

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

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended  
Dec 31, 2019
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  
100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila  
Postal Code  
1604
8. Issuer's telephone number, including area code  
(632) 5317-5000
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.

**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, 2019, as filed with the Securities and Exchange Commission on July 22, 2020.

**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)

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A V E N U E C - 5 R O A D ,

B A R A N G A Y U G O N G

P A S I G C I T Y 1 6 0 4

M E T R O M A N I L A

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 5317-5450

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

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

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Remarks = pls. Use black ink for scanning purposes



**SAN MIGUEL**  
FOOD AND BEVERAGE, INC.

July 22, 2020

**Securities and Exchange Commission**

SEC Main Office  
Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**  
Corporate Governance and Finance Department

Re: 2019 Integrated Annual Corporate Governance Report

Dear Atty. Remalante:

San Miguel Food and Beverage, Inc. (the "Company") is hereby submitting its Integrated Annual Corporate Governance Report for the fiscal year ended December 31, 2019, as fully signed under oath by the Company's Vice Chairman, President and CEO, all Independent Directors, and Compliance Officer and Corporate Secretary. The Company's Chairman, Mr. Eduardo M. Cojuangco, Jr. passed away on June 16, 2020, as previously disclosed.

The Report shall also be posted in the Company's corporate website at the link <http://www.smfb.com.ph/disclosures//annual-corporate-governance-report> within the period prescribed under SEC Memorandum Circular No. 15, series of 2017.

Very truly yours,

  
**Alexandra Bongson Trillana**  
Compliance Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.**  
100 E. Rodriguez Jr. Avenue (C-5 Road)  
Barangay Ugong, Pasig City 1604, Metro Manila  
Tel. No.: (632) 5 317-5000  
Website: [www.smfb.com.ph](http://www.smfb.com.ph)



INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT / NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance</b> Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 29-31, setting out the academic qualifications, industry knowledge and professional expertise of the directors, and page 52 under the heading "Annual Training or Program on Corporate Governance", stating the relevant training of the directors.  See also Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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.	
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		
Recommendation 1.2			



<p>1. Board is composed of a majority of non-executive directors.</p>	<p><b>Compliant</b></p>	<p>In view of the approval of the SEC in January 2019, the number of directors as reflected in the amended Articles of Incorporation of the Company, increased from 9 to 15, 11 of whom, comprising a majority of the Board of Directors, are non-executive directors.</p> <p>For the year ended 2019, the Board consisted of 15 members. All of them, save for Ramon S. Ang, Francisco S. Alejo III, Roberto N. Huang and Emmanuel B. Macalalag are non-executive directors. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 29-31, setting out the effective dates and type of directorship of the directors, page 34 under the heading "Composition and Qualification" and page 28, setting out the names of the incumbent directors and the type of their directorships.</p>	
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Recommendation 1.3

<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>See Board Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf">http://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf</a>, page 36 under Section 7, and Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 11 under Section 2.2.1.4 (h), and page 43 under Section 6, all discussing the policy on training of directors. The new directors of the Company in 2019, Roberto N. Huang, Emmanuel B. Macalalag, Ferdinand K. Constantino, Aurora T. Calderon, Joseph N. Pineda and Winston A. Chan, are not first time directors, hence there was no need to conduct an orientation program for them.</p> <p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 52 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 34 under the heading “Composition and Qualification”, second paragraph, stating the orientation program for new or first time directors, and pages 29-31, setting out the directorships of the above-mentioned new directors.</p>	
<p>2. Company has an orientation program for first time directors.</p>	<p>Compliant</p>	<p>See SEC Form 17-C dated September 27, 2019 at</p>	



<p>3. Company has relevant annual continuing training for all directors.</p>	<p>Compliant</p>	<p><a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf</a>, SEC Form 17-C dated November 28, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_15Nov19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_15Nov19).pdf</a>, SEC Form 17-C dated November 19, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_15Nov19_(RSA_and_FKC).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_15Nov19_(RSA_and_FKC).pdf</a>, SEC Form 17-C dated December 9, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_04Dec19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_04Dec19).pdf</a>, and SEC Form 17-C dated December 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_05Dec19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_05Dec19).pdf</a>, all submitting copies of the Certificates of Attendance to the annual corporate governance seminar issued to the directors.</p>	
<p>Recommendation 1.4</p>			
<p>1. Board has a policy on board diversity.</p>	<p>Compliant</p>	<p>See policy on board diversity in the Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 11, under the heading “Qualification and Disqualification of Directors”, first paragraph. The Company’s Board of Directors for the year ended 2019 is composed of 12 male directors and 3 female directors. See General Information Sheet filed on June 19, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_GIS_for_the_year_2019_filed_with_SEC_on_June_19,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_GIS_for_the_year_2019_filed_with_SEC_on_June_19,_2019.pdf</a>, pages 3-4.</p>	
<p>Optional: Recommendation 1.4</p>			

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 measurable 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.	<b>Compliant</b>	The Corporate Secretary of the Company is Atty. Alexandra Bengson Trillana. See SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a> , page 32, providing her qualifications.	
2. Corporate Secretary is a separate individual from the Compliance Officer.	<b>Non-compliant</b>	Atty. Trillana is not a member of the Board of Directors. See Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , pages 31-33 under Section 2.2.4, setting out the duties and functions of the Corporate Secretary.  See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 52 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 27, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf</a> ,	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.	<b>Compliant</b>	<a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).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.	
<b>Optional: Recommendation 1.5</b>			
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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 35 under the heading "Board Performance".	
<b>Recommendation 1.6</b>			
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, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a> , page 32, providing her qualifications. Atty. Trillana is not a member of the Board of Directors.  See Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , pages 1-2 under Section 2.1, setting out the duties and functions of the Compliance Officer.  See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 52 under the heading "Annual Training or Program on Corporate Governance", stating that the Compliance Officer attended a seminar on	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-compliant		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 or equivalent in the Company.
3. Compliance Officer is not a member of the board.	Compliant		

4. Compliance Officer attends training/s on corporate governance.	Compliant	<p>corporate governance, including number of hours attended and topics covered.</p> <p>See SEC Form 17-C filed on September 27, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_on_27Sep19).pdf</a> submitting a copy of the Certificate of Attendance to such training issued to the Compliance Officer, Atty. Alexandra B. Trillana.</p>	
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Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	<p>The undersigned directors and officers, including the Corporate Secretary, hereby attest that directors actively participate on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company, its shareholders and other stakeholders 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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 33 under the heading "Board of Directors", second paragraph.</p> <p>See various matters approved by the Board set out in the Current Reports (SEC Form 17-C) uploaded on November 6, August 7, June 5, May 8, March 13 and February 6, 2019 at <a href="http://www.smfb.com.ph/disclosures/I/current-reports--sec-form-17-c-">http://www.smfb.com.ph/disclosures/I/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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 50 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 8, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf</a>, SEC Form 17-C dated August 7, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug._7,_2019_BOD_mtg_.re_17Q,_RPT_Policy,_Charter_.Audit_Plan).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Aug._7,_2019_BOD_mtg_.re_17Q,_RPT_Policy,_Charter_.Audit_Plan).pdf</a>, and SEC Form 17-C dated November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 1 under the heading "Our Core Value", and pages 49-50 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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 3-7 under the heading "We are San Miguel" and page 50 under the heading "Corporate Objectives and Strategies".</p> <p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 for the year ended December 31, 2019 is non-executive director Mr. Eduardo M. Cojuangco, Jr. See SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, page 29, providing his qualifications. See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 a policy on retirement age, for directors and key officers. See CG Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf</a> , page 4 under Section 4.5. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 37, 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		With regard to retirement of officers of the Company, see SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a> , page 18, last paragraph under the heading “Human Resources and Labor Matters”. The retirement plans are further described in Note 29 (Retirement Plans) of the 2019 Audited Consolidated Financial Statements of the Company attached thereto as Annex “B”.
<b>Recommendation 2.5</b>			
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.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf</a> , pages 3-4 under	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	Section 4.2.  See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 49, fifth paragraph, which discusses the implementation of the policy on remuneration based on performance.	
<b>Optional: Recommendation 2.5</b>			
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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 49, 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) 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.	
<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.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 Sections 2.2.1.5 and 2.2.1.6, 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 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a> , on the implementation of the policy for the 2020 Annual Stockholders' Meeting (ASM). The said disclosure expressly invites shareholders to nominate candidates to the Board for election at the 2020 ASM.	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 37, 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>			

<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Compliant</p>	<p>See new Related Party Transactions Policy as of August 7, 2019, which supersedes the Policy approved by the Board in March 2018, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a>.</p> <p>See also SEC Form 17-C dated May 8, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf</a>, which reports that the RPT Committee endorsed to the Board the assignment by the Company of its subscription rights in its non-operating 100%-owned subsidiary Brightshore Corp. (now named SMC Food Processing Inc.) to San Miguel Corporation (SMC), as well as the assignment by the Company's 100%-owned food subsidiaries San Miguel Foods, Inc. and Magnolia Inc. of their shares of stock in their respective 100%-owned subsidiaries Realsnacks Mfg. Corp. (now named SMC Repairs and Maintenance Inc.) and Sugarland Animal Farms Corporation (now named SMC Integrated Farm Specialists, Inc.), to SMC.</p>	
<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>	<p>Likewise, see SEC Form 17-C dated March 13, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf</a>, which reports that the RPT Committee endorsed to the Board the approval of the utilization of the credit lines of the Company's subsidiaries with Bank of Commerce and Bank of Commerce Trust.</p>	
<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>	<p>Likewise, see SEC Form 17-C dated March 13, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf</a>, which reports that the RPT Committee endorsed to the Board the approval of the utilization of the credit lines of the Company's subsidiaries with Bank of Commerce and Bank of Commerce Trust.</p>	

Supplement to Recommendations 2.7

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<p>See coverage and materiality threshold for disclosure and approval of RPTs in pages 3-4, Section B, of the Related Party Transactions Policy as of August 7, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.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>Compliant</p>	<p>Pursuant to SEC Memorandum Circular No. 10, series of 2019, the Company's Related Party Transactions Policy as of August 7, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a>, in page 7 under Section G, provides that in case the vote of the majority of the independent directors is not secured as required in Section F of the Policy, the Material RPT (as defined in the Policy) may be ratified by shareholders representing at least 2/3 of the outstanding capital stock of the Company. All other RPTs determined by the RPT Committee to be subject to shareholders' approval in accordance with applicable laws, rules and regulations, will also be submitted to the shareholders, including minority shareholders, for approval. The Company encourages disinterested shareholders to decide on the matter. Non-compliance with any of the provisions of this Policy shall result in the nullification or revocation of any agreement or contract pertaining to the Material RPT.</p>	
<p>Recommendation 2.8</p>			

<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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf</a>, which reports on the election by the Board of the key officers of the Company at the organizational meeting held on June 5, 2019.</p>	
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 (Chief Finance Officer, Compliance Officer, Internal Audit Group Head).</p> <p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 49, fifth paragraph, discussing the assessment process and stating that the appraisal of performance of management is conducted on an annual basis.</p>	
<p>Recommendation 2.9</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.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 49, fifth paragraph, which provides the Board's performance management framework for management and personnel.	
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.	Compliant		
1. Board oversees that an appropriate internal control system is in place.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	See also Corporate Policy on Internal Control posted at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Policy_on_Internal_Control.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Policy_on_Internal_Control.pdf</a> .	



3. Board approves the Internal Audit Charter.	Compliant	<p>See Internal Audit Group Charter, as amended on November 6, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.pdf</a>.</p> <p>See SEC Form 17-C dated November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a>, reporting that upon endorsement of the Audit Committee, the Board approved the amendments to the Internal Audit Group Charter, in order to clarify that the Charter applies to the Internal Audit Group of the Company and its Food Division only.</p>	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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, assess and manage key business risks.</p>	

		<p>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/SMFB_Board_Risk_Oversight_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Board_Risk_Oversight_Committee_Charter.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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 42 under the heading “Risk Management”, the Company has established policies to identify and analyze the key risks faced by the</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>organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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 organization.</p>	
<p><b>Recommendation 2.12</b></p>			
<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>Compliant</p>	<p>See Board Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf">http://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf</a>, adopted by the Board of Directors of the Company on August 7, 2019.</p>	

2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
<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.pdf">http://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing.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 (RPT) Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a> , definition of "Related Party/ies" in page 2, and definition of "RPTs" in page 3, on the basis of which transactions with directors are considered RPTs, and page 4 under Section C, stating that all RPTs shall be entered into on an arm's length basis and thus accounted for at market prices normally charged to unaffiliated customers or parties for equivalent or similar goods or services.	
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_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a> , pages 3-4 under Section B, 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: 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>			
<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 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 37-39 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>Recommendation 3.2</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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smbf.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 38 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 40 under the 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 2019, 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 2019 are Chairman Cirilo P. Noel (Independent) and Directors Ricardo C. Marquez (Independent), Winston A. Chan (Independent), Aurora T. Calderon (Non-executive), and Ferdinand K. Constantino (Advisor). Information on the background, knowledge, skills, and/or experience of said members are set out in the glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 30-31.</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 June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf</a>, which identifies the members of all Board Committees appointed by the Board at the organizational meeting on June 5, 2019.</p>	
<p>1. Audit Committee approves all non-audit services conducted by the external auditor.</p>	<p>Compliant/Not applicable</p>	<p>See Audit Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 41 under the heading “External Auditor”, fourth paragraph, which states that no non-audit services were rendered by the external auditor to the Company in 2019.</p>	

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 November 6, 2019, 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 2019.
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	Compliant	The Audit Committee met on March 13, May 8, August 7, and November 6, 2019. See glossy 2019 Annual Report, Table of Attendance at Committee meetings, at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 40.	
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 53, Report of the Audit Committee for the year ended December 31, 2019, third bullet point.	
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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.	

2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 40 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 2019 and their type of directorship.	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	The Chairperson of the Corporate Governance Committee is Independent Director Minita V. Chico-Nazario. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 31, which provides information on her.	
<b>Optional: Recommendation 3.3.</b>			
1. Corporate Governance Committee meet at least twice during the year.	Compliant	The Corporate Governance Committee met on February 5, March 13, May 8, August 7 and November 6, 2019. See glossy 2019 Annual Report, Table of Attendance at CG Committee meetings, at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 40.	
<b>Recommendation 3.4</b>			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company’s Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , pages 26-27 under Section 2.2.2.3, which provides information on the BROC, including its functions.	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 40 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 2019 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 June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf</a> , which identifies the members of all Board Committees appointed by the Board at the organizational meeting on June 5, 2019.	
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 2019 are Chairman Ricardo C. Marquez (Independent) and Directors Carmelo L. Santiago (Independent), Minita V. Chico-Nazario (Independent), Menardo R. Jimenez (Non-executive) and Ferdinand K. Constantino (Non-executive). Information on the background, skills and/or experience of said Committee members are set out in the glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 30-31. 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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 40 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 2019 and their type of directorship.	

**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/SMFB_Audit_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf</a> , Corporate Governance Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf</a> , Related Party	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	Transactions Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Committee_Charter.pdf</a> , and Board	
3. Committee Charters were fully disclosed on the company's website.	Compliant	Risk Oversight Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Board_Risk_Oversight_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Board_Risk_Oversight_Committee_Charter.pdf</a> .	

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

**Recommendation 4.1**

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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 35-37 under the heading "Board Performance" and pages 39-40 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.	
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 deem necessary or appropriate, during Board and Committee meetings.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant		

**Recommendation 4.2**

<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	<p>Compliant</p>	<p>The Company does have a Policy on Multiple Board Seats in its Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 18 under Section 2.2.1.10, which sets the limit of board seats in publicly-listed companies that a non-executive director (NED) can hold simultaneously. All the NEDs of the Company are compliant with such requirement. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 29-31, which sets out the directorships of the NEDs of the Company.</p>	
<p>Recommendation 4.3</p>			
<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	<p>Compliant</p>	<p>See Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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.</p>	
<p>Optional: Principle 4</p>			
<p>1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.</p>	<p>Compliant</p>	<p>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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 29, which sets out the directorships of the executive directors of the Company.</p>	
<p>2. Company schedules board of directors' meetings before the start of the financial year.</p>	<p>Compliant</p>	<p>See SEC Form 17-C dated November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a>, page 3.</p>	

3. Board of directors meet at least six times during the year.	Compliant	The Board of Directors of the Company met six times in 2019. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 36, 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 2019 with five independent directors out of its 15-member Board. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 34 under the headings “Composition and Qualification” and “Independent and Non-executive Directors”, which sets out the number of the Company’s Board members in 2019 and its independent directors.	
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Recommendation 5.2

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	See Certifications of Independent Directors Carmelo L. Santiago, Minita V. Chico-Nazario, Ricardo C. Marquez, Cirilo P. Noel and Winston A. Chan attached as Annexes “A-5” to “A-9” to the Definitive Information Statement (SEC Form 20-IS) filed on April 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf</a> .	
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Supplement to Recommendation 5.2

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 33 under the heading "Board of Directors", second paragraph.	
<b>Recommendation 5.3</b>			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	The independent directors of the Company have not yet served for a cumulative term of nine years reckoned from 2012. See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 30-31, stating the years the independent directors have served as such.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	The Company's policy on term limits for its independent directors is set out in its Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , page 17 under Section 2.2.1.7.4.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant / Not applicable	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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www/smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , page 17 under Section 2.2.1.7.5.	
<b>Recommendation 5.4</b>			

1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Chairman of the Board for the year ended December 31, 2019 is Mr. Eduardo M. Cojuangco, Jr., while the President and CEO is Mr. Ramon S. Ang. See General Information Sheet filed on June 19, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_GIS_for_the_year_2019_filed_with_SEC_on_June_19,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_GIS_for_the_year_2019_filed_with_SEC_on_June_19,_2019.pdf</a> , page 3.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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 President and Chief Executive Officer of the Company.  The President does not report to the Chairman of the Board.	

**Recommendation 5.5**

1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	The Company's Chairman of the Board is a non-executive director, but not an independent director. The Board thus appointed Ms. Minita V. Chico-Nazario as lead director from among its independent directors. See SEC Form 17-C dated June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_Results_of_ORGL_BOD_mtg)1.pdf</a> , and Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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/her roles and responsibilities.	
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**Recommendation 5.6**

<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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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>Recommendation 5.7</p>			
<p>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</p>	<p>Non-compliant</p>		<p>As the non-executive directors deem necessary, they shall hold separate periodic meetings with the external auditor and heads of the internal audit group, compliance and risk functions, without the executive directors present to ensure that proper checks and balances are in place within the Company. See Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 18, under Section 2.2.1.8, third paragraph. Despite the opportunity, the NEDs, including the undersigned independent directors, did not see the need to conduct such meeting in the year 2019.</p>



2. The meetings are chaired by the lead independent director.	Not applicable		The NEDs did not see the need to hold separate periodic meetings with the external auditor and heads of the internal audit group, compliance and risk functions, without the executive directors present. Nevertheless, see glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 35, third paragraph, which provides that such meetings shall be chaired by the lead independent director.
<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: 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>			
<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 6, 2019 with copies of the assessment forms attached, at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a> , and glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 36-37, 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.	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		

5. Every three years, the assessments are supported by an external facilitator.	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, and amended on November 6, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , page 44 under Section 7.1. It has not yet been three years from the adoption of this requirement in the Manual in 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 6, 2019 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._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a> , which provides the criteria and process to determine the performance of the Board, individual	
2. The system allows for a feedback mechanism from the shareholders.	Compliant	directors and committees. As the questionnaire is posted on the Company's website as above noted, 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: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.</b>			
<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 food subsidiaries at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a> .	

<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Compliant</p>	<p>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 food 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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 50-51 under the heading “Code of Ethics, Whistleblowing and Other Policies”.</p>	
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Compliant</p>	<p>See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>.</p>	
<p><b>Supplement to Recommendation 7.1</b></p>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>See Group Policy on Solicitation or Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf">http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf</a>.</p> <p>See Code of Business Conduct and Ethics of the Company and its food subsidiaries at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the headings “Integrity and Mental Honesty”, “Business Integrity”, “Gifts, Meals, Entertainment”, etc.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</p>	

Recommendation 7.2			
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/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.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, distributors) of the Company and its food subsidiaries.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	See 2019 glossy Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 50-51 under the heading "Code of Ethics, Whistleblowing and Other Policies".	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p>The Company's disclosure policies and procedures are set out in its Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_March_31,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_March_31,_2019.pdf</a>, SEC Form 17-Q for the quarter ended June 30, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_June_30,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_June_30,_2019.pdf</a>, SEC Form 17-Q for quarter ended September 30, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_September_30,_2019_.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-Q_for_the_period_ended_September_30,_2019_.pdf</a>, and SEC Form 17-A, as amended, for year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>.</p>	
<p>Supplement to Recommendations 8.1</p>			

<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><b>Non-compliant</b></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, 2019 were filed with the SEC on May 15, August 14, and November 12, 2019, 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, 2019 were deemed filed with the SEC (by uploading thereof to PSE Edge) as early as May 16, 2020 as an attachment to the Company's SEC Form 17-A. See <a href="http://www.smfb.com.ph/files/reports/SMFB_Annual_Report_(SEC_Form_17-A)_for_the_year_ended_31Dec19_filed_with_SEC_on_May_15,_2020_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Annual_Report_(SEC_Form_17-A)_for_the_year_ended_31Dec19_filed_with_SEC_on_May_15,_2020_final.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/ Not applicable</p>		<p>The Company's SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB%20Amended%20Annual%20Report%20for%202019%20(S%20EC%20Form%2017-A)%20with%20SR%20final.pdf">http://www.smfb.com.ph/files/reports/SMFB Amended Annual Report for 2019 (SEC Form 17-A) with SR final.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 19-20, (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>Recommendation 8.2</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.pdf">http://www.smfb.com.ph/files/reports/Policy on Securities Dealing.pdf</a>, pages 4-5 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>Supplement to Recommendation 8.2</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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 44 under the Table setting out the shareholdings of directors and key officers as of the start and end of the year 2019.</p> <p>See Top 100 Stockholders as of March 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_March_31,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_March_31,_2019.pdf</a>, Top 100 Stockholders as of June 30, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_June_30,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_Top_100_Stockholders_as_of_June_30,_2019.pdf</a>, Top 100 Stockholders as of September 30, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_List_of_Top_100_Stockholders_as_of_September_30,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_List_of_Top_100_Stockholders_as_of_September_30,_2019.pdf</a>, and Top 100 Stockholders as of December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_List_of_Top_100_Stockholders_as_of_December_31,_2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_List_of_Top_100_Stockholders_as_of_December_31,_2019.pdf</a>.</p> <p>See Conglomerate Map at <a href="http://www.smfb.com.ph/page/corporate-structure">http://www.smfb.com.ph/page/corporate-structure</a>.</p>	
<p>Recommendation 8.3</p>			
<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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 29-31, setting out the directors' academic qualifications, membership in other boards, other executive positions and professional experiences, page 43 under the heading "Disclosure and Transparency", setting out the requirement for directors to disclose their business interests and any other conflicts of interest, and declare the names of their relatives up to the fourth degree of consanguinity, page 44 under the Table on shareholdings of directors and key officers, setting out their share ownership in the Company, and page 52 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, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, setting out the key officers' academic qualifications, membership in other boards, other executive positions and professional experiences.</p> <p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 44 under the Table on shareholdings of directors and key officers, setting out their share ownership in the Company, and page 52 under the heading "Annual Training or Program on Corporate Governance", setting out the relevant training attended.</p>	
<p>Recommendation 8.4</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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf</a>, pages 3-4 under Section 4.2.</p> <p>For actual practice, see glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 41 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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_Governance_Committee_Charter.pdf</a>, pages 3-4 under Section 4.2.</p> <p>For actual practice, see glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 48-49 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>With regard to retirement, see SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, page 18 last paragraph under the heading “Human Resources and Labor Matters”. The retirement plans are further described in Note 29 (Retirement Plans) of the 2019 Audited Consolidated Financial Statements of the Company attached thereto as Annex “B”.</p>	<p>p</p>
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<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Non-compliant/ Not applicable</p>		<p>The Company discloses the aggregate compensation received by its key officers for the year. There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company. On the other hand, directors receive no compensation from the Company other than per diem allowances for every Board and Committee meeting attended. See SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB%20Amended%20Annual%20Report%20for%202019%20(SEC%20Form%2017-A)%20with%20SR%20final.pdf">http://www.smfb.com.ph/files/reports/SMFB Amended Annual Report for 2019 (SEC Form 17-A) with SR final.pdf</a>, pages 35-36 under Item 10 on Executive Compensation, and page 18 last paragraph under the heading "Human Resources and Labor Matters". The retirement plans are further described in Note 29 (Retirement Plans) of the 2019 Audited Consolidated Financial Statements of the Company attached thereto as Annex "B".</p>
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Recommendation 8.5

<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 6 under Section 2.2.1.2 (n), pages 27-29 under Section 2.2.2.4, and page 38 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 March 13, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Mar._13,_2019_BOD_mtg_.re_17-A,_RPT_Policy,_ASM).pdf</a>, which reports that the RPT Committee endorsed to the Board the approval of the utilization of the credit lines of the Company's subsidiaries with Bank of Commerce and Bank of Commerce Trust. See also SEC Form 17-C dated May 8, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(May_8,_2019_on_the_matters_approved_at_the_BOD_mtg)3.pdf</a>, reporting on the Board approval of the assignment by the Company of its subscription rights in its non-operating 100%-owned subsidiary Brightshore Corp. (now named SMC Food Processing Inc.) to SMC, as well as the assignment by the Company's 100%-owned food subsidiaries San Miguel Foods, Inc. and Magnolia Inc. of their shares of stock in their respective 100%-owned subsidiaries Realsnacks Mfg. Corp. (now named SMC Repairs and Maintenance Inc.) and Sugarland Animal Farms Corporation (now named SMC Integrated Farm Specialists, Inc.), to SMC. For other RPTs, see SEC Form 17-A, as amended, for the year ended December 31, 2019 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_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, pages 98-100 under Note 30 on Related Party Disclosures.</p> <p>However, pursuant to the RPT materiality threshold in the new RPT Policy as of August 7, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a>, which supersedes the Policy approved by the Board in March 2018, the foregoing transactions would not be considered material.</p>	
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Supplement to Recommendation 8.5			
<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<p>See Related Party Transactions Policy as of August 7, 2019, at <a href="http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf</a>, page 5 under Section E, and glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 43 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 well as a Declaration of Relatives pursuant to the new Related Party Transactions Policy of the Company, 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>	
Optional : Recommendation 8.5			
<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, as amended for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, pages 38-39 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 all Company disclosures via the SEC and the PSE at <a href="http://www.smfb.com.ph/disclosures">http://www.smfb.com.ph/disclosures</a>. Moreover, SEC Form 17-A, as amended, for the year ended December 31, 2019 posted at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, Annex “G”, sets out all Current Reports filed by the Company in 2019.</p>	

<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>Compliant/Not applicable</p>	<p>Although there was no acquisition or disposal of material assets made by the Company in 2019, see Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, pages 37-38 under Section 4.8, which provides that in case of acquisition or disposal of significant assets, the Board shall appoint an independent party to evaluate the fairness of the transaction price to the extent practicable or legally required.</p> <p>In this regard, 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> 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.</p>	
<p>Supplement to Recommendation 8.6</p>			
<p>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.</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 33 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.</p>	
<p>Recommendation 8.7</p>			

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 reporting the submission of the new Manual on Corporate Governance as of May 9, 2017, posted at 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> . See also PSE Disclosure Form 17-18 – Other SEC Forms/ Reports/Requirements dated November 8, 2019, reporting the submission to the SEC on November 8, 2019 of the amended Manual on Corporate Governance as of November 6, 2019, posted at the Company's website at <a href="http://www.smfb.com.ph/files/reports/SMFB Manual on Corporate Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB Manual on Corporate Governance2.pdf</a>	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
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 amended Manual on Corporate Governance as of November 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB Manual on Corporate Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB Manual on Corporate Governance2.pdf</a> . The amended Manual contains updates and changes to the Company's corporate governance practices as approved by the Board of Directors of the Company at its meeting on November 6, 2019, as summarized in the cover letter to the SEC submitting the Manual, which was also uploaded to the PSE via the EDGE disclosure system.	
<b>Optional: Principle 8</b>			
1. Does the company's Annual Report disclose the following information:			



a. Corporate Objectives	Compliant	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, “We are San Miguel” in pages 3-7, and “Corporate Objectives and Strategies” in page 50.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, under Annex “H”.</p>	
b. Financial performance indicators	Compliant	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, “Financial Highlights” in page 16; “Financial Review” in pages 17-19; “Business Review” in pages 21-27; and “Audited Consolidated Financial Statements” starting page 54.</p>	
c. Non-financial performance indicators	Compliant	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, “We are San Miguel” in pages 3-7 and “Business Review” in pages 21-27.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, under Annex “H”.</p>	
d. Dividend Policy	Compliant	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 46-47 under the heading “Dividends and Dividend Policy”.</p>	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 29-31.</p>	

<p>f. Attendance details of each director in all directors meetings held during the year</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 36 for attendance at Board meetings and stockholders' meetings, pages 39-40 for attendance at Board Committee meetings.</p>	
<p>g. Total remuneration of each member of the board of directors</p>	<p>Non-compliant / Not applicable</p>		<p>Directors receive no compensation from the Company other than per diem allowances for every Board and Committee meeting attended. In this regard, see glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.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 41 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 allowance received by each member of the Board in 2019.</p>
<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 52, under the heading "Annual Training or Program on Corporate Governance", last paragraph.</p>	

<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, setting out the Report of the Audit Committee for 2018 in page 53, which provides that the Committee assists the Board in its oversight responsibilities on financial reporting, risk management, and internal controls among others. The sixth bullet point states that a review was conducted on the Company's financial and internal controls, risk management systems, and control and governance processes.</p>	
<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smbf.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 53, sixth bullet point.</p>	
<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p>Compliant</p>	<p>See SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smbf.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, pages 19-20 under the heading "Major Business Risks", and Annex "H" setting out the Company's Sustainability Report.</p>	

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

**Recommendation 9.1**

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>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 at <a href="http://www.smbf.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smbf.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 23 under Section 2.2.2.2.2 (c).</p>	
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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 signed minutes of the Annual Stockholders' Meeting held on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf">http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf</a>, pages 5-6 under Item IV and pages 6-7 under Item V.</p> <p>In Annex "C" to said minutes, common stockholders owning or representing 89.443% of the total outstanding common shares of the Company, voted in favor of the appointment of the external auditor of the Company for 2019.</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/Not applicable</p>	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 34 under Section 2.2.5.3, which provides that the reason/s for the resignation, dismissal or cessation from service of an External Auditor and the date thereof shall be reported in the Company's annual and current reports. These reports are then uploaded in the Company's corporate website.</p> <p>However, see SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, page 28 under Item 8 on Information on Independent Accountant and Other Related Matters, where the Company retained its external auditor for 2019.</p>	
<p>Supplement to Recommendation 9.1</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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 34 under Section 2.2.5.5.</p>	

Recommendation 9.2			
<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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf</a>, page 6 under Section 4.4.</p> <p>See also Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 23 under Section 2.2.2.2.2 (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		
Supplement to Recommendations 9.2			
<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	Compliant	<p>See Audit Committee Charter at <a href="http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf">http://www.smfb.com.ph/files/reports/SMFB_Audit_Committee_Charter.pdf</a>, page 6 under Section 4.4.</p> <p>See also Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 33 under Sections 2.2.5.1-2.2.5.2, 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>	
<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	Compliant		
Recommendation 9.3			

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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 41 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.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.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.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 41 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.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	<p>The Company's external auditor for the year ended December 31, 2019 is duly accredited by the SEC. See details below:</p> <ol style="list-style-type: none"> <li>1. Name of External Auditor: R.G. Manabat &amp; Co. The KPMG Center, 6787 Ayala Avenue, Makati City, 1226, Philippines; +632 885 7000 SEC Accreditation No. 0004-FR-5 Group A Date accredited: November 16, 2017 Expiry date of accreditation: November 15, 2020</li> <li>2. Name of audit engagement partner: Mr. John Molina, SEC Accreditation No. 1101-AR-2, Group A, valid until August 10, 2020</li> </ol>	

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	The Company's external auditor, R.G. Manabat & Co. agreed to be subjected to the SEC SOAR Inspection Program. In 2019, the SEC conducted an inspection of R.G. Manabat & Co.	
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Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	<p>See Manual on Corporate Governance at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 38 under Section 4.10, stating the policy to disclose material and reportable non-financial and sustainability issues.</p> <p>In compliance with SEC Memorandum Circular No. 4, Series of 2019, the Company submitted its first Sustainability Report which was attached to its SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, under Annex "H".</p>	
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2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	<p>The Company reviewed and adopted relevant standards such as those of the Sustainability Accounting Standards Board Standards, the Global Reporting Initiative Standards for Sustainability Reporting, among others, in preparing its first Sustainability Report. See SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, under Annex "H".</p>	
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Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 47-48 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

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p><b>Compliant</b></p>	<p>See Corporate Policy on Internal Control at <a href="http://www.smfb.com.ph/files/reports/SMFB_Corporate_Policy_on_Internal_Control.pdf">http://www.smfb.com.ph/files/reports/SMFB_Corporate_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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 53, which sets out the Report of the Audit Committee for the year ended December 31, 2019.</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.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.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 already 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/SM-PFC 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/SM-PFC 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 ERM Roadmap of the Company and its food subsidiaries. In this regard, the Company reported in its glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SM-FB Amended Charter of Internal Audit1.pdf">http://www.smfb.com.ph/files/reports/SM-FB Amended Charter of Internal Audit1.pdf</a>, page 39, that in 2019, the Board Risk Oversight Committee held two meetings, at which meetings the Committee was updated on the ERM Plan of the Company for its food subsidiaries.</p> <p>The key risks faced by the Company are set out in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SM-FB Amended Annual Report for 2019 (SEC Form 17-A) with SR final.pdf">http://www.smfb.com.ph/files/reports/SM-FB Amended Annual Report for 2019 (SEC Form 17-A) with SR final.pdf</a>, pages 19-20 under the heading “Major Business Risks”. To manage these risks, there are established policies to identify and analyze the key risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies, systems and processes, and 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 also glossy 2019 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 42 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 2019 Annual Report at <a href="http://www.smb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 51 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 Personal Data Privacy Policy at <a href="http://www.smb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf">http://www.smb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf</a>, pages 6-7 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 2019: 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.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Charter_of_Internal_Audit1.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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 41-42 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><b>Non-compliant</b></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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 42 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><b>Compliant</b></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><b>Non-compliant</b></p>		<p>The Company is already 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 ERM and</p>

2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		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 2019 Annual Report at <a href="http://www.smfb.com.ph/page/corporate-structure">http://www.smfb.com.ph/page/corporate-structure</a> , page 42 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, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Internal_Audit_and_Compliance_Attestation_(2019).pdf">http://www.smfb.com.ph/files/reports/SMFB_Internal_Audit_and_Compliance_Attestation_(2019).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.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , pages 39-42 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.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a> , see glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , pages 45-47 under the heading “Shareholder Rights”.	

Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 45 under the heading "Voting Rights and Voting Procedures", paragraph 1.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	<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>	
3. Board has an effective, secure, and efficient voting system.	Compliant	See Definitive Information Statement (SEC Form 20-IS) filed on April 25, 2019 for the 2019 ASM at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf</a> , pages 33-34 under the heading "Voting and Vote Tabulation Procedures". Voting at the ASM is conducted by poll.	

<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><b>Non-compliant</b></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/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>Shareholders may also exercise their right of appraisal in certain cases. See SEC Form 20-IS filed on April 25, 2019 for the 2019 ASM 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>, 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 6, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Nov._6,_2019_BOD_mtg_re_17Q,_Audit_and_Board_Self-Asst).pdf</a>, on the implementation of the policy for the 2020 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.</p> <p>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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 16 under Section 2.2.1.7.1, page 39 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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 46-47 under the heading "Dividends and Dividend Policy".</p> <p>The Company declared dividends to both its common and preferred shareholders in 2019. 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

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	The Company's independent stock transfer agent counted/validated the votes at the 2019 Annual Shareholders' Meeting (ASM). See signed minutes of the ASM held on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf">http://www.smfb.com.ph/files/reports/Minutes_of SMFB Annual Stockholders Meeting held on June 5, 2019.pdf</a> , page 2, last paragraph.	
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	On March 13, 2019, the Company disclosed the Notice and Agenda of the Annual Stockholders' Meeting (ASM) to be held on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Disclosure_to_PSE_(Mar._13,_2019_BOD_mtg_.re_Notice_of_ASM_on_June_5,_2019).pdf">http://www.smfb.com.ph/files/reports/SMFB Disclosure to PSE (Mar. 13, 2019 BOD mtg . re Notice of ASM on June 5, 2019) .pdf</a> .  See also Notice and Definitive Information Statement (DIS) for the ASM filed with the SEC on April 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB Definitive Information Statement filed with SEC on April 25 2019-June 5 2019 ASM.pdf</a> , which was disclosed via the PSE, posted on the Company's website and distributed to its stockholders more than 30 days before the date of the ASM.	
<b>Supplemental to Recommendation 13.2</b>			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	See DIS (SEC Form 20-IS) filed on April 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB Definitive Information Statement filed with SEC on April 25 2019-June 5 2019 ASM.pdf</a> , pages 12-15 under the heading "Board of Directors".	

b. Auditors seeking appointment/re-appointment	Compliant	See DIS (SEC Form 20-IS) filed on April 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf</a> , pages 22-23 under the heading "Independent Public Accountants".	
c. Proxy documents	Compliant	See DIS (SEC Form 20-IS) filed on April 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.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/SMFB_Proxy_Form_for_the_June_5_2019_ASM6.pdf">http://www.smfb.com.ph/files/reports/SMFB_Proxy_Form_for_the_June_5_2019_ASM6.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 25, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.pdf">http://www.smfb.com.ph/files/reports/SMFB_Definitive_Information_Statement_filed_with_SEC_on_April_25_2019-June_5_2019_ASM.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>			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	See Canvassing Results posted in the Company's website later in the afternoon of the same day of the ASM on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_ASM_Canvassing_Results).pdf">http://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(June_5,_2019_ASM_Canvassing_Results).pdf</a> .	

<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 June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf">http://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf</a>, under Annex "C", 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 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 June 5, 2019 were posted on the Company's website within five business days from the end of the meeting.</p>	
<p>Supplement to Recommendation 13.3</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 minutes of the ASM. See signed minutes of the ASM on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf">http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.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, last paragraph, where representatives of the external auditor were indicated as likewise present at the meeting.</p>	
<p>Recommendation 13.4</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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 42 under Section 5.1.9.</p>	

Recommendation 13.5

<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 Investor Relations Manager, as provided in the glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 46 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) 8632-3752; Fax: (632) 8632-3313          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 IRO, Ms. Kristina Lowella I. Garcia, was present during the 2019 ASM. See signed minutes of the ASM held on June 5, 2019 at <a href="http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.pdf">http://www.smfb.com.ph/files/reports/Minutes_of_SMFB_Annual_Stockholders_Meeting_held_on_June_5,_2019.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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 33 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 45 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.</p> <p>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, 2019, 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_Report_as_of_December_31,2019.pdf">http://www.smfb.com.ph/files/reports/SMFB_Public_Ownership_Report_as_of_December_31,2019.pdf</a>, page 3.</p>
<p>Optional: Principle 13</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.smfb.com.ph/disclosures">http://www.smfb.com.ph/disclosures</a> under the sub-tabs "SEC Filings" and "Other PSE Disclosures". See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 47-48 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 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, pages 42-43 under Section 5.2.</p> <p>See also glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 47-51 under the headings "Stakeholder Relations", "Employee Relations, Health, Safety and Welfare" and "Code of Ethics, Whistleblowing and Other Policies".</p>	
<p>Recommendation 14.2</p>			



<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/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a> under the heading “Introduction and Application”. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf</a>, Group Policy on Solicitation or Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf">http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf</a>, Company Personal Data Privacy Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf">http://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf</a>, and Policy Relating to Health, Safety and Welfare of employees at <a href="http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf">http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf</a>.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</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:smfi_dpo@sanmiguel.com.ph">smfi_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.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf</a>.</p>	
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Supplement to Recommendation 14.3

<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>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/SMFB_Manual_on_Corporate_Governance2.pdf">http://www.smfb.com.ph/files/reports/SMFB_Manual_on_Corporate_Governance2.pdf</a>, page 42 under Section 5.1.9.</p>	
<p>Additional Recommendations to Principle 14</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 food subsidiaries at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the heading “Intellectual Property”.</p> <p>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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 48 under the heading “Suppliers/Contractors, Creditors and Customers”, and page 50 under the heading “Corporate Objectives and Strategies”.</p> <p>See Code of Business Conduct and Ethics at</p>	

		<p><a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the headings “Customer Focus” and “Product Quality and Food Safety”. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf</a>, Group Policy on Solicitation and Acceptance of Gifts at <a href="http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf">http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf</a>, and Company Personal</p>	
<p>2. Company discloses its policies and practices that address supplier/contractor selection procedures</p>	<p>Compliant</p>	<p>Data Privacy Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf">http://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf</a>.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</p>	

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

<p>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.</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 3-7 under the heading "We are San Miguel", pages 48-51 under the headings "Employee Relations, Health, Safety and Welfare" and "Code of Ethics, Whistleblowing and Other Policies".</p> <p>See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</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/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf</a> and Policy Relating to Health, Safety and Welfare for employees at <a href="http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf">http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf</a>.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex "H".</p>	
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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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 49, 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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 48-49 under the headings “Employee Relations, Health, Safety and Welfare”. See Whistle-Blowing Policy at <a href="http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf</a> and Policy Relating to Health, Safety and Welfare for employees at <a href="http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf">http://www.smfb.com.ph/files/reports/SMFB_PolicyRelating-to-HealthSafetyandWelfare.pdf</a>. See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the headings “Worker Protection”, “Emergency Preparedness”, “Fair and Humane Working Environment”, etc.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 49, sixth paragraph.</p> <p>See Code of Business Conduct and Ethics at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the heading “Competency Development”.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</p>	
<p>Recommendation 15.2</p>			
<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 food subsidiaries at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the headings “Integrity and Mental Honesty”, “Business Integrity”, “Gifts, Meals, Entertainment”, etc.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</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 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, page 50 under the heading "Code of Ethics, Whistleblowing and Other Policies", fourth paragraph.</p>	
<p>Supplement to Recommendation 15.2</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/Policy_onSolicitationorAcceptanceofGifts.pdf">http://www.smfb.com.ph/files/reports/Policy_onSolicitationorAcceptanceofGifts.pdf</a>.</p>	
<p>Recommendation 15.3</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/SMFB_Whistle-BlowingPolicy.pdf">http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.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>	
<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>Compliant</p>	<p>Whistleblower Relations Officers, 100 E. Rodriguez Jr. Ave. (C5 Road), Brgy. Ugong, Pasig City Email: <a href="mailto:smfwhistleblower@sanmiquel.com.ph">smfwhistleblower@sanmiquel.com.ph</a>, <a href="mailto:zpostrado@sanmiquel.com.ph">zpostrado@sanmiquel.com.ph</a>, <a href="mailto:rpalabyab@sanmiquel.com.ph">rpalabyab@sanmiquel.com.ph</a>, <a href="mailto:lobviar@sanmiquel.com.ph">lobviar@sanmiquel.com.ph</a>, <a href="mailto:ddecastro@sanmiquel.com.ph">ddecastro@sanmiquel.com.ph</a></p>	

3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a> , page 51, second paragraph.	
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Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

**Recommendation 16.1**

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	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 3-7 under the heading “We are San Miguel” and page 50 under the heading “Corporate Social Responsibility”.</p> <p>Moreover, in compliance with SEC Memorandum Circular No. 4, Series of 2019, the Company submitted its first Sustainability Report which was attached to SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf">http://www.smfb.com.ph/files/reports/SMFB_Amended_Annual_Report_for_2019_(SEC_Form_17-A)_with_SR_final.pdf</a>, under Annex “H”.</p>	
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**Optional: Principle 16**

<p>1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development</p>	<p>Compliant</p>	<p>See Code of Business Conduct and Ethics of the Company and its food subsidiaries at <a href="http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf">http://www.smfb.com.ph/files/reports/SMFB_CodeofBusinessConductandEthics.pdf</a>, under the headings “Environmental Authorizations”, “Waste and Emissions”, “Hazardous Materials”, “Product Quality and Food Safety” and “Animal Welfare”.”</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</p>	
<p>2. Company exerts effort to interact positively with the communities in which it operates</p>	<p>Compliant</p>	<p>See glossy 2019 Annual Report at <a href="http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf">http://www.smfb.com.ph/files/reports/SMFB_2019AR_0710Aweb.pdf</a>, pages 3-7 under the heading “We are San Miguel”.</p> <p>See also Sustainability Report in SEC Form 17-A, as amended, for the year ended December 31, 2019 at <a href="http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf">http://www.smfb.com.ph/files/reports/SMFB_AmendedAnnualReportfor2019(SECForm17-A)withSRfinal.pdf</a>, under Annex “H”.</p>	

**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 JUL 10 2020.

By:



**RAMON S. ANG**

Vice Chairman, 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 JUL 10 2020 day of \_\_\_\_\_, 2020 affiants exhibiting to me their Passports, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>EXPIRY DATE</u>	<u>PLACE OF ISSUE</u>
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

Page No. 32;  
Doc. No. 8;  
Book No. 20;  
Series of 2020.

  
**MA. FRANCESCA Q. BALTAZAR**  
Notary Public for Pasig City  
Commission until 31 December 2020  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 66 (2019-2020)/Roll No. 57174  
IBP No. 102403; 1/3/2020; Makati City  
PTR No. 6446258; 1/3/2020; Pasig City  
MCLE Compliance No. VI-0018873; 3/5/2019