ricardo C. Marquez (Independent), Menardo R. Jimenez (Non-executive), Cirilo P. Noel (Independent), and Ferdinand K. Constantino (Advisor). Information on the background, knowledge, skills, and/or experience of said members are set out in the glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 33-34.</p>	
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>See SEC Form 17-C dated May 11, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf</a>, which identifies the members of all Board Committees appointed by the Board at the organizational meeting on May 11, 2018.</p> <p>See SEC Form 17-C dated September 12, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-C_dated_Sep._12,_2018_(Election_of_CPNoel_as_ID).pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-C_dated_Sep._12,_2018_(Election_of_CPNoel_as_ID).pdf</a>, which included Mr. Cirilo P. Noel as member of the Audit Committee and Related Party Transactions Committee.</p>	



1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant/Not applicable	See Audit Committee Charter as of August 10, 2012 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf</a> , page 6 under Section 4.4.6, which provides that the Audit Committee shall evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions. However, see glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 44 under the heading “External Auditor”, fourth paragraph, which states that no non-audit services were rendered by the external auditor to the Company in 2018.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Non-compliant		The Audit Committee is empowered under its Charter and in the Manual on Corporate Governance as of May 9, 2017, to conduct regular meetings and dialogues with the external audit team without anyone from management present. Despite the opportunity, the Committee did not see the need to so conduct such meeting and/or dialogue in the year 2018.
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	Compliant	The Audit Committee met on March 14, May 9, August 8, and November 7, 2018. See glossy 2018 Annual Report, Table of Attendance at Committee meetings, at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 42.	
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 56, Report of the Audit Committee for the year ended December 31, 2018, third bullet point.	
<b>Recommendation 3.3</b>			

<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 19-22 under Section 2.2.2.1, which provides information on the Corporate Governance Committee, including its functions. See also page 16, third paragraph under the heading "Nomination of Directors", pursuant to which, the Committee undertook the process of identifying the quality of directors aligned with the Company's strategic direction.</p>	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 42 under the heading "Corporate Governance Committee" in the Table of Attendance at Committee meetings, which provides information on the members of the Corporate Governance Committee for the year ended 2018 and their type of directorship.</p>	
<p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	<p>Compliant</p>	<p>The Chairperson of the Corporate Governance Committee is Independent Director Minita V. Chico-Nazario. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 34, which provides information on her.</p>	
<p><b>Optional: Recommendation 3.3.</b></p>			
<p>1. Corporate Governance Committee meet at least twice during the year.</p>	<p>Compliant</p>	<p>The Corporate Governance Committee met on March 14, May 9, July 5, and August 8, 2018. See glossy 2018 Annual Report, Table of Attendance at CG Committee meetings, at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 42.</p>	
<p><b>Recommendation 3.4</b></p>			
<p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 26-27 under Section 2.2.2.3, which provides information on the BROC, including its functions.</p>	

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 43 under the heading “Board Risk Oversight Committee” in the Table of Attendance at Committee meetings, which provides information on the members of the BROC for the year ended 2018 and their type of directorship.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	See SEC Form 17-C dated May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_11,_2018_Results_of_ORGL_BOD_mtg).pdf</a> , which identifies the members of all Board Committees appointed by the Board at the organizational meeting on May 11, 2018.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	The members of the BROC for the year ended 2018 are Chairman Ricardo C. Marquez (Independent) and Directors Carmelo L. Santiago (Independent) and Menardo R. Jimenez (Non-executive). Information on the background, skills and/or experience of said Committee members are set out in the glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 33-34. The Chairman of the Committee, who previously held several positions in the Philippine National Police (PNP) including Chief of the PNP, has relevant thorough knowledge and experience on risk and risk management.	
<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 27-29 under Section 2.2.2.4, which provides information on the RPT Committee, including its functions.	

2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 43 under the heading “Related Party Transactions Committee” in the Table of Attendance at Committee meetings, which provides information on the members of the RPT Committee for the year ended 2018 and their type of directorship.	
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**Recommendation 3.6**

1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	See Audit Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Audit_Committee_Charter_10_Aug_20121.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Audit_Committee_Charter_10_Aug_20121.pdf</a> , Corporate Governance Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9,_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9,_20172.pdf</a> , Related Party Transactions Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Related_Party_Transactions_Committee_Charter_approved_on_August_9,_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Related_Party_Transactions_Committee_Charter_approved_on_August_9,_20172.pdf</a> , and Board Risk Oversight Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Board_Risk_Oversight_Committee_Charter_approved_on_August_9,_20171.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Board_Risk_Oversight_Committee_Charter_approved_on_August_9,_20171.pdf</a> .	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company’s website.	Compliant		

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

**Recommendation 4.1**

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 38-40 under the heading “Board Performance” and pages 42-43 setting out Tables of Attendance at Committee meetings, which provide information on the review of materials for, and attendance and participation of directors at, Board meetings, the Annual Stockholders’ Meeting and Board Committee meetings.	
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2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Further, the undersigned directors and officers, including the Corporate Secretary, hereby attest that directors ask questions or seek clarifications and explanations, as they	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	deem necessary or appropriate, during Board and Committee meetings.	
<b>Recommendation 4.2</b>			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	The Company does have a Policy on Multiple Board Seats in its Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 18 under Section 2.2.1.10, which sets the limit of board seats in publicly-listed companies (PLCs) that a non-executive director (NED) can hold simultaneously. All the NEDs of the Company are compliant with such requirement. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 32-34, which sets out the directorships of the NEDs of the Company.	
<b>Recommendation 4.3</b>			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	See Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 18 under Section 2.2.1.10, last paragraph, which contains the obligation for directors to notify the Company's Board before accepting a directorship in another company.	
<b>Optional: Principle 4</b>			

1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	Mr. Ramon S. Ang is the only executive director of the Company who serves in a listed company outside of the group, Eagle Cement Corporation. He is not a director of any other listed company outside of the group. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 32, which sets out the directorships of the only executive director of the Company.	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	See SEC Form 17-C dated November 13, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf</a> , pages 2-3.	
3. Board of directors meet at least six times during the year.	Compliant	The Board of Directors of the Company met nine times in 2018. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 39, Table of Attendance at Board meetings.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Compliant	See Amended By-laws as of December 7, 2018, Article II, Section 3 and Article III, Section 4, at <a href="http://www.smfb.com.ph/files/reports/SMFB_amended_By-laws_approved_by_SEC_on_Dec._7,_2018_2.pdf">http://www.smfb.com.ph/files/reports/SMFB_amended_By-laws_approved_by_SEC_on_Dec._7,_2018_2.pdf</a> , which provide that the Company requires a minimum quorum of 2/3 of the directors for Board meetings.	

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

**Recommendation 5.1**

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	The Company ended the year 2018 with four independent directors out of its nine-member Board. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 37 under the headings "Composition and Qualification" and "Independent and Non-executive Directors", which sets out the number of the Company's Board members in 2018 and its independent directors.	
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**Recommendation 5.2**

<p>1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.</p>	<p>Compliant</p>	<p>See Certifications of Independent Directors Carmelo L. Santiago, Minita V. Chico-Nazario and Ricardo C. Marquez attached as Annexes “A-1” to “A-3” to the Definitive Information Statement (SEC Form 20-IS) filed on April 16, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,_2018_.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,_2018_.pdf</a>, and the Certification of Independent Director of Mr. Cirilo P. Noel attached as Annex “A” to the Definitive Information Statement (SEC Form 20-IS) filed on August 9, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Supplemented_Def_Info_Statement_filed_with_SEC_on_Aug_9_2018_(Sep_12_2018_SSM).pdf">http://www.smfb.com.ph/files/reports/SMFB_Supplemented_Def_Info_Statement_filed_with_SEC_on_Aug_9_2018_(Sep_12_2018_SSM).pdf</a>.</p>	
<p><b>Supplement to Recommendation 5.2</b></p>			
<p>1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors’ ability to vote independently.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 36 under the heading “Board of Directors”, second paragraph.</p>	
<p><b>Recommendation 5.3</b></p>			
<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).</p>	<p>Compliant / Not applicable</p>	<p>The independent directors of the Company have not yet served for a cumulative term of nine years reckoned from 2012. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 33-34, stating the years the independent directors have served as such.</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>Compliant</p>	<p>The Company’s policy on term limits for its independent directors is set out in its Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 17 under Section 2.2.1.7.4.</p>	

<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	<p>Compliant / Not applicable</p>	<p>The independent directors of the Company have not yet served for a cumulative term of nine years reckoned from 2012. However, in the instance the Company decides to retain an independent director in the same capacity after said period, the Board will provide meritorious justification and seek shareholder approval during the annual shareholders' meeting, as provided in the Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 17 under Section 2.2.1.7.5.</p>	
<p><b>Recommendation 5.4</b></p>			
<p>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</p>	<p>Compliant</p>	<p>The Company's Chairman of the Board is Mr. Eduardo M. Cojuangco, Jr., while the Chief Executive Officer, who is also the President in the case of the Company, is Mr. Ramon S. Ang. See Amended General Information Sheet filed on September 14, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_GIS_filed_with_SEC_on_Sep_12_2018_(Election_of_Mr_CPNoel).pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_GIS_filed_with_SEC_on_Sep_12_2018_(Election_of_Mr_CPNoel).pdf</a>, page 3.</p>	
<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 29-31 under Sections 2.2.3.1 to 2.2.3.2, which contains information on the roles and responsibilities of the Chairman of the Board and the Chief Executive Officer, or the President in the case of the Company.</p> <p>The President does not report to the Chairman of the Board.</p>	
<p><b>Recommendation 5.5</b></p>			



<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Compliant</p>	<p>The Company's Chairman of the Board is a non-executive director, but not an independent director. The Board thus appointed Mr. Carmelo L. Santiago as lead director from among its independent directors. See SEC Form 17-C dated May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_17-C_on_May_11,_2018_re_appt._of_CLSantiago_as_Lead_Ind_.Director_.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_17-C_on_May_11,_2018_re_appt._of_CLSantiago_as_Lead_Ind_.Director_.pdf</a>, and Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 29 and 31 under Sections 2.2.3, third paragraph, and 2.2.3.3, containing information on the lead independent director and his roles and responsibilities.</p>	
<p><b>Recommendation 5.6</b></p>			
<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant / Not applicable</p>	<p>There has been no instance where a director had a material interest in a transaction affecting the Company. Under the Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 10 under Section 2.2.1.4 (a), it is the duty and responsibility of a director with a material interest in any transaction affecting the Company to abstain from taking part in the deliberations for the same.</p>	
<p><b>Recommendation 5.7</b></p>			
<p>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</p>	<p>Compliant</p>	<p>The NEDs met on May 9, 2018 without the presence of Francisco S. Alejo III, then President and sole executive director of the Company at the time. He was also not in attendance during the Audit Committee meeting held on the same day, at which meeting the heads of the internal audit group, compliance and risk functions were present. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 38, third paragraph.</p>	

2. The meetings are chaired by the lead independent director.	Compliant	The Chairman of the Audit Committee is the lead independent director. He chaired the meeting on May 9, 2018 without the President in attendance.	
<b>Optional: Principle 5</b>			
1. None of the directors is a former CEO of the company in the past 2 years.			
<b>Principle 6:</b> The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
<b>Recommendation 6.1</b>			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	See SEC Form 17-C dated November 13, 2018 with copies of the assessment forms attached, at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-</a>	
2. The Chairman conducts a self-assessment of his performance.	Compliant	<a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">C (Nov. 13, 2018 BOD mtg . re approval of 17Q, FS and Internal Audit Plan) .pdf</a> , and glossy 2018 Annual Report at	
3. The individual members conduct a self-assessment of their performance.	Compliant	<a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 39, last paragraph, both reporting on the distribution of the forms, together with the policy and procedures, including criteria, for the annual performance assessment of the Board as a whole, the individual directors including the Chairman, all the Board Committees and the President.	
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Compliant / Not applicable	The requirement for assessments to be supported by an external facilitator every three years, was adopted by the Company in its Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 43 under Section 7.1. The Company will thus engage such external facilitator to assist in the conduct of the assessment for the year 2020 (3 years from 2017).	
<b>Recommendation 6.2</b>			

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	See SEC Form 17-C dated November 13, 2018 with a copy of the self-rating form attached, at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf</a> , which provides the criteria and process to determine the performance of the Board, individual directors and committees.	
2. The system allows for a feedback mechanism from the shareholders.	Compliant	As the questionnaire is posted on the Company's website at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_Audit_and_BOD_Asst.).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_Audit_and_BOD_Asst.).pdf</a> , shareholders are encouraged to provide feedback through stakeholder engagement touchpoints in the Company, such as the Investor Relations Office, Office of the Corporate Secretary, or SMC Stock Transfer Service Corporation, among others. Moreover, representatives of these offices are always in attendance at Annual Stockholders' Meetings of the Company.	
<b>Principle 7:</b> Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
<b>Recommendation 7.1</b>			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	See Code of Business Conduct and Ethics of the Company and its subsidiaries at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a> .	

2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The Board approved the Code of Ethics at its meeting on August 8, 2013. Aside from making the Code available for review and download in the corporate website, the Company formally launched the Code in the annual Employee Service Awards in 2013 and then cascaded the same to all employees and business partners (i.e., contractors, suppliers, distributors) of the Company and its subsidiaries. Employees and business partners were given copies of the Code during the cascade and thereafter made to sign their commitment to comply with the Code and adopt the fundamental standards of conduct and values set out therein. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 53-54 under the heading "Code of Ethics, Whistleblowing and Other Policies".	
3. The Code is disclosed and made available to the public through the company website.	Compliant	See <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a> .	
<b>Supplement to Recommendation 7.1</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	See Group Policy on Solicitation and Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf">http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf</a> .	
<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	The Company has a Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf</a> to ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and other internal policies of the Company. The Code of Ethics is applicable to all employees and business partners (i.e., contractors, suppliers,	

2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	distributors) of the Company and its subsidiaries. See 2018 glossy Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 53-54 under the heading “Code of Ethics, Whistleblowing and Other Policies”.	
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**Disclosure and Transparency**

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

**Recommendation 8.1**

1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company’s financial condition, results and business operations.	Compliant	The Company’s disclosure policies and procedures are set out in its Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 5 under Section 2.2.1.2 (f), and pages 37-38 under Section 4. As to the Company’s reports made available to its shareholders and other stakeholders, see its SEC Form 17-Q for the quarter ended March 31, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_March_31,2018.pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_March_31,2018.pdf</a> , SEC Form 17-Q for the quarter ended June 30, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_June_30_2018.pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_June_30_2018.pdf</a> , SEC Form 17-Q for quarter ended September 30, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_September_30,_2018.pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_September_30,_2018.pdf</a> , and SEC Form 17-A for year ended December 31, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a> .	
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**Supplement to Recommendations 8.1**

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Non-compliant</p>		<p>The interim reports attached to the Company's SEC Form 17-Qs for the quarters ended March 31, June 30, and September 30, 2018 were filed with the SEC on May 15, August 14, and November 14, 2018, respectively, or all within the legally prescribed 45 days from the end of the reporting period. The consolidated financial statements of the Company for the year ended December 31, 2018 were filed with the SEC as early as April 15, 2019 as an attachment to the Company's SEC Form 17-A. See <a href="http://www.smfb.com.ph/files/reports/S_MFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/S_MFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a></p>
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<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>Non-compliant</p>		<p>The Company's SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/S_MFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">http://www.smfb.com.ph/files/reports/S_MFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf</a> is prepared in accordance with the SRC and its IRR. Thus, the Report discloses (1) the Major Business Risks that the Company and its subsidiaries deal with, at pages 18-20, (2) the cross-holdings among the Company's subsidiaries and affiliates through which it operates its businesses, also at link <a href="http://www.smfb.com.ph/page/corporate-structure">http://www.smfb.com.ph/page/corporate-structure</a>, and (3) the top 20 stockholders of the Company showing the imbalance between the controlling shareholders' voting power and overall equity position in the Company, at pages 22-24. For item 1, none of the risks disclosed are due to the identity of the Company's controlling shareholder.</p>
<p><b>Recommendation 8.2</b></p>			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>See Policy on Securities Dealing at <a href="http://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing_(SMPFC).pdf">http://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing_(SMPFC).pdf</a>, page 4 under the Heading "Disclosure". The actual dealings of directors and officers involving the Company's shares, which are reflected in Statements of Beneficial Ownership of Securities (SEC Forms 23-A and 23-B) filed with the SEC, are posted at <a href="http://www.smfb.com.ph/disclosures/l/statement-of-beneficial-ownership--sec-form-23-a-b-">http://www.smfb.com.ph/disclosures/l/statement-of-beneficial-ownership--sec-form-23-a-b-</a>.</p>	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>		
<p><b>Supplement to Recommendation 8.2</b></p>			

<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 47 under the Table setting out the shareholdings of directors and key officers as of the start and end of the year 2018.</p> <p>See Top 100 Stockholders as of March 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Top_100_Stockholders_as_of_March_31,_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Top_100_Stockholders_as_of_March_31,_2018.pdf</a>, Top 100 Stockholders as of June 30, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_June_30_2018.pdf">http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_June_30_2018.pdf</a>, Top 100 Stockholders as of September 30, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_September_30,_20181.pdf">http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_September_30,_20181.pdf</a>, and Top 100 Stockholders as of December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_December_31,_20181.pdf">http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_December_31,_20181.pdf</a>. See Conglomerate Map at <a href="http://www.smfb.com.ph/page/corporate-structure">http://www.smfb.com.ph/page/corporate-structure</a>.</p>	
<b>Recommendation 8.3</b>			
<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 32-34, setting out the directors' academic qualifications, membership in other boards, other executive positions and professional experiences, page 45 under the heading "Disclosure and Transparency", setting out the requirement for directors to disclose their business interests and any other conflicts of interest, page 47 under the Table on shareholdings of directors and key officers, setting out their share ownership in the Company, and page 55 under the heading "Annual Training or Program on Corporate Governance", setting out the relevant training attended.</p>	



<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">http://www.smb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf</a>, setting out the key officers' academic qualifications, membership in other boards, other executive positions and professional experiences. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 47 under the Table on shareholdings of directors and key officers, setting out their share ownership in the Company, and page 55 under the heading "Annual Training or Program on Corporate Governance", setting out the relevant training attended.</p>	
<p><b>Recommendation 8.4</b></p>			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>For the policy, see Corporate Governance Committee Charter as of August 9, 2017 at <a href="http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9_20172.pdf</a>, pages 3-4 under Section 4.2. For actual practice, see glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 43 under the heading "Board Remuneration".</p>	

<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>For the policy, see Corporate Governance Committee Charter as of August 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9,_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Corporate_Governance_Committee_Charter_approved_on_August_9,_20172.pdf</a>, pages 3-4 under Section 4.2. For actual practice, see glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 52-52 under the heading “Employee Relations, Health, Safety and Welfare”, which discusses employee benefits, such as health care and wellness initiatives, salary review, bonuses and incentives, retirement and career advancement opportunities offered by the Company.</p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Non-compliant</p>		<p>The Company discloses the aggregate compensation received by its key officers and directors for the year. See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, pages 35-37 under Item 10 on Executive Compensation.</p>
<p><b>Recommendation 8.5</b></p>			

<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>The Company's policies on RPTs are set out in its Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf</a>, page 6 under Section 2.2.1.2 (n), pages 27-29 under Section 2.2.2.4, and page 37 under Section 4.9.</p> <p>There has been no instance where a director had a material interest in a transaction affecting the Company. Nevertheless, in the said Manual, page 10 under Section 2.2.1.4 (a), it is the duty and responsibility of a director with a material interest in any transaction affecting the Company to abstain from taking part in the deliberations for the same.</p>	
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<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Compliant</p>	<p>See SEC Form 17-C dated August 8, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follow_on_offer_etc).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug_8_2018_BOD_mtg_re_cash_div_policy_follow_on_offer_etc).pdf</a>, reporting on the Board approval of the assignment by the Company of its entire shareholding in its non-operating 100%-owned subsidiary RealSnacks Mfg. Corp., to San Miguel Foods, Inc., a 99.99%-owned subsidiary of the Company. See PSE Disclosure Form LR-1 - Comprehensive Corporate Disclosure dated September 19, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_PSE_Disclosure_re_LR-1_Comprehensive_Corp._Disclosure_(Sept._19,_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_PSE_Disclosure_re_LR-1_Comprehensive_Corp._Disclosure_(Sept._19,_2018).pdf</a>, reporting on the Board approval of the share swap transaction between the Company and intermediate parent SMC involving SMC's shares in affiliates SMB and GSMI, including the amount of contract price, rationale and other terms of the transaction. For other RPTs, see SEC Form 17-A for the year ended December 31, 2018 with audited consolidated financial statements attached thereto, which were approved for filing by the Board, at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, pages 104-105 under Note 30 on Related Party Disclosures.</p>	
<p>Supplement to Recommendation 8.5</p>			

<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 45 under the heading “Disclosure and Transparency”. The Corporate Secretary hereby attests that all directors and nominees to the Board disclose their business interests on an annual basis, via their submission of a Full Business Interest Disclosure Form as part of the process to determine whether they continue to have all the qualifications and none of the disqualifications to be a director of the Company.</p>	
<p><b>Optional : Recommendation 8.5</b></p>			
<p>1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms’ length.</p>	<p>Compliant</p>	<p>See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, page 39-40 under Item 12 on Certain Relationships and Related Transactions.</p>	
<p>1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.</p>	<p>Compliant</p>	<p>See SEC Form 17-A for the year ended December 31, 2018 posted at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, Annex “G”, which sets out all Current Reports or SEC Form 17-Cs filed by the Company in 2018.</p>	

2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	See PSE Disclosure Form LR-1 - Comprehensive Corporate Disclosure dated September 19, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_PSE_Disclosure_re_LR-1_Comprehensive_Corp_Disclosure_(Sept_19_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_PSE_Disclosure_re_LR-1_Comprehensive_Corp_Disclosure_(Sept_19_2018).pdf</a> , where it was reported that ING Bank, N.V., Manila Branch was appointed as the Company's Independent Financial Advisor to evaluate the fairness of the transaction price for the acquisition by the Company of SMC's common shares in SMB and GSMI in exchange for the issuance to SMC of new common shares in the Company, and that the price was determined using a discounted cash flow approach and validated by trading and transaction comparables.	
<b>Supplement to Recommendation 8.6</b>			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 36 under the heading "Board of Directors", second paragraph, which states that the Company has no shareholder agreements, voting trust agreements, confidentiality agreements and such other agreements that may impact the control, ownership and strategic direction of the Company.	
<b>Recommendation 8.7</b>			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	See PSE Disclosure Form 17-18 – Other SEC Forms/ Reports/Requirements dated May 31, 2017, reporting the submission to the SEC on May 30, 2017 of the new Manual on Corporate Governance as of May 9, 2017, posted at the Company's website at	
2. Company's MCG is submitted to the SEC and PSE.	Compliant	<a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> .	
3. Company's MCG is posted on its company website.	Compliant		
<b>Supplement to Recommendation 8.7</b>			

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	See PSE Disclosure Form 17-18 – Other SEC Forms/ Reports/Requirements dated May 31, 2017, reporting the submission to the SEC on May 30, 2017 of the new Manual on Corporate Governance, at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> . The new Manual contains updates and changes to the Company’s corporate governance practices approved by the Board at its meeting on May 9, 2017. There were no changes made in 2018.	
<b>Optional: Principle 8</b>			
1. Does the company’s Annual Report disclose the following information:			
a. Corporate Objectives	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , Message to Stockholders in pages 2-5, and Corporate Objectives and Strategies in page 53.	
b. Financial performance indicators	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , Financial Highlights in page 11; Financial Review in pages 12-13; Business Review in pages 14-23; and Audited Consolidated Financial Statements starting page 57.	
c. Non-financial performance indicators	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , Message to Stockholders in pages 2-5 and Business Review in pages 14-23.	
d. Dividend Policy	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 49-50 under the heading “Dividends and Dividend Policy”.	

e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 32-34.	
f. Attendance details of each director in all directors meetings held during the year	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 39 for attendance at Board meetings and stockholders' meetings, pages 42-43 for attendance at Board Committee meetings.	
g. Total remuneration of each member of the board of directors	Non-compliant		See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , where the Company disclosed the attendance of directors at Board, stockholder and Committee meetings held during the year as noted in the pages mentioned in (f) above, as well as in page 43 under the heading "Board Remuneration", where the Company disclosed the total per diem allowances paid to directors for their attendance at such meetings, with breakdown on type of directorships held by them. Thus, readers will be able to derive the total remuneration received by each member of the Board in 2018.
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 55, under the heading "Annual Training or Program on Corporate Governance", last paragraph.	



3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Non-compliant		The glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> contains the Report of the Audit Committee for 2018 in page 56, sixth bullet point, which provides that the Committee conducted a review of the Company's financial and internal controls, risk management systems, and control and governance processes.
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 56, sixth bullet point.	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf</a> , pages 18-20, under the heading "Major Business Risks".	

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

**Recommendation 9.1**

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	The appointment, reappointment, and removal of the external auditor, including audit fees, shall be recommended by the Audit Committee, approved by the Board of Directors and ratified by the shareholders, as provided in the Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , page 23 under Section 2.2.2.2 (c).	
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<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Compliant</p>	<p>See draft minutes of the Annual Stockholders' Meeting held on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11_2018_(2).pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11_2018_(2).pdf</a>, pages 4-5 under Item IV and page 9 under Item VI.</p> <p>In page 14 and Annex "C" to said minutes, common stockholders owning or representing 88.792% of the total outstanding common shares of the Company, voted in favor of the appointment of the external auditor of the Company for 2018.</p>	
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>Compliant</p>	<p>See SEC Form 17-A for the year ended December 31, 2018 posted in the Company's website at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31_2018_filed_with_SEC_on_April_15_2019.pdf</a>, page 27-28 under Item 8 on Information on Independent Accountant and Other Related Matters, where the Company explained the reason for the change in its external auditor for 2018.</p>	
<p><b>Supplement to Recommendation 9.1</b></p>			
<p>1. Company has a policy of rotating the lead audit partner every five years.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 34 under Section 2.2.5.5.</p>	
<p><b>Recommendation 9.2</b></p>			

<p>1. Audit Committee Charter includes the Audit Committee’s responsibility on:</p> <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor’s independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	Compliant	<p>See Audit Committee Charter as of August 10, 2012 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf</a>, page 6 under Section 4.4.</p> <p>See also Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 23 under Section 2.2.2.2 (d).</p>	
<p>2. Audit Committee Charter contains the Committee’s responsibility on reviewing and monitoring the external auditor’s suitability and effectiveness on an annual basis.</p>	Compliant		
<b>Supplement to Recommendations 9.2</b>			
<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	Compliant	<p>See Audit Committee Charter as of August 10, 2012 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Audit_Com_Charter_10_Aug_20121.pdf</a>, page 6 under Section 4.4.</p> <p>See also Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 33 under Sections 2.2.5.1-2.2.5.2,</p>	
<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	Compliant	<p>which provides that after consultations with the Audit Committee, the external auditor shall be selected in accordance with appropriate standards to enhance audit quality.</p>	
<b>Recommendation 9.3</b>			

1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant / Not applicable	See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 44 under the heading “External Auditor”, fourth paragraph, stating that no non-audit services were rendered by the external auditor for the covered year.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor’s objectivity.	Compliant	See Manual on Corporate Governance at <a href="http://www.smbf.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf">http://www.smbf.com.ph/files/reports/SMPFC New Manual on Corporate Governance approved on May 9 20172.pdf</a> , page 24 under Section 2.2.2.2 (g), page 34 under Section 2.2.5.4, and page 37 under Section 4.6.	
<b>Supplement to Recommendation 9.3</b>			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smbf.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 44 under the heading “External Auditor”, fourth paragraph, which provides information on audit fees paid, and states that no non-audit services were rendered by the external auditor for the covered year.	
<b>Additional Recommendation to Principle 9</b>			
1. Company’s external auditor is duly accredited by the SEC under Group A category.	Compliant	The Company’s external auditor for the year ended December 31, 2018 is duly accredited by the SEC. See details below:  1. Name of audit engagement partner: Mr. John Molina 2. SEC Accreditation No. 0004-FR-5 Group A 3. Date accredited: November 16, 2017 4. Expiry date of accreditation: November 15, 2020 5. R.G. Manabat & Co.; The KPMG Center, 6787 Ayala Avenue, Makati City, 1226, Philippines; +632 885 7000	
2. Company’s external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC’s Office of the General Accountant (OGA).	Compliant / Not applicable	The Company’s external auditor agreed to be subjected to the SEC SOAR Inspection Program, but it was not subjected to inspection in 2018.	

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

**Recommendation 10.1**

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 38 under Section 4.10, stating the policy to disclose material and reportable non-financial and sustainability issues.</p> <p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 24-30 under the heading “Working towards the Greater Good”.</p>	
<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p>Non-compliant</p>		<p>As part of the process of formally establishing its Enterprise Risk Management system, for which the Company has engaged SGV &amp; Co. to assist, the Company shall consider adopting a globally recognized standard/framework in reporting sustainability and non-financial issues. See SEC Form 17-C dated March 14, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt._Roadmap).pdf">http://www.smfb.com.ph/files/reports/SMPFC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt._Roadmap).pdf</a>, where it was reported that the Board approved the Enterprise Risk Management Roadmap of the Company and its food subsidiaries.</p>

**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	See quarterly investors' briefings materials at <a href="http://www.smfb.com.ph/disclosures/I/investor-relations-presentations">http://www.smfb.com.ph/disclosures/I/investor-relations-presentations</a> , press releases and statements, including clarifications to news articles at <a href="http://www.smfb.com.ph/articles/press-and-news-releases">http://www.smfb.com.ph/articles/press-and-news-releases</a> . Other disclosures may be found at <a href="http://www.smfb.com.ph/disclosures">http://www.smfb.com.ph/disclosures</a> under the sub-tabs "SEC Filings" and "Other PSE Disclosures". See also glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 50 under the heading "Shareholder and Investor Relations".	
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**Supplemental to Principle 11**

1. Company has a website disclosing up-to-date information on the following:	Compliant	<a href="http://www.smfb.com.ph">http://www.smfb.com.ph</a>	
a. Financial statements/reports (latest quarterly)	Compliant	<a href="http://www.smfb.com.ph/disclosures/I/quarterly-reports--sec-form-17-q-">http://www.smfb.com.ph/disclosures/I/quarterly-reports--sec-form-17-q-</a>	
b. Materials provided in briefings to analysts and media	Compliant	<a href="http://www.smfb.com.ph/disclosures/I/investor-relations-presentations">http://www.smfb.com.ph/disclosures/I/investor-relations-presentations</a>	
c. Downloadable annual report	Compliant	<a href="http://www.smfb.com.ph/articles/annual-reports">http://www.smfb.com.ph/articles/annual-reports</a> (glossy Annual Reports); <a href="http://www.smfb.com.ph/disclosures/I/annual-reports--sec-form-17-a-">http://www.smfb.com.ph/disclosures/I/annual-reports--sec-form-17-a-</a> (SEC Form 17-As)	
d. Notice of ASM and/or SSM	Compliant	<a href="http://www.smfb.com.ph/disclosures/I/notice-of-annual-and-special-stockholders--meetings">http://www.smfb.com.ph/disclosures/I/notice-of-annual-and-special-stockholders--meetings</a>	
e. Minutes of ASM and/or SSM	Compliant	<a href="http://www.smfb.com.ph/disclosures/I/minutes-of-annual-and-special-stockholders--meetings">http://www.smfb.com.ph/disclosures/I/minutes-of-annual-and-special-stockholders--meetings</a>	
f. Company's Articles of Incorporation and By-Laws	Compliant	<a href="http://www.smfb.com.ph/disclosures/I/articles-of-incorporation-and-by-laws">http://www.smfb.com.ph/disclosures/I/articles-of-incorporation-and-by-laws</a>	

**Additional Recommendation to Principle 11**

1. Company complies with SEC-prescribed website template.	Compliant	<a href="http://www.smfb.com.ph">http://www.smfb.com.ph</a>	
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**Internal Control System and Risk Management Framework**

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

**Recommendation 12.1**

1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	<p>See Corporate Policy on Internal Control at <a href="http://www.smb.com.ph/files/reports/Coprorate_Policy_on_Internal_Control.pdf">http://www.smb.com.ph/files/reports/Coprorate_Policy_on_Internal_Control.pdf</a>. The internal control system of the Company is reviewed annually by the Board of Directors, primarily through its Audit Committee. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 56, which sets out the Report of the Audit Committee for the year ended December 31, 2018.</p> <p>The Company's Internal Audit Group further conducts a quality assurance and improvement program that covers all aspects of the internal audit activity. See Charter of Internal Audit Group at <a href="http://www.smb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf">http://www.smb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf</a>, page 3 under the heading "Quality Assurance and Improvement Program".</p>	
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<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Non-compliant</p>		<p>The Company is still in the process of establishing its Enterprise Risk Management (ERM) framework, and has engaged SGV &amp; Co. to assist in this project. See SEC Form 17-C dated March 14, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFPC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt_Roadmap).pdf">http://www.smfb.com.ph/files/reports/SMFPC_SEC_Form_17-C_(March_14,_2018_BOD_mtg._on_approval_of_SMFG_Enterprise_Risk_Mngt_Roadmap).pdf</a>, where it was reported that the Board approved the Enterprise Risk Management Roadmap of the Company and its food subsidiaries.</p> <p>The key risks faced by the Company are set out in See SEC Form 17-A for the year ended December 31, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-A_for_the_year_ended_December_31,_2018_filed_with_SEC_on_April_15,_2019.pdf</a>, pages 18-20 under the heading “Major Business Risks”. To manage these risks, the Company has established policies to identify and analyze the key risks faced by the Company and its subsidiaries, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, systems and processes, as well as practices, are periodically reviewed to reflect changes in market conditions and the Group’s activities.</p>
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			<p>Risk management functions are currently performed at the management committee level of each operating subsidiary of the Company, as well as assumed by the Chief Operating Officers and heads of corporate service units of each division in the Company.</p> <p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 45 under the heading "Risk Management".</p>
<b>Supplement to Recommendations</b>			
<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	Compliant	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 54 under the heading "Compliance Monitoring", first paragraph. The Corporate Secretary, who is also the Compliance Officer and General Counsel or Chief Legal Officer of the Company, hereby attests that the review on compliance with laws and relevant regulations is conducted on a periodic basis as may be necessary upon the effectivity of such laws and regulations, and at least annually. The Office of the General Counsel conducts appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	
<b>Optional: Recommendation 12.1</b>			
<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>	Compliant	<p>See SMPFC Personal Data Privacy Policy at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy_Effective_May_9_2017_(rev_09.06.17).pdf">http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy - Effective May 9, 2017 (rev 09.06.17).pdf</a>, pages 5-6 under the heading "Technical Security Measures".</p>	
<b>Recommendation 12.2</b>			

<p>1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.</p>	<p>Compliant</p>	<p>The internal audit of the Company is carried out by an in-house independent internal audit group. The internal audit group head oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to third party service providers. The following were the outsourced service providers for internal audit in 2018: Navarro Amper &amp; Co. (Deloitte), Reyes Tacandong &amp; Co., MV Reyes &amp; Associates, Isla Lipana &amp; Co. (PwC), Uy Singson Abella &amp; Co., Sison Corillo Parone &amp; Co.</p>	
<p><b>Recommendation 12.3</b></p>			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p>Compliant</p>	<p>The head of the Company's internal audit group is Ms. Ophelia L. Fernandez. Her responsibilities are set out in the Internal Audit Group Charter at <a href="http://www.smb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf">http://www.smb.com.ph/files/reports/SMPFC_Internal_Audit_Group_Charter_as_of_March_16_2017.pdf</a>.</p>	
<p>2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 44 under the heading "Internal Audit", second paragraph.</p>	
<p>3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.</p>	<p>Not applicable</p>	<p>The internal audit activity of the Company is not fully outsourced.</p>	
<p><b>Recommendation 12.4</b></p>			

<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Non-compliant</p>		<p>The Company is currently considering establishing a separate ERM function to identify, assess and monitor key risk exposures, corresponding to the Company's size, risk profile and complexity of operations. Currently, however, risk management functions are performed at the management committee level of each operating subsidiary of the Company, as well as assumed by the Chief Operating Officers and heads of the corporate service units of each division of the Company. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 45 under the heading "Risk Management", third paragraph.</p>
<p><b>Supplement to Recommendation 12.4</b></p>			
<p>1. Company seeks external technical support in risk management when such competence is not available internally.</p>	<p>Compliant</p>	<p>The Company has engaged SGV &amp; Co. to assist it in establishing an ERM process, which is designed to link risk and opportunity, and position risk management as a source of competitive advantage for the Company.</p>	
<p><b>Recommendation 12.5</b></p>			
<p>1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).</p>	<p>Non-compliant</p>		<p>The Company is still in the process of formally establishing its ERM system, and has engaged SGV &amp; Co. to assist in this project. As part of the process, the Company shall consider having a CRO, who will be the ultimate champion of</p>

2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		ERM and have adequate authority, stature, resources and support to fulfill his responsibilities. Currently, however, risk management functions are performed at the management committee level of each operating subsidiary of the Company, as well as assumed by the Chief Operating Officers and heads of the corporate service units of each division of the Company. See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMB2018AnnualReport.pdf</a> , page 45 under the heading “Risk Management”, third paragraph.
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**Additional Recommendation to Principle 12**

1. Company’s Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	See Internal Audit and Compliance Attestation for the year ended December 31, 2018 at <a href="http://www.smb.com.ph/files/reports/SMFB_Internal_Audit_and_Compliance_Attestation_(2018).pdf">http://www.smb.com.ph/files/reports/SMFB_Internal_Audit_and_Compliance_Attestation_(2018).pdf</a> .	
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**Cultivating a Synergic Relationship with Shareholders**

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

**Recommendation 13.1**

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	See Manual on Corporate Governance at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , pages 38-41 under Section 5.1.	
2. Board ensures that basic shareholder rights are disclosed on the company’s website.	Compliant	In addition to the Manual, which is posted on the Company’s website at <a href="http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a> , see 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 48-50 under the heading “Shareholder Rights”.	

**Supplement to Recommendation 13.1**

<p>1. Company's common share has one vote for one share.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 48 under the heading "Voting Rights and Voting Procedures", paragraph 1.</p>	
<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<p>The Company's authorized capital stock is comprised of common and preferred shares. The holders of common shares have the right to vote on all matters requiring stockholders' approval. The holders of preferred shares are not entitled to vote except for the following matters provided in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution of the corporation.</p> <p>See Article Seventh of the Amended Articles of Incorporation as of January 7, 2019 posted at <a href="http://www.smfb.com.ph/files/reports/SMFB_amended_AOI_approved_by_SEC_on_Jan._7,_2019_2.pdf">http://www.smfb.com.ph/files/reports/SMFB_amended_AOI_approved_by_SEC_on_Jan._7,_2019_2.pdf</a>.</p>	
<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Compliant</p>	<p>See Definitive Information Statement (SEC Form 20-IS) filed on April 16, 2018 for the 2018 ASM at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,_2018_.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,_2018_.pdf</a>, pages 30-32 under the heading "Voting and Vote Tabulation Procedures". Voting at the ASM is conducted by poll.</p>	

<p>4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Non-compliant</p>		<p>The Company complies with existing laws and regulations pertaining to the voting rights of shareholders. To protect minority shareholders against actions of controlling shareholders, the Company requires a minimum quorum of 2/3 of the directors for Board meetings, and no corporate policies, decisions or actions shall be taken by the Board or any Board Committee without the vote of at least 2/3 of the entire membership of the Board or Committee on any matters not in furtherance of the businesses currently carried on by the Company. See Amended By-laws as of December 7, 2018, Article II, Section 3 and Article III, Section 4, at <a href="http://www.smfb.com.ph/files/reports/S_MFB_amended_By-laws_approved_by_SEC_on_Dec.7,2018_2.pdf">http://www.smfb.com.ph/files/reports/S_MFB_amended_By-laws_approved_by_SEC_on_Dec.7,2018_2.pdf</a>. Shareholders may also exercise their right of appraisal in certain cases. See SEC Form 20-IS filed on April 16, 2018 for the 2018 ASM at <a href="http://www.smfb.com.ph/files/reports/S_MFBI_Supplemented_Def_Info_State_ment_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,2018.pdf">http://www.smfb.com.ph/files/reports/S_MFBI_Supplemented_Def_Info_State_ment_(SEC_Form_20-IS)_filed_with_SEC_on_April_16,2018.pdf</a>, page 3 under the heading "Dissenters' Right of Appraisal".</p>
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<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Compliant</p>	<p>See SEC Form 17-C dated November 13, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._13,_2018_BOD_mtg_.re_approval_of_17Q,_FS_and_Internal_Audit_Plan).pdf</a>, on the implementation of the policy for the 2019 ASM. The disclosure expressly invites shareholders to propose inclusion of additional items to the usual Agenda of the ASM. Despite such invitation, however, no shareholder submitted a proposal for consideration or additional agenda item at the ASM. On the other hand, a special stockholders' meeting must be called upon the written request of stockholders' representing 1/3 of the outstanding capital stock entitled to vote. See Amended By-laws as of December 7, 2018, Article I, Section 3 at <a href="http://www.smfb.com.ph/files/reports/SMFB_amended_By-laws_approved_by_SEC_on_Dec._7,_2018_2.pdf">http://www.smfb.com.ph/files/reports/SMFB_amended_By-laws_approved_by_SEC_on_Dec._7,_2018_2.pdf</a>.</p>	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 16 under Section 2.2.1.7.1, page 38 under Section 5.1.1, and pages 39-40 under Sections 5.1.2.3, 5.1.5.2 and 5.1.5.3.</p>	
<p>7. Company has a transparent and specific dividend policy.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 49-50 under the heading "Dividends and Dividend Policy".</p> <p>The Company declared dividends to both its common and preferred shareholders in 2018. The dividends for the common shares were paid within 30 days of declaration. The dividends for the preferred shares were paid in accordance with the terms of the series 2 preferred shares offer of the Company.</p>	

**Optional: Recommendation 13.1**

<p>1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.</p>	<p>Compliant</p>	<p>The Company's independent stock transfer agent counted/validated the votes at the 2018 Annual Shareholders' Meeting (ASM). See draft minutes of the ASM held on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf</a>, page 2, fifth paragraph.</p>	
<p><b>Recommendation 13.2</b></p>			
<p>1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.</p>	<p>Compliant</p>	<p>On March 14, 2018, the Company disclosed the Notice and Agenda of the Annual Stockholders' Meeting (ASM) to be held on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Disclosure_to_PSE_(March_14,_2018_BOD_mtg._on_Notice_of_Annual_Stockholders_mtg_.on_May_11,_2018).pdf">http://www.smfb.com.ph/files/reports/SMPFC_Disclosure_to_PSE_(March_14,_2018_BOD_mtg._on_Notice_of_Annual_Stockholders_mtg_.on_May_11,_2018).pdf</a>. On July 11, 2018, the Company disclosed the Notice and Agenda of the Special Stockholders' Meeting (SSM) to be held on September 12, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Disclosure_to_PSE_dated_July_11_2018_(SMFB_Special_Stockholders_mtg_on_Sep_12_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_Disclosure_to_PSE_dated_July_11_2018_(SMFB_Special_Stockholders_mtg_on_Sep_12_2018).pdf</a>. See also Notice and Definitive Information Statement (DIS) for the ASM filed with the SEC on April 6, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Definitive_Information_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_6,_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Definitive_Information_Statement_(SEC_Form_20-IS)_filed_with_SEC_on_April_6,_2018.pdf</a>, and Notice and DIS (SEC Form 20-IS) for the SSM filed with the SEC on July 30, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_July_30_2018_(Sept_12_2018_SSM).pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_July_30_2018_(Sept_12_2018_SSM).pdf</a>, both of which were disclosed via the PSE, posted on the Company's website, and distributed to its stockholders more than 30 days before the respective dates of the ASM and SSM.</p>	
<p><b>Supplemental to Recommendation 13.2</b></p>			
<p>1. Company's Notice of Annual Stockholders' Meeting contains the following information:</p>			



a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	See DIS (SEC Form 20-IS) filed on April 6, 2018 and supplemented on April 16, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018 .pdf</a> , pages 11-13 under the heading "Board of Directors".	
b. Auditors seeking appointment/re-appointment	Compliant	See DIS (SEC Form 20-IS) filed on April 6, 2018 and supplemented on April 16, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018 .pdf</a> , page 20 under the heading "Independent Public Accountants".	
c. Proxy documents	Compliant	See DIS (SEC Form 20-IS) filed on April 6, 2018 and supplemented on April 16, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018 .pdf</a> , where a sample Proxy was attached to the Notice and Agenda of the ASM. See also sample Proxy posted on the Company's website and thus available for download at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Proxy_Form_for_the_May_11_2018_ASM_(revised_as_of_April_16_2018).pdf">http://www.smfb.com.ph/files/reports/SMFBI_Proxy_Form_for_the_May_11_2018_ASM_(revised_as_of_April_16_2018).pdf</a> .	
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	See DIS (SEC Form 20-IS) filed on April 6, 2018 and supplemented on April 16, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018.pdf">http://www.smfb.com.ph/files/reports/SMFBI_Supplemented_Def_Info_Statement_SEC_Form_20-IS_filed_with_SEC_on_April_16_2018 .pdf</a> , where the Rationale and Explanation of Items for Stockholder Approval was attached to the Notice and Agenda of the ASM.	
<b>Recommendation 13.3</b>			

<p>1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.</p>	<p>Compliant</p>	<p>See Canvassing Results posted in the Company's website the next working day after the ASM on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_ASM_Canvassing_Results_(May_11,_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_ASM_Canvassing_Results_(May_11,_2018).pdf</a>. See Canvassing Results posted in the Company's website the next working day after the SSM on September 12, 2018 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SSM_Canvassing_Results_(September_12_2018).pdf">http://www.smfb.com.ph/files/reports/SMFB_SSM_Canvassing_Results_(September_12_2018).pdf</a>.</p>	
<p>2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.</p>	<p>Compliant</p>	<p>See draft minutes of the ASM on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf</a>, under Annex "C", and draft minutes of the SSM on September 12, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf</a>, under Annex "B", both which indicate the voting results for all Agenda items, including the approving, dissenting and abstaining votes, as the case may be. The voting on resolutions at the ASM and SSM was by poll. There was an open forum at the meetings where stockholders were given the opportunity to ask questions, as noted in the said minutes. Such draft minutes of the ASM on May 11, 2018 and the SSM on September 12, 2018 were posted on the Company's website within five business days from the end of the meeting.</p>	
<p><b>Supplement to Recommendation 13.3</b></p>			

<p>1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.</p>	<p>Compliant</p>	<p>The presence of the relevant individuals to answer shareholder questions, if any, was reflected in the draft minutes of the ASM and SSM. See Draft Minutes of the ASM on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf</a>, on page 1 under the headings “Directors Present” and “In Attendance”, where directors and key officers at the meeting were indicated, and page 2, fifth paragraph, where representatives of the external auditor were indicated as likewise present at the meeting. See Draft Minutes of the SSM on September 12, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf</a>, also on page 1 under the headings “Directors Present” and “In Attendance”, where directors and key officers at the meeting were indicated. The Company did not deem necessary the presence of its external auditor, as the special meeting was called only for the purpose of obtaining the stockholders’ approval of certain amendments to the articles of incorporation and by-laws of the Company.</p>	
<p><b>Recommendation 13.4</b></p>			
<p>1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.</p>	<p>Compliant</p>	<p>The Office of the Corporate Secretary addresses concerns of stockholders and potential disputes between the Company and its stockholders. The Company shall be assisted by its stock transfer agent in dealing with issues raised by stockholders, where relevant or necessary. See</p>	
<p>2. The alternative dispute mechanism is included in the company’s Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 41 under Section 5.1.9.</p>	
<p><b>Recommendation 13.5</b></p>			

<p>1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.</p>	<p>Compliant</p>	<p>See the following details on the Company's present Investor Relations Manager, as provided in the glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 49 under the heading "Right to Information":</p> <p>Ms. Kristina Lowella I. Garcia  7<sup>th</sup> Floor, SMC Head Office Complex  40 San Miguel Avenue, Mandaluyong City  Telephone: (632) 632-3417; Fax: (632) 632-3658  Email: <a href="mailto:kigarcia@sanmiguel.com.ph">kigarcia@sanmiguel.com.ph</a></p>	
<p>2. IRO is present at every shareholder's meeting.</p>	<p>Compliant</p>	<p>The Company's then-incumbent IRO, Mr. Oscar R. Sañez, was present during the 2018 ASM. See draft minutes of the ASM held on May 11, 2018 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_May_11,_2018_(2).pdf</a>, page 1 under the heading "In Attendance".</p> <p>Ms. Kristina Lowella I. Garcia, who was appointed Investor Relations Manager effective August 1, 2018, was present during the special stockholders' meeting held on September 12, 2018. See draft minutes at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Special_Stockholders_Meeting_held_on_September_12,_2018.pdf</a>, page 1 under the heading "In Attendance".</p>	

**Supplemental Recommendations to Principle 13**

<p>1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 36 under the heading “Board of Directors”, second paragraph, which provides that the Company has no shareholder agreements, voting trust agreements, confidentiality agreements and such other agreements that constrain the directors’ ability to vote independently or may entrench ineffective management or the existing controlling shareholder group, as well as page 48 under the heading “Shareholder Meetings”, third paragraph, which provides that shareholders were invited to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board. Further, the pre-emptive rights for issuances and dispositions of any and all common and preferred shares of the Company have been denied in Article Seventh of the Company’s Amended Articles of Incorporation as of January 7, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_amended_AOI_approved_by_SEC_on_Jan._7,_2019_2.pdf">http://www.smfb.com.ph/files/reports/SMFB_amended_AOI_approved_by_SEC_on_Jan._7,_2019_2.pdf</a>.</p>	
<p>2. Company has at least thirty percent (30%) public float to increase liquidity in the market.</p>	<p>Non-compliant</p>		<p>As of December 31, 2018, the Company is compliant with the minimum public ownership requirement, with a public float of 11.23%, as reflected in the Public Ownership Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_Public_Ownership_Ownership_as_of_December_31,_2018.pdf">http://www.smfb.com.ph/files/reports/SMFB_Public_Ownership_Ownership_as_of_December_31,_2018.pdf</a>, page 3.</p>
<p><b>Optional: Principle 13</b></p>			

<p>1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting</p>	<p>Compliant</p>	<p>In addition to the ASM, the Company engages with the investing community and keeps shareholders informed through timely disclosures via the PSE, reports filed with the SEC, regular quarterly briefings, investor conferences, press releases and statements, its corporate website, emails and telephone calls. The Company's quarterly and current disclosures and other reports submitted to the SEC and PSE are posted at <a href="http://www.smb.com.ph/disclosures">http://www.smb.com.ph/disclosures</a> under the sub-tabs "SEC Filings" and "Other PSE Disclosures". See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 50-51 under the heading "Shareholder and Investor Relations".</p>	
<p>2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.</p>		<p>Disclose the process and procedure for secure electronic voting in absentia, if any.</p>	

**Duties to Stakeholders**

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

**Recommendation 14.1**

<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p>	<p>Compliant</p>	<p>The Company's stakeholders include without limitation, customers, employees, suppliers, shareholders, investors, creditors, the communities in which the Company and its subsidiaries operate, society, the government, regulators, competitors, and external auditors. See Manual on Corporate Governance as of May 9, 2017 at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, pages 42-43 under Section 5.2. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 50-54 under the headings "Stakeholder Relations", "Employee Relations, Health, Safety and Welfare" and "Code of Ethics, Whistleblowing and Other Policies".</p>	
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**Recommendation 14.2**

<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	<p>Compliant</p>	<p>See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a> under the heading "Introduction and Applications". See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf</a>, Group Policy on Solicitation and Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf">http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf</a>, Company Personal Data Privacy Policy at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy_Effective_May_9_2017_rev_09.06.17.pdf">http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy_Effective_May_9_2017_rev_09.06.17.pdf</a>, and Policy Relating to Health, Safety and Welfare of employees at <a href="http://www.smfb.com.ph/article/policy-relating-to-health-safety-and-welfare">http://www.smfb.com.ph/article/policy-relating-to-health-safety-and-welfare</a>.</p>	
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**Recommendation 14.3**

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Compliant</p>	<p>The Company maintains open and easy communication with its stakeholders, through stakeholder engagement touchpoints in the Company, such as the Investor Relations Office (IRO), Office of the Corporate Secretary, SMC Stock Transfer Service Corporation and San Miguel Customer Care Center. Their contact details are as follows:</p> <p>For investor concerns: Ms. Kristina Lowella I. Garcia, IRO Email: <a href="mailto:kigarcia@sanmiguel.com.ph">kigarcia@sanmiguel.com.ph</a></p> <p>For shareholder concerns: Mr. Enrique L. Yusingco, SMC Stock Transfer Service Corporation Email: <a href="mailto:smc_stsc@sanmiguel.com.ph">smc_stsc@sanmiguel.com.ph</a></p> <p>For customer concerns: San Miguel Customer Care Email: <a href="mailto:customercare.corporate@sanmiguel.com.ph">customercare.corporate@sanmiguel.com.ph</a></p> <p>For data privacy concerns: Ms. Vanessa V. Unlayao, Data Protection Officer Email: <a href="mailto:smpfc_dpo@sanmiguel.com.ph">smpfc_dpo@sanmiguel.com.ph</a></p> <p>Procedures are also established for the communication and investigation of concerns regarding the Company's accounting, internal controls, auditing and financial reporting matters, as well as to deter or uncover any corrupt, illegal, unethical, fraudulent or other conduct detrimental to the interest of the Company committed by its employees, contractors or suppliers under the Company's Whistle-Blowing Policy at <a href="http://www.smb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf">http://www.smb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf</a>.</p>	
<p>Supplement to Recommendation 14.3</p>			



<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>Stakeholders may communicate with the Company to obtain redress for the violation of their rights through the stakeholder engagement touchpoints in the Company mentioned in Recommendation 14.3 above.</p> <p>See also Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf">http://www.smfb.com.ph/files/reports/SMPFC_New_Manual_on_Corporate_Governance_approved_on_May_9_20172.pdf</a>, page 41 under Section 5.1.9.</p>	
<p><b>Additional Recommendations to Principle 14</b></p>			
<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>Compliant</p>	<p>The Company has not sought for exemption from the application of a law, rule or regulation with respect to a governance issue.</p>	

<p>2. Company respects intellectual property rights.</p>	<p>Compliant</p>	<p>In compliance with law and relevant regulations, the Company does not infringe on intellectual property rights of others or engage in unfair competition practices. See Code of Business Conduct and Ethics of the Company and its subsidiaries at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a>, under the heading “Intellectual Property”. Further, the Corporate Secretary, who is also the General Counsel of the Company, hereby attests that the Company’s Intellectual Property Policy, Procedures and Guidelines specifically states that the Company strives to be original and creative in the formulation of its marks, and will respect the equity of previously applied or world famous or registered marks. In the creation, development and registration of its marks, the Company exhausts all publicly available resources to determine not only the prior registration of, but also the existence of identical or similar marks used in commerce for identical or similar goods. Whenever necessary, the Company confers with both internal and external legal advisers to ensure that the Company will avoid infringing on third parties’ intellectual property rights.</p>	
<b>Optional: Principle 14</b>			
<p>1. Company discloses its policies and practices that address customers’ welfare</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 51 under the heading “Suppliers/Contractors, Creditors and Customers”, and page 53 under the heading “Corporate Objectives and Strategies”. See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a>, under the headings “Customer</p>	

		Focus” and “Product Quality and Food Safety”. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_(FINAL).pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_(FINAL).pdf</a> , Group Policy on Solicitation and Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf">http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf</a> , and Company Personal Data Privacy Policy at <a href="http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy_-_Effective_May_9,_2017_(rev_09.06.17).pdf">http://www.smfb.com.ph/files/reports/SMPFC_Data_Privacy_Policy_-_Effective_May_9,_2017_(rev_09.06.17).pdf</a> .	
2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant		

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

**Recommendation 15.1**

1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company’s goals and in its governance.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 51-54 under the headings “Employee Relations, Health, Safety and Welfare”, “Code of Ethics, Whistleblowing and Other Policies”. See Code of Ethics at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a> , under the headings “Innovativeness and Continuous Learning”, “Meritocracy and Passion for Success”, “Teamwork and Open Communication”, “Competency Development”, etc. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_(FINAL).pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_(FINAL).pdf</a> and Policy Relating to Health, Safety and Welfare for employees at <a href="http://www.smfb.com.ph/article/policy-relating-to-health--safety-and-welfare">http://www.smfb.com.ph/article/policy-relating-to-health--safety-and-welfare</a> .	
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**Supplement to Recommendation 15.1**

<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>Compliant</p>	<p>Bonuses are determined in accordance with SMC’s Business Performance and Annual Incentive Programs, which tracks attainment of the San Miguel Group’s earnings targets. The Company is also part of the Long Term Incentive Program (LTIP) of SMC for the San Miguel Group. The LTIP is a variable reward program that provides key executives with financial incentives that are contingent to the achievement of the Group’s medium to long range business goals, sustained growth, expansion, and continued financial success. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 52, fifth paragraph.</p>	
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, pages 51-52 under the headings “Employee Relations, Health, Safety and Welfare”. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf</a> and Policy Relating to Health, Safety and Welfare for employees at <a href="http://www.smfb.com.ph/article/policy-relating-to-health--safety-and-welfare">http://www.smfb.com.ph/article/policy-relating-to-health--safety-and-welfare</a>. See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a>, under the headings “Worker Protection”, “Emergency Preparedness”, “Fair and Humane Working Environment”, etc.</p>	
<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>Career advancement and improvement are provided by the Company through various training programs and seminars. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 52, sixth paragraph. See Code of Ethics at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a>, under the heading “Competency Development”.</p>	

**Recommendation 15.2**

<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>Compliant</p>	<p>See Code of Business Conduct and Ethics of the Company and its subsidiaries at <a href="http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smfb.com.ph/page/code-of-business-conduct-and-ethics</a>, under the headings “Integrity and Mental Honesty”, “Business Integrity”, “Gifts, Meals, Entertainment”, etc.</p>	
<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company’s culture.</p>	<p>Compliant</p>	<p>Aside from making the Code of Business Conduct and Ethics available for review and download from the corporate website, the Company formally launched the Code in the annual Employee Service Awards in 2013 and then cascaded the same to all employees in all offices and plants of the organization nationwide. Employees were also given copies of the Code during the cascade and thereafter made to sign their commitment to comply with the Code and adopt the fundamental standards of conduct and values set out therein. See glossy 2018 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smfb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a>, page 53 under the heading “Code of Ethics, Whistleblowing and Other Policies”, fourth paragraph.</p>	
<p><b>Supplement to Recommendation 15.2</b></p>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>See Group Policy on Solicitation and Acceptance of Gifts posted at <a href="http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf">http://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_and_Acceptance_of_Gifts.pdf</a>.</p>	
<p><b>Recommendation 15.3</b></p>			
<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Compliant</p>	<p>See Whistle-Blowing Policy posted at <a href="http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf">http://www.smfb.com.ph/files/reports/Food_Group_Whistleblowing_Policy_FINAL.pdf</a>. The whistleblowing framework of the Company includes procedures to protect employees from retaliation. The following are the contact details to report any illegal or unethical behavior:</p>	

2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	Whistleblower Relations Officer, 22 <sup>nd</sup> Floor JMT Corporate Condominium, ADB Ave., Ortigas Center, Pasig City Email: <a href="mailto:smpfcwhistleblower@sanmiguel.com.ph">smpfcwhistleblower@sanmiguel.com.ph</a>	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , page 54, second paragraph.	
<p><b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</p>			
<p><b>Recommendation 16.1</b></p>			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 24-30 under the heading “Working towards the Greater Good”.	
<p><b>Optional: Principle 16</b></p>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	See Code of Business Conduct and Ethics of the Company and its subsidiaries at <a href="http://www.smb.com.ph/page/code-of-business-conduct-and-ethics">http://www.smb.com.ph/page/code-of-business-conduct-and-ethics</a> , under the headings “Environmental Authorizations”, “Waste and Emissions”, “Hazardous Materials”, “Product Quality and Food Safety” and “Animal Welfare”.	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	See glossy 2018 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf">http://www.smb.com.ph/files/reports/SMFB2018AnnualReport.pdf</a> , pages 24-30 under the heading “Working towards the Greater Good”.	

**SIGNATURES**

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed under oath on behalf of San Miguel Food and Beverage, Inc. by the undersigned, in the City of Pasig on MAY 08 2019.

By:


  
**EDUARDO M. COJUANGCO, JR.**  
Chairman

  
**RAMON S. ANG**  
President and Chief Executive Officer


  
**CARMELO L. SANTIAGO**  
Independent Director

  
**MINITA V. CHICO-NAZARIO**  
Independent Director

  
**RICARDO C. MARQUEZ**  
Independent Director

  
**CIRILO P. NOEL**  
Independent Director

  
**WINSTON A. CHAN**  
Independent Director

  
**ALEXANDRA B. TRILLANA**  
Compliance Officer and Corporate Secretary




SUBSCRIBED AND SWORN to before me this MAY 08 2019 day of \_\_\_\_\_, 2019 affiants exhibiting to me their Passports, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>EXPIRY DATE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	P6769283A	April 12, 2028	Manila
Ramon S. Ang	P4589066A	October 1, 2022	Manila
Alexandra B. Trillana	P1495082A	April 13, 2028	NCR East
Carmelo L. Santiago	P4670901A	October 9, 2022	Manila
Minita V. Chico-Nazario	EC-3431310	February 10, 2020	NCR South
Ricardo C. Marquez	P1277739A	December 16, 2021	NCR East
Cirilo P. Noel	P5718000A	January 21, 2028	NCR South
Winston A. Chan	P3712949A	July 16, 2022	NCR South

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Book No. H  
Series of 2019.



  
**MA. CELESTE J. LEGASPI**  
Notary Public for Pasig City  
Commission until 31 December 2020  
22nd Floor, JMT Corporate Condominium,  
ADB Ave., Ortigas Center, Pasig City  
APPT No. 67 (2019-2020)/Roll No. 47611  
IBP No. 060595; 1/4/2019; RSM  
PTR No. 5227212; 1/3/2019; Pasig City  
MCLE Compliance No. VI-0020390; 3/7/2019