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**San Miguel Pure Foods Company, Inc.**  
**PF**

**PSE Disclosure Form ACGR-2 - Update on Annual Corporate Governance Report**  
*Reference: Revised Code of Corporate Governance of the  
 Securities and Exchange Commission and SEC Memorandum Circular  
 No. 1 and 12 Series of 2014*

**Description of the Disclosure**

Please see attached.

**Filed on behalf by:**

|                    |                           |
|--------------------|---------------------------|
| <b>Name</b>        | Alexandra Trillana        |
| <b>Designation</b> | AVP & Corporate Secretary |

April 21, 2017

**Securities and Exchange Commission**  
Securities and Exchange Commission (SEC)  
EDSA, Mandaluyong City

Attention: **Acting Director Justina F. Callangan**  
Corporate Governance and Finance Department

**Philippine Stock Exchange, Inc.**  
3<sup>rd</sup> Floor Tower 1, The Enterprise Center  
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: **Mr. Jose Valeriano B. Zuño**  
OIC Head, Disclosure Department

**Re: 2016 Annual Corporate Governance Report**

Dear Ladies and Gentlemen:

In compliance with SEC Memorandum Circular No. 20, Series of 2016, San Miguel Pure Foods Company Inc. (the "Company") is submitting the attached 2016 Annual Corporate Governance Report (SEC Form-ACGR) for the year ended December 31, 2016. The same SEC Form-ACGR will also be posted in the Company's corporate website within five business days from submission to the Commission.

For your guidance, in addition to the previous updates covered by Current Reports (SEC Form 17-C) filed with the Commission to date, the following sections were updated with information as of the year ended December 31, 2016:

1. Directorship in Other Listed Companies, *page 8*;
2. Company's definition of "independence" and description of company's compliance to definition, *pages 15-16*;
3. Term limit for independent directors, *page 16*;
4. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension of Directors, *pages 17-30*;
5. Orientation and Education Programs (attended by Directors and Senior Management), *pages 31-44*;
6. Separate Meeting of Non-Executive Directors, *page 57*;
7. Aggregate Remuneration (received by Directors), *page 63*;
8. Remuneration of Management, *page 64-65*;
9. Committee Members (meetings held and attended, ages of members), *pages 69-71*;
10. Committee Work Done and Issues Addressed, *pages 72-73*;
11. Risk Management System, period covered by the review, *page 75*;
12. Statement on Effectiveness of Internal Control System, *pages 83-84*;

13. Internal Control System, period covered by the review, *page 84*;
14. Internal Audit Reporting Relationship with the Audit Committee, *page 87*;
15. Activities relative to customers' welfare, supplier/contractor selection practice, environmentally friendly value-chain, community interaction, anti-corruption programmes and procedures, and safeguarding creditors' rights, *pages 90-101*;
16. Data relating to health, safety and welfare of employees, *pages 102-104*;
17. Data on training and development programmes for employees, *pages 104-108*;
18. Ownership Structure (Holding 5% shareholding or more, Senior Management), *pages 109-110*;
19. External Auditor's Fee, *page 110*;
20. Date of release of audited financial report, *page 111*;
21. Disclosure of Related Party Transactions, *pages 112-113*;
22. Measures Adopted to Promote Stockholders' Participation, *page 117-118*;
23. Date of sending out Notices for the ASM, *page 119*;
24. Definitive Information Statements and Management Report (No. of stockholders entitled to receive DIS, Date of actual distribution), *page 124*;
25. Analyst and media briefings conducted, *page 126*;
26. Contact details of officer responsible for investor relations, *page 127*;
27. Corporate Social Responsibility Initiatives and Beneficiaries, *pages 128-131*.

Thank you.

Very truly yours,

  
**ALEXANDRA B. TRILLANA**  
Compliance Officer

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACRG

### ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year Ended: **December 31, 2012**<sup>1 2 3 4 5 6</sup>
2. Exact Name of Registrant as Specified in its Charter: **San Miguel Pure Foods Company Inc.**
3. **The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City 1605**  
Address of principal office Postal Code
4. SEC Identification Number: **11840**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: **000-100-341-000**
7. **(632) 702-5000-317-5000**  
Issuer's Telephone number, including area code
8. **Registrant has not changed address since its last report to this Honorable Commission**  
Former name or former address, if changed from the last report

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<sup>1</sup> With updates for the year ended December 31, 2013.

<sup>2</sup> With updates on Directors' Attendance in 2014 Board Meetings, per advisement letter filed with the SEC on January 5, 2015.

<sup>3</sup> With updates for the year ended December 31, 2014.

<sup>4</sup> With updates on Directors' Attendance in 2015 Board Meetings, per advisement letter filed with the SEC on January 4, 2016.

<sup>5</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>6</sup> With updates for the year ended December 31, 2016.

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## A. BOARD MATTERS

### 1) Board of Directors

|   |          |
|---|----------|
| Number of Directors per Articles of Incorporation | Nine (9) |
|---|----------|

|   |          |
|---|----------|
| Actual number of Directors for the year | Nine (9) |
|---|----------|

#### (a) Composition of the Board

Complete the table with information on the Board of Directors: <sup>7</sup>

| Director's Name          | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) <sup>8</sup> | Elected when (Annual /Special Meeting) | No. of years served as director |
|--------------------------|---|------------------------------------|---|--------------------|--|--|---------------------------------|
| Eduardo M. Cojuangco Jr. | NED   | SMC <sup>9</sup>                   | SMC   | May 22, 2001       | May 13, 2016   | Annual Meeting                         | 15                              |
| Ramon S. Ang             | NED   | SMC                                | SMC   | May 13, 2001       | May 13, 2016   | Annual Meeting                         | 15                              |
| Francisco S. Alejo III   | ED  | SMC                                | SMC   | May 22, 2001       | May 13, 2016   | Annual Meeting                         | 15                              |
| Edgardo P. Cruz          | ID  | N/A <sup>10</sup>                  | Ramon S. Ang – no relation  | Nov. 7, 2013       | May 13, 2016   | Annual Meeting                         | 2 <sup>11</sup>                 |
| Carmelo L. Santiago      | ID  | N/A                                | Ramon S. Ang – no relation  | Aug. 12, 2010      | May 13, 2016   | Annual Meeting                         | 4 years since 2012              |
| Menardo R. Jimenez       | NED   | SMC                                | SMC   | April 25, 2002     | May 13, 2016   | Annual Meeting                         | 14                              |
| Mario C. Garcia          | NED   | SMC                                | SMC   | Nov. 4, 2009       | May 13, 2016   | Annual Meeting                         | 7                               |
| Silvestre H. Bello III   | ID  | N/A                                | Ramon S. Ang – no relation  | May 10, 2013       | May 13, 2016   | Annual Meeting                         | 3 <sup>12</sup>                 |
| Minita V.                | ID  | N/A                                | Ramon S. Ang  | May                | May 13, 2016   | Annual                                 | 1                               |

<sup>7</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016 and SEC Form 17-C filed with the SEC on May 16, 2016.

<sup>8</sup> Reckoned from the election immediately following January 2, 2012.

<sup>9</sup> SMC – San Miguel Corporation

<sup>10</sup> N/A – Not applicable

<sup>11</sup> As reported in SEC Form 17-C filed with the SEC on January 25, 2017, Mr. Cruz resigned as Independent Director and member of the Audit Committee of the Company effective January 31, 2017.

<sup>12</sup> As reported in SEC Form 17-C filed with the SEC on September 9, 2016, Mr. Bello resigned as Independent Director of the Company effective July 1, 2016.



|                     |     |     |                            |               |                  |                       |                 |
|---------------------|-----|-----|----------------------------|---------------|------------------|-----------------------|-----------------|
| Chico-Nazario       |     |     | – no relation              | 8, 2015       |                  | Meeting               |                 |
| Rolando L. Macasaet | NED | SMC | Ramon S. Ang – no relation | Nov. 8, 2016  | November 8, 2016 | Regular Board Meeting | 0 <sup>13</sup> |
| Ricardo C. Marquez  | ID  | N/A | Ramon S. Ang – no relation | Mar. 15, 2017 | March 16, 2017   | Regular Board Meeting | 0 <sup>14</sup> |

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

The Board of Directors of San Miguel Pure Foods Company, Inc. (SMPFC or the “Company”) approved and adopted a Manual on Corporate Governance for the Company (the “Manual”). The Manual was amended by the Board on August 12, 2011 in compliance with the Revised Code of Corporate Governance issued by the **Securities and Exchange Commission (SEC)** under its Memorandum Circular No. 6, Series of 2009. **The Manual was again amended by the Board on March 26, 2014 to conform to recent SEC Memorandum Circulars issued, particularly SEC Memorandum Circular No. 1, series of 2014, SEC Memorandum Circular No. 20, series of 2013, and SEC Memorandum Circular No. 5, series of 2013.**<sup>15</sup> **Upon approval by the Commission of amendments to the Revised Code of Corporate Governance by virtue of SEC Memorandum Circular No. 9, series of 2014, the Board approved further amendments to the Company’s Manual during its meeting on June 25, 2014.**<sup>16</sup> The Company recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value and safeguard shareholders’ rights and interests. Thus, the Board of Directors, management and employees commit themselves to the corporate governance principles and best practices contained in the Manual, and acknowledge that the same shall guide the attainment of their corporate goals.

As a necessary component of what constitutes sound strategic business management, every effort necessary to create awareness of the Manual within the organization is undertaken. To ensure adherence to the Manual, the Board of Directors has appointed a Compliance Officer, who has direct reporting responsibilities to the Chairman of the Board.

The Board is primarily responsible for promoting the Company’s long-term growth and success and determining its mission, strategy and objectives. The Board exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company’s financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk.

Minority shareholders are granted the right to propose the holding of shareholder meetings and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practices.

Each common share in the name of the shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at the shareholder meetings. Common shareholders, even minority shareholders, have the right to nominate, elect, remove, and replace directors, as well as vote on certain corporate acts. However, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

<sup>13</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2016.

<sup>14</sup> Update per SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>15</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

<sup>16</sup> Update per SEC Form 17-C filed with the SEC on June 25, 2014.



Both preferred and common shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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.

For the further protection of the rights of minority shareholders, any stockholder dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the Company's articles of incorporation and by-laws that has the effect of changing and restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.

SMPFC exercises transparency when dealing with shareholders, customers, employees, creditors, suppliers and other trade partners. SMPFC ensures that these transactions adhere to fair business practices in order to establish long-term and mutually beneficial relationships. In this connection, the Company has adopted a Code of Ethics for observance by employees and business partners, and policies on Conflict of Interest, Whistleblowing, and Solicitation and Acceptance of Gifts, among others.

In addition, activities are regularly conducted to address the needs and interests of the Company's shareholders and other stakeholders, including its employees, customers, suppliers/contractors, creditors/**financiers, government** and the communities in which the Company belongs.<sup>17</sup>

Pursuant to the Manual, all material information on the Company, **i.e., anything that could potentially affect share price or its viability or the interest of its stockholders and other stakeholders**, such as its financial performance and position, acquisition or disposal of substantial assets, Board changes, related party transactions, shareholdings of directors and changes to ownership, are publicly **and timely** disclosed. **With respect to the latter, such dealings in company shares by directors shall be reported within three business days or such other period prescribed under applicable regulations. Further thereto, the Board shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.** Accurate, timely, and complete updates of relevant events concerning SMPFC and its business units are also available through the Company's corporate website ([www.sanmiguelpurefoods.com](http://www.sanmiguelpurefoods.com)). Among these regular updates are the businesses, products and service offerings of the Company, financial performance, business opportunities, corporate vision, mission and objectives. The website also provides downloadable copies of the Company's Articles of Incorporation, By-laws, Manual, Board Committee Charters, Annual Reports, Notice and Information Statements for Annual Shareholders' Meetings, and other relevant governance policies, rules and regulations.<sup>18 19</sup>

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<sup>17</sup> Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>18</sup> With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>19</sup> Update to expound on response per advisement letter filed with the SEC on May 8, 2015.

The Company also continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement.

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

The Board reviews on a periodic basis the corporate mission and vision of the Company, as the need arises or upon the recommendation of management. **The Board reviewed and approved the vision and mission of the Company on August 8, 2013.**<sup>20</sup>

**Corporate objectives and strategies, on the other hand, as well as updates on the Company's efforts to attain these objectives, are discussed by the Board at each regular meeting throughout the year. In this regard, it is SMPFC's "Big Hairy Audacious Goal" to be a P520 billion company by the year 2020, with an income of P42 billion.**<sup>21</sup>

**At the Board meeting on February 2, 2017, the Board again reviewed and approved the core purpose, core value, vision and strategic thrusts of the Company.**<sup>22</sup>

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>23</sup>

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

| Director's Name          | Corporate Name of the Group Company           | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|--------------------------|---|--|
| Eduardo M. Cojuangco Jr. | San Miguel Corporation                        | ED, also Chairman  |
| Ramon S. Ang             | San Miguel Corporation                        | ED   |
|                          | San Miguel Foods, Inc.                        | NED, also Chairman   |
|                          | San Miguel Mills, Inc.                        | NED, also Chairman   |
|                          | Magnolia, Inc.                                | NED, also Chairman   |
|                          | The Purefoods-Hormel Company, Inc.            | NED, also Chairman   |
|                          | San Miguel Super Coffeemix Co., Inc.          | NED, also Chairman   |
|                          | <b>Top Frontier Investment Holdings, Inc.</b> | <b>ED</b> <sup>24</sup>  |
| Francisco S. Alejo III   | San Miguel Foods, Inc.                        | NED  |
|                          | San Miguel Mills, Inc.                        | NED  |
|                          | The Purefoods-Hormel Company, Inc.            | NED  |
|                          | Magnolia, Inc.                                | <b>NED</b> <sup>25</sup>   |
|                          | San Miguel Super Coffeemix                    | <b>NED</b> <sup>26</sup>   |

<sup>20</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>21</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>22</sup> Update per SEC Form 17-C filed with the SEC on February 3, 2017.

<sup>23</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

<sup>24</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

<sup>25</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

|                                |   |                                   |
|--------------------------------|---|-----------------------------------|
|                                | Co., Inc.                                     |                                   |
|                                | Sugarland Corporation                         | NED <sup>27</sup> , also Chairman |
|                                | Golden Food & Dairy Creamery Corporation      | NED <sup>28</sup> , also Chairman |
|                                | Realsnacks Mfg. Corp.                         | ED, also Chairman                 |
|                                | San Miguel Hormel (VN) Co., Ltd.              | NED, also Chairman                |
|                                | Golden Bay Grain Terminal Corporation         | NED, also Chairman                |
|                                | Golden Avenue Corp.                           | NED, also Chairman                |
|                                | San Miguel Pure Foods International Limited   | NED, also Chairman                |
|                                | San Miguel Pure Foods Investment (BVI) Ltd.   | NED                               |
| Menardo R. Jimenez             | San Miguel Corporation                        | NED                               |
|                                | Magnolia, Inc.                                | NED                               |
| <b>Minita V. Chico-Nazario</b> | <b>Top Frontier Investment Holdings, Inc.</b> | ID <sup>29</sup>                  |

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group: <sup>30</sup>

| Director's Name                | Name of Listed Company                      | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|--------------------------------|---|--|
| Eduardo M. Cojuangco, Jr.      | Ginebra San Miguel, Inc.                    | NED, also Chairman   |
|                                | Petron Corporation                          | NED, also Chairman <sup>31</sup>   |
| Ramon S. Ang                   | Petron Corporation                          | ED, also Chairman <sup>32</sup>  |
|                                | <del>Liberty Telecoms Holdings Inc.</del>   | <del>NED, also Chairman</del>  |
|                                | Ginebra San Miguel, Inc.                    | NED  |
|                                | San Miguel Brewery Hong Kong Limited        | NED, also Chairman   |
|                                | Petron Malaysia Refining & Marketing Berhad | ED, also Chairman  |
| Carmelo L. Santiago            | <del>Liberty Telecoms Holdings Inc.</del>   | <del>ID</del>  |
|                                | San Miguel Brewery Hong Kong Limited        | ID   |
| <b>Minita V. Chico-Nazario</b> | <b>Ginebra San Miguel, Inc.</b>             | ID <sup>33</sup>   |
| <b>Francisco S. Alejo III</b>  | <b>Ginebra San Miguel, Inc.</b>             | NED <sup>34</sup>  |

<sup>26</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>27</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>28</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>29</sup> Update highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 8, 2015, per advisement letter filed with the SEC on May 11, 2015.

<sup>30</sup> Update highlighted for the year ended December 31, 2016.

<sup>31</sup> Update highlighted per advisement letter filed with the SEC on February 11, 2015.

<sup>32</sup> Update highlighted per advisement letter filed with the SEC on February 11, 2015.

<sup>33</sup> Update highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 8, 2015, per advisement letter filed with the SEC on May 11, 2015.

<sup>34</sup> Update highlighted per advisement letter filed with the SEC on May 29, 2015.

(iii) Relationship within the Company and its Group

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

| Director's Name           | Name of the Significant Shareholder | Description of the relationship                          |
|---------------------------|-------------------------------------|--|
| Eduardo M. Cojuangco, Jr. | San Miguel Corporation              | ED, Chairman and Chief Executive Officer                 |
| Ramon S. Ang              | San Miguel Corporation              | ED, Vice Chairman, President and Chief Operating Officer |
| Menardo R. Jimenez        | San Miguel Corporation              | NED  |

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

**The Company observes the requirements of SEC Memorandum Circular No. 9, Series of 2011, which provides that Independent Directors in business conglomerates can be elected to only five companies of the conglomerate.**<sup>35</sup>

The Company's Manual further provides that a director shall exercise due discretion in accepting and holding directorships in other corporations. In this regard, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Company is not compromised.

The Nomination and Hearing Committee shall consider the following guidelines in the determination of the number of directorships, which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual:

|                               | Guidelines  | Maximum Number of Directorships in other companies            |
|-------------------------------|---|---|
| <b>Executive Director</b>     | (1) nature of business of the relevant corporations; (2) age of director; (3) number of directorships/active management in other corporations or entities; (4) possible conflict of interest. | Low indicative limit on membership in other corporate boards. |
| <b>Non-Executive Director</b> | Same as the guidelines for ED above.  | Same as the indicative limit for ED above.                    |
| <b>CEO</b>                    | Same as the guidelines for ED above.  | Same as the indicative limit for ED above.                    |

(c) Shareholding in the Company

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

<sup>35</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>36</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

<sup>37</sup> With updates highlighted per advisement letter filed with the SEC on March 17, 2015.

| Name of Director         | Number of Direct shares                             | Number of Indirect shares / Through (name of record owner)                               | % of Capital Stock |
|--------------------------|---|--|--------------------|
| Eduardo M. Cojuangco Jr. | 1 common share                                      | 5,500 preferred shares / PCD Nominee Corp. N/A   | 0%                 |
| Ramon S. Ang             | 1 common share                                      | N/A  | 0%                 |
| Francisco S. Alejo III   | 1 common share;<br>10,000 preferred shares          | N/A 43,000 common shares; 10,000 Series 2 preferred shares / Through PCD Nominee Corp.   | 0%                 |
| Edgardo P. Cruz          | 1 common share                                      | N/A  | 0%                 |
| Carmelo L. Santiago      | 1 common share                                      | N/A  | 0%                 |
| Menardo R. Jimenez       | 1 common share                                      | N/A  | 0%                 |
| Mario C. Garcia          | 1 common share                                      | N/A  | 0%                 |
| Silvestre H. Bello III   | 1 common share                                      | N/A  | 0%                 |
| Minita V. Chico-Nazario  | 1 common share                                      | N/A  | 0%                 |
| Rolando L. Macasaet      | 1 common share                                      | N/A  | 0%                 |
| Ricardo C. Marquez       | 1 common share                                      | N/A  | 0%                 |
| <b>TOTAL</b>             | <b>9 common shares;<br/>10,000 preferred shares</b> | <b>5,500 preferred shares<br/>43,000 common shares; 10,000 Series 2 preferred shares</b> | 0%                 |

## 2) Chairman and CEO

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

Yes ☒ √

No ☐

Identify the Chair and CEO:

|                       |                           |
|-----------------------|---------------------------|
| Chairman of the Board | Eduardo M. Cojuangco, Jr. |
| CEO/President         | Francisco S. Alejo III    |

## (b) Roles, Accountabilities and Deliverables

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

|      | Chairman  | Chief Executive Officer   |
|------|---|---|
| Role | Presides at Board and shareholder meetings; Exercises such other powers as may be conferred upon him by the | In the absence of the Chairman, presides at all meetings of the Board and shareholders; Exercises general |

<sup>38</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 8, 2015 and SEC Form 17-C filed with the SEC on May 11, 2015.

<sup>39</sup> As reported in SEC Form 17-C filed with the SEC on September 9, 2016, Mr. Bello resigned as Independent Director of the Company effective July 1, 2016.

<sup>40</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2016.

<sup>41</sup> As reported in SEC Form 17-C filed with the SEC on January 25, 2017, Mr. Cruz resigned as Independent Director and member of the Audit Committee of the Company effective January 31, 2017.

<sup>42</sup> Update per SEC Form 17-C filed with the SEC on March 17, 2017.

|                  |   |   |
|------------------|---|---|
|                  | Board; Maintains effective lines of communication and flow of information between the Board and management  | supervision and management of the business affairs and properties of the Company; Performs such other duties as the Board may designate from time to time   |
| Accountabilities | Accountable to all shareholders of the Company; Ensures that Board and Shareholder meetings are held in accordance with By-laws; Assists in ensuring compliance with corporate governance guidelines  | Accountable to the Board of Directors in achieving the goals and targets set by the Company; Sees to it that all orders and resolutions of the Board are carried into effect; Ensures that the administrative and operational policies of the Company are implemented   |
| Deliverables     | Supervises the preparation of the Agenda of meetings of Board of Directors and Board Committees in coordination with Corporate Secretary; Executes Annual Reports (SEC Form 17-A) and other relevant <b>reportorial requirements</b> with the regulatory authorities (i.e., Statement of Management's Responsibility over Audited Financial Statements, Manual, Annual Corporate Governance Report, statements on initial or changes to beneficial ownership in the Company [SEC Forms 23-A and 23-B]); Renders Chairman's Report on results of the Company's operations during Annual Shareholders' Meetings; Informs all stockholders in attendance at Annual Shareholders' Meetings of the mandatory requirement of electing Independent Directors | Oversees the preparation of budgets and financial statements of the Company; Presents management reports to the Board and shareholders, and such other statements as may be deemed necessary from time to time; Executes Annual Reports (SEC Form 17-A) and other relevant <b>reportorial requirements</b> with the regulatory authorities (i.e., Statement of Management's Responsibility over Audited Financial Statements, Manual, Annual Corporate Governance Report, statements on initial or changes to beneficial ownership in the Company [SEC Forms 23-A and 23-B]); Signs, executes and delivers such contracts and instruments in writing as may be authorized by the Board; Signs all certificates of stock in favor of shareholders of the Company |

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board has oversight responsibilities in the selection and appointment of the President who shall possess the ability, integrity and expertise necessary for the position. The duties and responsibilities of the President are defined by the Board, through the Nomination and Hearing Committee. The Board likewise evaluates the proposed senior management appointments of the Company and approves the promotion or appointment of qualified and competent management officers, which functions are exercised through the Executive Compensation Committee.

The Board of Directors has constituted an Executive Compensation Committee composed of at least three members of the Board, at least one of whom shall be an Independent Director, to aid the Board in ensuring adherence by the Company to the best practices of good corporate governance. Specifically, the Executive Committee has the overall responsibility for the evaluation and review of the Company's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Company's compensation and benefit programs, the oversight of plans for executive officers'

development and succession.

In this connection, the Company implements a management development program, which identifies, evaluates, trains and prepares high potential employees to succeed in key management positions in the Company and its subsidiaries.

#### 4) Other Executive, Non-Executive and Independent Directors

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

Yes. The Board consists of nine members who are proven to possess integrity and probity in addition to the other qualifications of a director specified in the Manual. A process of selection to ensure a mix of competent directors is implemented. The membership of the Board of Directors may be a combination of executive and non-executive directors (which shall include Independent Directors). The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. The broad range of skills, expertise and experience of the directors in the fields of business, finance, accounting and law ensures comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.

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

Yes. SMPFC is a leading food company in the Philippines. It offers a broad range of high-quality food products and services to household, institutional and food service customers. The Company organizes its operations into several business segments, one of which is the agro-industrial cluster that comprises the feeds, poultry and fresh meats businesses. The Company's Chairman Mr. Eduardo M. Cojuangco, Jr., a non-executive director, attended the College of Agriculture of the University of the Philippines in Los Baños and was conferred the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture. One of the Company's Independent Directors Mr. Carmelo L. Santiago, also a non-executive director, is the founder and owner of several branches of Melo's Restaurant and the founder of Wagyu Restaurant, both specializing in meats.

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

|      | Executive  | Non-Executive  | Independent Director  |
|------|--|--|---|
| Role | Presents the Company's results of operations and financial performance to the Board; Serves as the link between management and the Board; Primarily responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office | Provides an independent check on management of the Company; Responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office is one of trust and confidence, he/she shall exercise independent judgment and act in a | Expected to ensure that potential conflict of interest between management and the shareholders of the Company are avoided; Responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office is one of trust and |



|                  |   |   |  |
|------------------|---|---|--|
|                  | is one of trust and confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.  | manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.  | confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.<br><br>Currently, the Company's Independent Directors have been appointed as Chairpersons of the Audit Committee and Nomination and Hearing Committee.  |
| Accountabilities | Accountable to the shareholders of the Company; Responsible for execution of business strategies and plans; Exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality. | Accountable to the shareholders of the Company; Exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality. | Accountable to the shareholders of the Company; In reviewing related party transactions of the Company, they are expected to ensure that such transactions are entered into at arms' length, in the ordinary course of business, at normal market rates; Exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate |

|              |  |  |   |
|--------------|--|--|---|
|              |  |  | consideration to materiality.   |
| Deliverables | <p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B), and other necessary or appropriate statements.</p> | <p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B), and other necessary or appropriate statements.</p> | <p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B) SEC and other necessary or appropriate statements.</p> <p>Further, each Independent Director of the Company issues and submits to the Corporate Secretary for filing with the SEC, a certification confirming that he/she possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his/her election and/or re-election.</p> <p>Moreover, one or more</p> |

|  |  |  |   |
|--|--|--|---|
|  |  |  | Independent Directors sign/s the template on Corporate Governance Guidelines of the PSE and the Annual Corporate Governance Report for submission to the SEC. |
|--|--|--|---|

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

The Company defines an Independent Director in its By-laws as a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Accordingly, the Company's Manual provides that an Independent Director is a director who, apart from his/her fees and shareholdings, has no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of his/her independent judgment in carrying out his/her responsibilities as a director. Among others, Independent Directors have the power and authority to review related party transactions entered into by the Company at any time.

The Company has more than the required number of Independent Directors under SEC regulations. **The Independent Directors of the Company elected during the 2016 Annual Stockholders' Meeting, Mr. Carmelo Santiago, Mr. Silvestre Bello III<sup>43</sup>, Justice Edgardo Cruz<sup>44</sup> and Justice Minita Chico-Nazario, as well as Gen. Ricardo C. Marquez who was appointed on March 16, 2017 vice Justice Cruz who resigned effective January 31, 2017,<sup>45</sup>** have no business or other relationship with the Company that may interfere with the exercise of their judgment in carrying out their responsibilities as Independent Directors. They were qualified for election in accordance with the Securities Regulation Code and rules of the SEC.<sup>46</sup>

~~Accordingly, effective 2012, an Independent Director may serve as such for five consecutive years only starting January 2, 2012, after which a "cooling off" period of two years shall be observed before he/she may be considered for re-election as Independent Director of the Company. However, if there is no suitable replacement, an Independent Director elected in 2012 who may be re-elected as such until 2017, upon which the two-year cooling off period shall commence, may further be re-elected until 2021 only (a maximum term of nine years), at which time he/she may no longer be qualified as Independent Director of the Company. The Company is currently compliant with the new Code of Corporate Governance for Publicly-Listed Companies issued by the SEC in November 2016 (the "New CG Code"), which requires at least three independent directors or such number as to constitute at least one-third of the members of the Board, whichever is higher.~~

**With the New CG Code taking effect as of January 1, 2017, an independent director may serve as such for a maximum cumulative term of nine years. After which, the independent director, will be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. Nevertheless, in the instance that the Company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification and**

<sup>43</sup> As reported in SEC Form 17-C filed with the SEC on September 9, 2016, Mr. Bello resigned as Independent Director of the Company effective July 1, 2016.

<sup>44</sup> As reported in SEC Form 17-C filed with the SEC on January 25, 2017, Mr. Cruz resigned as Independent Director and member of the Audit Committee of the Company effective January 31, 2017.

<sup>45</sup> With update highlighted per SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>46</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016 and SEC Form 17-C filed with the SEC on May 16, 2016.

seek shareholders' approval during the Annual Stockholders' Meeting.<sup>47</sup>

Further, in business conglomerates such as the San Miguel Group of Companies of which SMPFC is a part, an Independent Director may be elected to only five corporations of the conglomerate. Pursuant to such rules, each Independent Director of the Company issues and submits to the Corporate Secretary for filing with the SEC, a certification confirming that he/she possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his/her election and/or re-election. All the Independent Directors of the Company are independent of its management and substantial shareholders.

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

Yes. The Company complies with applicable laws and regulations, including SEC Memorandum Circular No. 19, Series of 2016, or the New CG Code. With the New CG Code taking effect as of January 1, 2017, an independent director of the Company may now serve as such for a maximum cumulative term of nine years. After which, the independent director will be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. Nevertheless, in the instance that the Company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification and seek shareholders' approval during the Annual Stockholders' Meeting. 9, Series of 2011 and SEC Advisories issued on July 20, 2015 and March 31, 2016. Under the said memorandum circular, effective January 2012, an independent director may only serve as such for five consecutive years starting January 2, 2012, shall be ineligible for re-election for a "cooling off" period of two years thereafter, following which he may again serve for another five consecutive years. Under the July 2015 Advisory, independent directors elected in 2012 may be re-elected as such for five years, or until 2017, when the two-year cooling off period shall commence. However, in accordance with the March 2016 Advisory, if there are no suitable replacements, said independent directors may be re-elected in 2017 for four more years or until 2021 only (a maximum term of nine years), at which time they may no longer be qualified as independent directors for the same companies. This re-election in 2017 until 2021 shall be with prior written notice and justification to the SEC addressed to the Corporate Governance and Finance Department.<sup>48</sup>

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

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:<sup>49 50 51</sup>

| Name                  | Position | Date of Cessation | Reason      |
|-----------------------|----------|-------------------|-------------|
| Cancio C. Garcia      | ID       | October 15, 2013  | Death       |
| Angelina S. Gutierrez | ID       | October 8, 2014   | Resignation |
| Edgardo P. Cruz       | ID       | January 31, 2017  | Resignation |

<sup>47</sup> Update for the year ended December 31, 2016.

<sup>48</sup> Update for the year ended December 31, 2016.

<sup>49</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

<sup>50</sup> With updates highlighted per SEC Form 17-C filed with the SEC on October 17, 2014.

<sup>51</sup> With updates highlighted per SEC Form 17-C filed with the SEC on January 25, 2017.

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

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:<sup>52</sup>

| Procedure                       | Process Adopted   | Criteria  |
|---------------------------------|---|---|
| <b>a. Selection/Appointment</b> |   |   |
| (i) Executive Directors         | <p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company's By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors aligned with the Company's strategic directions. It has the discretion to use 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.<sup>53</sup> The membership of the Board may be a combination of executive and</p> | <p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p> <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.</p> |

<sup>52</sup> With updates highlighted as of the year ended December 31, 2016.

<sup>53</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

|   |   |  |
|---|---|--|
|   | <p>non-executive directors (which shall include Independent Directors).</p> <p>The names and qualifications of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p> |  |
| (ii) Non-Executive Directors              | Same as the process for selection/appointment of ED above.  | Same as the criteria for selection/appointment of ED above. In addition, NED shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.  |
| (iii) Independent Directors <sup>54</sup> | Same as the process for selection/appointment of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations and listing rules, including Rule 38 of the Securities Regulation  | Same as the criteria for selection/appointment of ED and NED above. In addition, ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, including that in business conglomerates, a person can be elected as ID of only five companies of the |

<sup>54</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

|                          |   |   |
|--------------------------|---|---|
|                          | <p><b>Code and SEC Memorandum Circular No. 19, Series of 2016.</b> SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016. Hence, among others, the Company shall have at least <b>twothree</b> ID or such number of ID that constitutes <b>20%one-third</b> of the directors of the nine-member Board of SMPFC.</p>   | <p><b>conglomerate.</b></p> <p><b>ID shall have</b> no business or relationship with the Company, which could materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors, <b>including any person who:</b></p> <p><b>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director, officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</b></p> |
| <b>b. Re-appointment</b> |   |   |
| (i) Executive Directors  | <p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company's By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional</p> | <p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p>   |



|                              |  |   |
|------------------------------|--|---|
|                              | <p>or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors. The membership of the Board may be a combination of executive and non-executive directors (which shall include Independent Directors).</p> <p>The names and qualifications of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p> | <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.</p> |
| (ii) Non-Executive Directors | Same as the process for re-appointment of ED above.  | Same as the criteria for re-appointment of ED above.  |

|   |  |   |
|---|--|---|
| <p>(iii) Independent Directors<sup>55</sup></p> | <p>Same as the process for re-appointment of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations and listing rules, including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 19, Series of 2016. SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016. Hence, among others, the Company shall have at least <del>two</del>three ID or such number of ID that constitutes <del>20%</del>one-third of the directors of the nine-member Board of SMPFC.</p> | <p>Same as the criteria for re-appointment of ED and NED above. In addition, ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, as well as observe the term limits and other guidelines in SEC Memorandum Circular No. 19, Series of 2016. SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016.</p> <p>ID shall have no business or relationship with the Company, which could materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors, including any person who:</p> <p>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director, officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</p> |
| <p>c. Permanent Disqualification</p>            |  |   |

<sup>55</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

|   |   |   |
|---|---|---|
| (i) Executive Directors                   | <p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations.</p> <p>In this regard, the By-laws provide that in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> | <p>Any of the following shall be a ground for permanent disqualification:</p> <p>(1) Any person convicted by final judgment of certain crimes involving securities, his conduct as underwriter, broker, advisor or the like, or his fiduciary relationship with a bank or similar entity, or an offense involving moral turpitude or punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years prior to his election;</p> <p>(2) Any person permanently enjoined from acting as an underwriter, broker, advisor or the like, or found to have willfully violated laws governing securities or banking;</p> <p>(3) Any person judicially declared to be insolvent;</p> <p>(4) A temporarily disqualified director who fails within 60 business days from such disqualification to take the appropriate action to remedy or correct the disqualification.</p> |
| (ii) Non-Executive Directors              | Same as the process for permanent disqualification of ED above.   | Same as the criteria for permanent disqualification of ED above.  |
| (iii) Independent Directors <sup>56</sup> | Same as the process for permanent disqualification of ED and NED above.   | <p>Same as the criteria for permanent disqualification of ED and NED above. Further, <b>the Company observes SEC Memorandum Circular No. 19, Series of 2016. SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016<sup>56</sup> on “Term Limits for Independent Directors”.</b> Thus, an ID may serve as such for a maximum cumulative term of nine years. After which, he or she will be perpetually barred</p>  |

<sup>56</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

|                                      |   |   |
|--------------------------------------|---|---|
|                                      |   | <p>from re-election as ID in the Company. Moreover, in business conglomerates such as the San Miguel Group of Companies, which includes SMPFC, an ID may be elected to only five corporations of the conglomerate. Moreover, an ID who has served as such in the Company or a corporation within the Company's conglomerate for a total of ten years (with two year cooling off period after the first five years) or nine years consecutively, as the case may be, shall be perpetually barred from serving as an ID of the Company or any corporation within its conglomerate.</p>  |
| <b>d. Temporary Disqualification</b> |   |   |
| (i) Executive Directors              | <p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations.</p> <p>In this regard, the By-laws provide that in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> <p>A temporarily disqualified director shall, within 60 business days from the disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> | <p>Any of the following shall be a ground for temporary disqualification:</p> <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p> <p>(3) Dismissal or termination for cause under SEC Memorandum Circular No. 6, series of 2009. This disqualification is effective until he has cleared himself of any involvement in the alleged irregularity;</p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification has not yet been final.</p> |

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| (ii) Non-Executive Directors          | Same as the process for temporary disqualification of ED above.  | Same as the criteria for temporary disqualification of ED above.  |
| (iii) Independent Directors           | Same as the process for temporary disqualification of ED and NED above.  | <p>Same as the criteria for temporary disqualification of ED and NED above. Further:</p> <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p>(3) In accordance with <b>SEC Memorandum Circular No. 19, Series of 2016</b>, an ID may serve as such for a maximum cumulative term of nine years. After which, he or she will be perpetually barred from re-election as ID in the Company. SEC Memorandum Circular No. 9, series of 2011, an ID may serve as such for five consecutive years only starting January 2, 2012, after which a "cooling off" period of two years shall be observed.</p> |
| <b>e. Removal</b>                     |  |   |
| (i) Executive Directors <sup>57</sup> | <p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations. <b>The Committee may thus consider and recommend the removal of a director if he/she is no longer qualified to serve as such.</b></p> <p><b>Under Section 28 of the Corporation Code, any director may be removed from office by a vote of the stockholders representing 2/3 of the outstanding capital</b></p> | <p><b>In the event of a third violation of the Manual, the maximum penalty of removal from office may be imposed against a director, in accordance with Section 28 of the Corporation Code.</b></p> <p>As noted above, any of the following shall be a ground for permanent disqualification of a director:</p> <p>(1) Any person convicted by final judgment of certain crimes involving securities, his conduct as underwriter, broker, advisor or the like, or his fiduciary relationship with a bank or similar entity, or an</p>   |

<sup>57</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

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|  | <p><b>stock, at a regular or special meeting called for the purpose, and in either case, after previous notice to the stockholders of the intention to propose such removal at the meeting.</b></p> <p>Under the By-laws, in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> <p>Moreover, further to the right to elect directors, shareholders shall have the right to remove and replace directors as they deem necessary, <b>also in accordance with the Corporation Code.</b> However, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> | <p>offense involving moral turpitude or punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years prior to his election;</p> <p>(2) Any person permanently enjoined from acting as an underwriter, broker, advisor or the like, or found to have willfully violated laws governing securities or banking;</p> <p>(3) Any person judicially declared to be insolvent;</p> <p>(4) A temporarily disqualified director who fails within 60 business days from such disqualification to take the appropriate action to remedy or correct the disqualification.</p> <p>On the other hand, any of the following shall be a ground for temporary disqualification:</p> <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p> <p>(3) Dismissal or termination for cause under SEC Memo Circular No. 6, s. 2009. This disqualification is effective until he has cleared himself;</p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification</p> |
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|   |  | <p>has not yet been final.</p> <p><b>The Corporation Code also provides that removal may be without cause; Provided that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under law.</b></p>   |
| (ii) Non-Executive Directors              | Same as the process for removal of ED above.         | Same as the criteria for removal of ED above.   |
| (iii) Independent Directors <sup>58</sup> | Same as the process for removal of ED and NED above. | <p>Same as the criteria for removal of ED and NED above.</p> <p>Further, <b>the Company observes SEC Memorandum Circular No. 19, Series of 2016. SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016 all on "Term Limits for Independent Directors". Thus, an ID may serve as such for a maximum cumulative term of nine years. After which, he or she will be perpetually barred from re-election as ID in the Company.</b> Moreover, in business conglomerates such as the San Miguel Group of Companies, which includes SMPFC, an ID may be elected to only five corporations of the conglomerate. Moreover, an ID who has served as such in the Company or a corporation within the Company's conglomerate for a total of ten years (with two-year cooling off period after the first five years) or nine years consecutively, as the case may be, shall be perpetually barred from serving as an ID of the Company or any corporation within its conglomerate.</p> <p>Furthermore, the following are grounds for removal on a temporary basis:</p> |

<sup>58</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.



|                          |  |   |
|--------------------------|--|---|
|                          |  | <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p>(3) In accordance with SEC Memorandum Circular No. 9, series of 2011, an ID may serve as such for five consecutive years only starting January 2, 2012, after which a "cooling off" period of two years shall be observed.</p>   |
| <b>f. Re-instatement</b> |  |   |
| (i) Executive Directors  | <p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company's By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors.</p> | <p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p> <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.</p> |

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|   | <p>The membership of the Board may be a combination of executive and non-executive directors (which shall include Independent Directors).</p> <p>The names and qualifications of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p> | <p>Moreover, in order for a temporarily disqualified director to be eligible for reinstatement, he shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification.</p>       |
| (ii) Non-Executive Directors              | Same as the process for reinstatement of ED above.  | Same as the criteria for reinstatement of ED above. In addition, NED shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.  |
| (iii) Independent Directors <sup>59</sup> | Same as the process for reinstatement of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations  | <p>Same as the criteria for reinstatement of ED and NED above.</p> <p>In addition, <b>ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, as well as</b></p> |

<sup>59</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

|                                       |   |  |
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|                                       | <p>and listing rules, including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 19, Series of 2016 SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016. Hence, among others, the Company shall have at least <del>two</del>three ID or such number of ID that constitutes <del>20%</del>one-third of the directors of the nine-member Board of SMPFC.</p> | <p>observe the term limits and other guidelines in SEC Memorandum Circular No. 19, Series of 2016 SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated July 20, 2015 and SEC Advisory dated March 31, 2016.</p> <p>ID shall have no business or relationship with the Company, which could materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors, including any person (even those temporarily disqualified to serve as ID) who:</p> <p>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director, officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</p> |
| <b>g. Suspension</b>                  |   |  |
| (i) Executive Directors <sup>60</sup> | <p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the</p>  | <p>Any of the following grounds for the temporary disqualification of a director, may also be a ground for his/her suspension:</p>   |

<sup>60</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

|                              |  |  |
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|                              | <p>Manual, By-laws, and applicable laws and regulations. <b>The Committee may thus consider and recommend the suspension of a director if he/she becomes temporarily disqualified to serve as such.</b></p> <p>Under the By-laws, in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> <p>A temporarily disqualified director shall, within 60 business days from the disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> | <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p> <p>(3) Dismissal or termination for cause under SEC Memorandum Circular No. 6, series of 2009. This disqualification is effective until he has cleared himself <b>of any involvement in the alleged irregularity;</b></p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification has not yet been final.</p> |
| (ii) Non-Executive Directors | Same as the process for suspension of ED above.  | Same as the criteria for suspension of ED above.   |
| (iii) Independent Directors  | Same as the process for suspension of ED and NED above.  | <p>Same as the criteria for suspension of ED and NED above. Further:</p> <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p><del>(3) In accordance with SEC Memorandum Circular No. 9, series of 2011, an ID may serve as such for five consecutive years only starting January 2, 2012, after which a "cooling off" period of two years shall be observed.</del></p>  |


# Voting Result of the last Annual General Meeting <sup>61</sup>

| Name of Director         | Votes Received |
|--------------------------|----------------|
| Eduardo M. Cojuangco Jr. | 146,571,755    |
| Ramon S. Ang             | 146,390,295    |
| Francisco S. Alejo III   | 146,837,905    |
| Menardo R. Jimenez       | 146,390,295    |
| Mario C. Garcia          | 146,837,905    |
| Carmelo L. Santiago      | 146,394,805    |
| Silvestre H. Bello III   | 142,741,245    |
| Edgardo P. Cruz          | 146,837,905    |
| Minita V. Chico-Nazario  | 146,837,905    |

## 6) Orientation and Education Program

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

The Company's orientation program for new directors involves the briefing of such new directors on the corporate and organizational structures, business operations, historical performance and plans.

(b) State any in-house training and external courses attended by Directors and Senior Management <sup>62</sup> for the past three (3) years: 

- Seminar on Corporate Governance, December 2010, November 2011 and November 2012; arranged by the Office of the General Counsel and Corporate Secretary and conducted by the UP Institute for the Administration of Justice
- Management Development Program, August 2010 to November 2010; arranged by the San Miguel Pure Foods University School of Management (SMPFU) and conducted by John Clements Consultants, Inc. (JCCI) in partnership with Harvard Business Publishing
- Senior Leaders' Program Series on "Leadership Priorities in Asia" with Prof. Steve Dekrey of Harvard Business School (HBS), December 2010; arranged by JCCI
- Learning & Innovation: Building Capability for Sustainable Change, May 2011; arranged by JCCI and SMPFU

<sup>61</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016, per advisement letter filed with the SEC on May 16, 2016.

<sup>62</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>63</sup> Update per SEC Form 17-C filed with the SEC on September 29, 2014.

<sup>64</sup> Update per SEC Form 17-C filed with the SEC on November 7, 2014.

<sup>65</sup> With updates highlighted for the year ended December 31, 2014.

<sup>66</sup> Update per SEC Form 17-C filed with the SEC on September 28, 2015.

<sup>67</sup> Update per SEC Forms 17-C filed with the SEC on October 21, 2015, November 12, 2015 and December 8, 2015.

<sup>68</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>69</sup> Update per SEC Form 17-C filed with the SEC on September 13, 2016.

<sup>70</sup> Update per SEC Form 17-C filed with the SEC on November 4, 2016.

<sup>71</sup> Update per SEC Form 17-C filed with the SEC on November 14, 2016.

<sup>72</sup> Update per SEC Form 17-Cs filed with the SEC on January 24, 2017 and April 5, 2017.

<sup>73</sup> With updates highlighted for the year ended December 31, 2016.

- Managing Growth Through Resilient Leadership & Customer Centricity with Prof. Ranjay Gulati of HBS, June 2011; arranged by JCCI and SMPFU
- Brand Equity, May 2011; arranged by Acumen Strategic Consulting, Inc. and SMPFU College of Precision Marketing
- Demand Planning Seminar, January 2012; arranged by Procurement and Supply Institute of Asia, Inc. (PSIA)
- Senior Leaders' Program Series on "Creativity and Innovation in the Global Marketplace" with Prof. Roy Chua of HBS, January 2012; arranged by JCCI and SMPFU
- Demand Planning and Forecast Workshop, May 2012; arranged by Supply Chain Council
- 2012 Bohol Working Session "Gearing up for Asian Governance", November 2012; arranged by Institute of Corporate Directors
- Annual Global Procurement & Supply Management Conference & Exhibit; December 2012; arranged by PSIA
- Precision Contract Drafting and Contractual Risk Management, February 2014; conducted by Marcus Evans Conferences
- Team Building and Planning Workshop, March 2014; conducted by Ancilla Enterprise Development Consulting, Inc.
- Code of Champions (Values Integration Seminar), June 2014; facilitated by Fr. Armand Robleza, Company Chaplain
- Long Range Planning Economic Briefing: Global, Asian & Philippine Economic Outlook, July 2014; conducted by Ms. Mary Rose Balanza, San Miguel Corporation
- Trendspotting 2014: Feast of Flavors, July 2014; arranged by San Miguel Pure Foods Culinary Center
- PMAP: 51<sup>st</sup> Annual Conference, September 2014; arranged by People Management Association of the Philippines
- Seminar on Corporate Governance for Directors and Key Officers (including the head of the Internal Audit Group), September 2014; arranged by the Office of the General Counsel and Corporate Secretary and conducted by SGV & Co., an SEC-accredited training provider
- Seminar on Corporate Governance for Directors and Key Officers, November 2014; conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an SEC-accredited training provider
- Cost Effective Purchasing and Efficient Procurement Management with Mr. Ricky De Vera, November 2014; conducted by HR Hub Human Resources Consultancy
- Corporate Governance Roundtable Discussion with PLC's Compliance Officers, January 2015; conducted by the Securities and Exchange Commission (SEC)
- Building Team Synergy (A Team Building and Planning Workshop), March 2015; conducted by Convergent Consulting
- SEC Updates Forum, May 2015, conducted by Financial Executives Institute of the Philippines
- 2015 ASEAN Corporate Governance Scorecard Evaluation Process, May 2015; conducted by the SEC
- Becoming a 5-Star Organizational Leader, June 2015; conducted by Catalyst 360 Training and Consultancy, arranged by SMC Leadership Academy
- Trend Sharing 2015: Feast of Flavors, June 2015; conducted by San Miguel Pure Foods Culinary Center
- Seminar on Corporate Governance for Directors and Key Officers (including the head of the Internal Audit Group), September 2015; arranged by the Office of the General Counsel and Corporate Secretary and conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an SEC-accredited training provider
- PSE Annual Disclosure Rules Seminar, November 2015; conducted by the Philippine Stock Exchange, Inc. (PSE)

- Seminar on Corporate Governance for Directors and Key Officers, October, November and December 2015; conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an SEC-accredited training provider
- Becoming a 5-Star Organizational Leader, January 2016; conducted by Catalyst 360 Training and Consultancy, arranged by SMC Leadership Academy;
- Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) February 2016; conducted by Lilolele;
- 2016 ASEAN Corporate Governance Scorecard Workshop for Publicly Listed Companies, March 2016; conducted by Institute of Corporate Directors (ICD);
- Mandatory Continuing Legal Education (MCLE) Series 41, March 2016; conducted by Asian Center for Legal Excellence;
- Corporate Secretary: The Corporate Governance Professional, August 2016; conducted by ICD;
- Innovation Forum: Global Innovation Trends, August 2016; conducted by Evonik and Wenda;
- INSPIRED Conversation: from the nOW Gen to the NEXT Gen, September 2016; conducted by Filipino CEO Circle Inc.;
- Innovation Forum: Essences and Flavors, September 2016; conducted by Givaudan;
- Seminar on Corporate Governance for Directors and Key Officers (including the head of the Internal Audit Group), September 2016; arranged by the Office of the General Counsel and Corporate Secretary and conducted by SGV & Co., an SEC-accredited training provider
- Seminar on Corporate Governance for Directors and Key Officers, November 2016; conducted by SGV & Co., an SEC-accredited training provider
- Seminar on Corporate Governance for Directors, November 2016; conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an SEC-accredited training provider;
- Innovation Forum: Supply Chain, November 2016; conducted by DHL;
- ALB Competition Law Forum, November 2016; conducted by Thomson Reuters;
- Annual Listing and Disclosure Rules Seminar, November 2016; conducted by the PSE;
- Halal Executive Training, November 2016; conducted by Institute of Islamic Studies;
- Securities Exchange Commission – Philippine Stock Exchange Corporate Governance Forum, November 2016; conducted by SEC and PSE;
- New Director Orientation, January and April 2017; conducted by the Company's Corporate Affairs Group and Office of the Corporate Secretary

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. 74 75 76 77 78 79 80 81 82 83 84 85

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|--------------------------|------------------|---------|------------------------------|
|--------------------------|------------------|---------|------------------------------|

<sup>74</sup> With updates highlighted per SEC Form 17-C filed with the SEC on September 29, 2014.

<sup>75</sup> With updates highlighted per SEC Form 17-C filed with the SEC on November 7, 2014.

<sup>76</sup> With updates highlighted for the year ended December 31, 2014.

<sup>77</sup> With updates highlighted per SEC Form 17-C filed with the SEC on September 28, 2015.

<sup>78</sup> With updates highlighted per SEC Forms 17-C filed with the SEC on October 21, 2015, November 12, 2015 and December 8, 2015.

<sup>79</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>80</sup> With updates highlighted per SEC Form 17-C filed with the SEC on September 13, 2016.

<sup>81</sup> With update highlighted per SEC Form 17-C filed with the SEC on November 4, 2016.

<sup>82</sup> With updates highlighted per SEC Form 17-C filed with the SEC on November 14, 2016.

<sup>83</sup> With update highlighted per SEC Form 17-C filed with the SEC on November 24, 2016.

<sup>84</sup> Update per SEC Form 17-C filed with the SEC on January 24, 2017.

<sup>85</sup> With updates highlighted for the year ended December 31, 2016.

|                           |                |   |  |
|---------------------------|----------------|---|--|
| Eduardo M. Cojuangco, Jr. | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                           | December 2015  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                           | November 2016  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Ramon S. Ang              | July 2012      | Mandatory Accreditation Programme for Directors of Publicly Listed Companies  | Bursatra Sdn. Bhd. in Kuala Lumpur, Malaysia                 |
|                           | September 2012 | Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management | The Hong Kong Institute of Directors (HKID)                  |
|                           | October 2013   | Corporate Governance, Conflicts of Interest and Board Evaluation Seminar  | HKID   |
|                           | November 2014  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                           | November 2015  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                           | November 2016  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Menardo R. Jimenez        | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                           | November 2015  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                           | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
| Mario C. Garcia           | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                           | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                           | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
| Carmelo L. Santiago       | September 2012 | Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management | HKID   |
|                           | November 2013  | Appropriate Boardroom Behaviour Seminar   | HKID   |



|                                       |                |  |  |
|---------------------------------------|----------------|--|--|
|                                       | September 2014 | Seminar on Corporate Governance  | SGV & Co.  |
|                                       | November 2015  | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | November 2016  | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
| Edgardo P. Cruz                       | September 2014 | Seminar on Corporate Governance  | SGV & Co.  |
|                                       | September 2015 | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | September 2016 | Seminar on Corporate Governance  | SGV & Co.  |
| Silvestre H. Bello III                | November 2014  | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | October 2015   | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
| Minita V. Chico-Nazario <sup>86</sup> | December 2012  | Corporate Governance Seminar   | University of the Philippines – Institute of Judicial Administration |
|                                       | November 2014  | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | October 2015   | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | September 2016 | Seminar on Corporate Governance  | SGV & Co.  |
| Rolando L. Macasaet                   | November 2016  | Seminar on Corporate Governance  | Risks, Opportunities, Assessment and Management (ROAM), Inc.         |
|                                       | January 2017   | New Director Orientation   | SMPFC Corporate Affairs Group and Office of the Corporate Secretary  |
| Ricardo C. Marquez <sup>87</sup>      | April 2017     | New Director Orientation   | SMPFC Corporate Affairs Group and Office of the Corporate Secretary  |
| Francisco S. Alejo III                | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace" | JCCI with Prof. Roy Chua of HBS                                      |

<sup>86</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 8, 2015, per advisement letter filed with the SEC on May 11, 2015.

<sup>87</sup> With update per SEC Form 17-C filed with the SEC on April 5, 2017.

|                     |                |   |  |
|---------------------|----------------|---|--|
|                     | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                     | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                     | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                     | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                     | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                     | July 2014      | Trendspotting 2014: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                     | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                     | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                     | June 2015      | Trend Sharing 2015: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                     | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                     | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                     | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                     | August 2016    | Innovation Forum: Global Innovation Trends  | Evonik and Wenda   |
|                     | September 2016 | Innovation Forum: Essences and Flavors  | Givaudan   |
|                     | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                     | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Zenaida M. Postrado | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                     | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                     | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                     | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                     | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                     | July 2014      | LRP Economic Briefing:  | San Miguel Corporation                                       |

|                                     |                |   |  |
|-------------------------------------|----------------|---|--|
|                                     |                | Global, Asian & Philippine Economic Outlook   |  |
|                                     | July 2014      | Trendspotting 2014: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                                     | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                                     | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                                     | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                                     | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                                     | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                                     | August 2016    | Innovation Forum: Global Innovation Trends  | Evonik and Wenda   |
|                                     | September 2016 | Innovation Forum: Essences and Flavors  | Givaudan   |
|                                     | November 2016  | Innovation Forum: Supply Chain  | DHL  |
|                                     | November 2016  | Seminar on Corporate Governance   | SGV & Co.  |
| Ma. Soledad E. Olives <sup>88</sup> | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                                     | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                                     | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                                     | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                                     | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                                     | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                                     | July 2014      | Trendspotting 2014: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                                     | November 2014  | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                                     | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |

<sup>88</sup> As reported in SEC Form 17-C filed with the SEC on July 18, 2016, Ms. Olives, Vice President and Head, Corporate Planning and Management Services Group, retired from the Company effective July 31, 2016.

|                          |                       |  |   |
|--------------------------|-----------------------|--|---|
|                          |                       | <b>Planning Workshop)</b>  |   |
|                          | <b>June 2015</b>      | <b>Trend Sharing 2015: Feast of Flavors</b>                                      | <b>San Miguel Foods – Great Food Solutions Culinary Center</b>      |
|                          | <b>September 2015</b> | <b>Seminar on Corporate Governance</b>   | <b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b> |
| Florentino C. Policarpio | January 2012          | Senior Leaders’ Program on “Creativity and Innovation in the Global Marketplace” | JCCI with Prof. Roy Chua of HBS                                     |
|                          | January 2012          | Demand Planning Seminar  | Procurement and Supply Institute of Asia, Inc. (PSIA)               |
|                          | May 2012              | Demand Planning and Forecast Workshop  | Supply Chain Council (SCC)  |
|                          | May 2012              | Supply Chain Operations Reference Model  | Institute of Business Forecasting and Planning                      |
|                          | September 2012        | Global Trends in Supply Chain Management: A Shift to Integrative Thinking        | GS1 Philippines, Inc.   |
|                          | November 2012         | Taking Supply Chain to the Next Level: A Shift to Integrated Thinking            | SCC   |
|                          | December 2012         | Annual Global Procurement & Supply Management Conference & Exhibit               | PSIA  |
|                          | February 2013         | ASEAN Economic Community Forum   | Pfizer  |
|                          | September 2013        | Customer Centricity Workshop   | JCCI with Ms. Roxanne Aquino  |
|                          | <b>March 2014</b>     | <b>Team Building and Planning Workshop</b>                                       | <b>Ancilla Enterprise Development Consulting, Inc.</b>              |
|                          | <b>July 2014</b>      | <b>LRP Economic Briefing: Global, Asian &amp; Philippine Economic Outlook</b>    | <b>San Miguel Corporation</b>                                       |
|                          | <b>July 2014</b>      | <b>Trendspotting 2014: Feast of Flavors</b>                                      | <b>San Miguel Foods – Great Food Solutions Culinary Center</b>      |
|                          | <b>November 2014</b>  | <b>Seminar on Corporate Governance</b>   | <b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b> |
|                          | <b>March 2015</b>     | <b>Building Team Synergy (A Team Building and Planning Workshop)</b>             | <b>Convergent Consulting</b>  |
|                          | <b>June 2015</b>      | <b>Trend Sharing 2015: Feast of Flavors</b>                                      | <b>San Miguel Foods – Great Food Solutions Culinary Center</b>      |
|                          | <b>September 2015</b> | <b>Seminar on Corporate Governance</b>   | <b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b> |

|                         |                |   |  |
|-------------------------|----------------|---|--|
|                         | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                         | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                         | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                         | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Rita Imelda B. Palabyab | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                         | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                         | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                         | October 2013   | Retail Store Management   | Trueventus   |
|                         | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                         | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                         | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                         | July 2014      | Trendspotting 2014: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                         | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                         | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                         | October 2015   | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                         | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                         | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                         | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                         | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Raul B. Nazareno        | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                         | February 2013  | ASEAN Economic Community Forum  | Pfizer   |

|                |                |   |  |
|----------------|----------------|---|--|
|                | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                | July 2014      | Trendspotting 2014: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                | June 2015      | Trend Sharing 2015: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                | August 2016    | Innovation Forum: Global Innovation Trends  | Evonik and Wenda   |
|                | September 2016 | Innovation Forum: Essences and Flavors  | Givaudan   |
|                | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Oscar R. Sañez | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
|                | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |
|                | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |

|                                  |                |   |  |
|----------------------------------|----------------|---|--|
|                                  | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                                  | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                                  | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                                  | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                                  | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                                  | August 2016    | Innovation Forum: Global Innovation Trends  | Evonik and Wenda   |
|                                  | September 2016 | Innovation Forum: Essences and Flavors  | Givaudan   |
|                                  | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                                  | November 2016  | Halal Executive Training  | Institute of Islamic Studies                                 |
|                                  | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Eliezer O. Capacio <sup>89</sup> | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                                  | September 2012 | PMAP Annual Members Meeting   | People Management Association of the Philippines (PMAP)      |
|                                  | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                                  | September 2013 | PMAP 50 <sup>th</sup> Annual Convention   | PMAP   |
|                                  | September 2013 | Customer Centricity Workshop  | JCCI with Ms. Roxanne Aquino                                 |
| Jennifer T. Tan                  | January 2012   | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"        | JCCI with Prof. Roy Chua of HBS                              |
|                                  | February 2013  | Seminar Regarding Flaxid  | CSP International Commodities Corporation                    |
|                                  | February 2013  | ASEAN Economic Community Forum  | Pfizer   |
|                                  | April 2013     | ASA Sponsored: Soybean Crushing Facility Seminar  | American Soybean Association                                 |
|                                  | July 2013      | Code of Champs Seminar  | Fr. Armand Robleza, SDB                                      |
|                                  | July 2013      | Economic Briefing – ANZ Presentation  | ANZ  |
|                                  | March 2014     | Team Building and Planning Workshop   | Ancilla Enterprise Development Consulting, Inc.              |

<sup>89</sup> As reported in SEC Form 17-C filed with the SEC on February 24, 2014, Mr. Capacio, Vice President and Division Human Resources Head of the Company, passed away on February 23, 2014.

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|------------------|----------------|---|--|
|                  | June 2014      | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                  | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                  | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                  | November 2014  | Cost Effective Purchasing and Efficient Procurement Management                          | HR Hub Human Resource Consultancy                            |
|                  | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                  | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                  | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|                  | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|                  | August 2016    | Innovation Forum: Global Innovation Trends  | Evonik and Wenda   |
|                  | September 2016 | INSPIRED Conversation: from the NOW Gen to the NEXT Gen                                 | Filipino CEO Circle Inc.                                     |
|                  | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|                  | November 2016  | Innovation Forum: Supply Chain  | DHL  |
| Rodolfo M. Abaya | July 2014      | LRP Economic Briefing: Global, Asian & Philippine Economic Outlook                      | San Miguel Corporation                                       |
|                  | September 2014 | PMAP: 51 <sup>st</sup> Annual Conference  | PMAP   |
|                  | September 2014 | Seminar on Corporate Governance   | SGV & Co.  |
|                  | December 2014  | Code of Champions (Values Integration Seminar)  | San Miguel Pure Foods University                             |
|                  | March 2015     | Building Team Synergy (A Team Building and Planning Workshop)                           | Convergent Consulting  |
|                  | June 2015      | Becoming a 5-Star Organizational Leader   | Catalyst 360 Training and Consultancy                        |
|                  | June 2015      | Trend Sharing 2015: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|                  | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|                  | February 2016  | Building Highly Effective and Synergistic Teams (A                                      | Lilolele   |



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|                       |                       | <b>Team Building and Planning Workshop)</b>  |  |
|                       | <b>August 2016</b>    | <b>Innovation Forum: Global Innovation Trends</b>  | <b>Evonik and Wenda</b>  |
|                       | <b>September 2016</b> | <b>Innovation Forum: Essences and Flavors</b>  | <b>Givaudan</b>  |
|                       | <b>September 2016</b> | <b>Seminar on Corporate Governance</b>   | <b>SGV &amp; Co.</b>   |
| Alexandra B. Trillana | January 2012          | Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"             | JCCI with Prof. Roy Chua of HBS                                |
|                       | November 2012         | Annual Listing and Disclosure Rules Seminar  | Philippine Stock Exchange                                      |
|                       | November 2012         | 2012 Bohol Working Session "Gearing Up for Asian Governance"                                 | Institute of Corporate Directors (ICD)                         |
|                       | February 2013         | Mandatory Continuing Legal Education (MCLE) Lecture Series                                   | Asian Center for Legal Excellence, Inc.                        |
|                       | February 2013         | ASEAN Economic Community Forum   | Pfizer   |
|                       | March 2013            | ASEAN Corporate Governance Scorecard Information Briefing                                    | ICD  |
|                       | September 2013        | Customer Centricity Workshop   | JCCI with Ms. Roxanne Aquino                                   |
|                       | November 2013         | Mastering the ASEAN Corporate Governance Scorecard (12 <sup>th</sup> Annual Working Session) | ICD  |
|                       | <b>February 2014</b>  | <b>Precision Contract Drafting and Contractual Risk Management</b>                           | <b>Marcus Evans Conferences</b>                                |
|                       | <b>March 2014</b>     | <b>Team Building and Planning Workshop</b>   | <b>Ancilla Enterprise Development Consulting, Inc.</b>         |
|                       | <b>July 2014</b>      | <b>LRP Economic Briefing: Global, Asian &amp; Philippine Economic Outlook</b>                | <b>San Miguel Corporation</b>                                  |
|                       | <b>July 2014</b>      | <b>Trendspotting 2014: Feast of Flavors</b>  | <b>San Miguel Foods – Great Food Solutions Culinary Center</b> |
|                       | <b>September 2014</b> | <b>Seminar on Corporate Governance</b>   | <b>SGV &amp; Co.</b>   |
|                       | <b>January 2015</b>   | <b>Corporate Governance Roundtable Discussion with PLC's Compliance Officers</b>             | <b>SEC</b>   |
|                       | <b>March 2015</b>     | <b>Building Team Synergy (A Team Building and Planning Workshop)</b>                         | <b>Convergent Consulting</b>                                   |
|                       | <b>May 2015</b>       | <b>SEC Updates Forum</b>   | <b>Financial Executives Institute of the Philippines</b>       |
|                       | <b>May 2015</b>       | <b>2015 ASEAN Corporate Governance Scorecard Evaluation Process</b>                          | <b>SEC</b>   |

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|  | June 2015      | Trend Sharing 2015: Feast of Flavors  | San Miguel Foods – Great Food Solutions Culinary Center      |
|  | September 2015 | Seminar on Corporate Governance   | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
|  | November 2015  | PSE Annual Disclosure Rules Seminar   | PSE  |
|  | January 2016   | Becoming a 5-Star Organizational Leader   | Catalyst 360   |
|  | February 2016  | Building Highly Effective and Synergistic Teams (A Team Building and Planning Workshop) | Lilolele   |
|  | March 2016     | Mandatory Continuing Legal Education (MCLE) Series 41                                   | Asian Center for Legal Excellence                            |
|  | March 2016     | 2016 ASEAN Corporate Governance Scorecard for Publicly Listed Companies                 | ICD  |
|  | August 2016    | Corporate Secretary: The Corporate Governance Professional                              | ICD  |
|  | September 2016 | Seminar on Corporate Governance   | SGV & Co.  |
|  | November 2016  | ALB Philippine Competition Law Forum  | Thomson Reuters  |
|  | November 2016  | Annual Listing and Disclosure Rules Seminar   | PSE  |
|  | November 2016  | Securities Exchange Commission – Philippine Stock Exchange Corporate Governance Forum   | SEC and PSE  |

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

| Business Conduct & Ethics | Directors   | Senior Management   | Employees   |
|---------------------------|---|---|---|
| (a) Conflict of Interest  | Directors have a duty to act in the best interest of the Company. In the event that the personal interests of a director may conflict with the interest of the Company, proper disclosure by the director is required to be made and a review by the appropriate authorities should | Senior management has a duty to act in the best interest of the Company. In the event that the personal interests of an officer or manager may conflict with the interest of the Company, proper disclosure by the officer or manager is required to be made and a review by the appropriate authorities should resolve the conflict. | Employees have a duty to act in the best interest of the Company. In the event that the personal interests of an employee may conflict with the interest of the Company, proper disclosure by the employee is required to be made and a review by the appropriate authorities should resolve the conflict.<br><br>Employees shall (1) not seek employment or be engaged |

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|   | <p>resolve the conflict.</p> <p>Directors shall (1) not seek employment or be engaged in outside business activities when such employment or activities prevent them from fully performing work as a director of the Company; (2) not act as members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.</p> | <p>Senior management shall (1) not seek employment or be engaged in outside business activities when such employment or activities prevent them from fully performing work, including overtime assignments for which they are employed; (2) not act as members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.</p>                 | <p>in outside business activities when such employment or activities prevent them from fully performing work, including overtime assignments for which they are employed; (2) not act as members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.</p>  |
| (b) Conduct of Business and Fair Dealings | <p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its directors to observe with zeal such core values in the performance of their duties, in their relationships with fellow directors and employees, and in all their dealings with shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous</p>  | <p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its senior management to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with directors, shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous competition and in compliance with applicable laws. Fair business practices,</p> | <p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with directors, shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous competition and in compliance with applicable laws. Fair business practices, including accurate and truthful advertising, are employed.</p> |

|   |  |   |   |
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|   | competition and in compliance with applicable laws.  | including accurate and truthful advertising, are employed.  |   |
| (c) Receipt of gifts from third parties                     | The solicitation of gifts in any form is prohibited. Guidelines are provided on the acceptance of modest gifts, meals, entertainment and sponsored travel. Directors are required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way. | The solicitation of gifts in any form is prohibited. Guidelines are provided on the acceptance of modest gifts, meals, entertainment and sponsored travel. Senior management is required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way.   | The solicitation of gifts in any form is prohibited. Guidelines are provided on the acceptance of modest gifts, meals, entertainment and sponsored travel. Employees are required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way.  |
| (d) Compliance with Laws & Regulations                      | Directors shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.  | <p>Senior management shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.</p> <p>The Company Rules and Regulations (CRR), which covers all employees, provides that administrative action may be taken against employees for violation of existing laws, rules and regulations issued by government authorities provided that the act is related to the performance of the employee's functions or is inimical to the business and interests of the Company.</p> | <p>Employees shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.</p> <p>The CRR, which covers all employees, provides that administrative action may be taken against employees for violation of existing laws, rules and regulations issued by government authorities provided that the act is related to the performance of the employee's functions or is inimical to the business and interests of the Company.</p> |
| (e) Respect for Trade Secrets/Use of Non-public Information | Directors are required not to disclose to any person or entity, confidential and proprietary information of the Company and its  | Senior management is required not to disclose to any person or entity, confidential and proprietary information of the Food Group, comprising of any and all  | Employees handling sensitive information are required not to disclose to any person or entity, confidential and proprietary information of the Food Group, comprising of any  |

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|  | <p>subsidiaries (collectively, the “Food Group”), comprising of any and all technology, techniques, trade secrets, formulas and processes, research and data, patterns, device, information and knowledge concerning the methods and processes of manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their term of office as director of the Company. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, directors shall not trade in the Company’s shares during a certain “Blackout Period” (which is [i] 10 business days before and 5 business days after the</p> | <p>technology, techniques, trade secrets, formulas and processes, research and data, patterns, device, information and knowledge concerning the methods and processes of manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their employment with the Food Group. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, senior management shall not trade in the Company’s shares during a certain “Blackout Period” (which is [i] 10 business days before and 5 business days after the deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at</p> | <p>and all technology, techniques, trade secrets, formulas and processes, research and data, patterns, device, information and knowledge concerning the methods and processes of manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their employment with the Food Group. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, key employees with access to non-public information shall not trade in the Company’s shares during a certain “Blackout Period” (which is [i] 10 business days before and 5 business days after the deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at any time when they are in possession of material non-public information</p> |
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|   | <p>deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at any time when they are in possession of material non-public information concerning the Company.</p> | <p>any time when they are in possession of material non-public information concerning the Company.</p>  | <p>concerning the Company.</p>   |
| <p>(f) Use of Company Funds, Assets and Information</p> | <p>Each director shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.</p>   | <p>Senior management shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.</p> <p>The CRR of the Company further provides that administrative action may be taken against employees for acts involving the improper use or possession of company property and products (such as company funds, assets, time, personnel or other resources) or detrimental to the Company's image or interests. Any damage caused to the property of SMPFC, as well as negligence in the care and use of company property and equipment, and/or the unauthorized use of property, has a corresponding penalty ranging from suspension</p> | <p>Each employee shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.</p> <p>The CRR of the Company further provides that administrative action may be taken against employees for acts involving the improper use or possession of company property and products (such as company funds, assets, time, personnel or other resources) or detrimental to the Company's image or interests. Any damage caused to the property of SMPFC, as well as negligence in the care and use of company property and equipment, and/or the unauthorized use of property, has a corresponding penalty ranging from suspension to employment.</p> |

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|  |  | to termination from employment.   |   |
| (g) Employment & Labor Laws & Policies | <p>SMPFC supports and respects the internationally recognized human rights principles and practices and ensures that it is not complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p> | <p>SMPFC supports and respects the internationally recognized human rights principles and practices and ensures that it is not complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p> <p>The CRR sets out the guiding principles of the Company on (1) violation of company rules, regulations and code of ethics; (2) violation of company policies, guidelines, internal control procedures and general procedures; (3) violation of existing laws, rules and regulations issued by government authorities (i.e., employment and labor laws); (4) acts committed within company premises or during company time; (5) acts, even when committed outside of company time and premises, which are connected to the performance of the employee's duties and responsibilities; (6) acts involving the use or possession of company property, products or detrimental to the company's image or interests; (7) acts having direct or indirect connection to the company's scope of business interests, processes or those</p> | <p>SMPFC supports and respects the internationally recognized human rights principles and practices and ensures that it is not complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p> <p>The CRR sets out the guiding principles of the Company on (1) violation of company rules, regulations and code of ethics; (2) violation of company policies, guidelines, internal control procedures and general procedures; (3) violation of existing laws, rules and regulations issued by government authorities (i.e., employment and labor laws); (4) acts committed within company premises or during company time; (5) acts, even when committed outside of company time and premises, which are connected to the performance of the employee's duties and responsibilities; (6) acts involving the use or possession of company property, products or detrimental to the company's image or interests; (7) acts having direct or indirect connection to the company's scope of business interests, processes or those forming part of the business cycle.</p> |

|                         |  |   |   |
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|                         |  | forming part of the business cycle.   |   |
| (h) Disciplinary action | Should a director violate policies, rules and regulations of the Company, the provisions of the Manual and Section 28 of the Corporation Code applies, including permanent or temporary disqualification, or removal or suspension from office.  | Should an officer or manager violate policies, rules and regulations of the Company, disciplinary actions are imposed, as much as possible, in progressively increasing weight. After he has been afforded due process or given the opportunity to be heard, depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of documented counseling, written warning, suspension or discharge. Restitution of damages to or loss of company property does not extinguish the employee's liability. | Should an employee violate policies, rules and regulations of the Company, disciplinary actions are imposed, as much as possible, in progressively increasing weight. After he has been afforded due process or given the opportunity to be heard, depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of documented counseling, written warning, suspension or discharge. Restitution of damages to or loss of company property does not extinguish the employee's liability. |
| (i) Whistle Blower      | Directors and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group. | Senior management and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.  | Employees and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.  |
| (j) Conflict Resolution | Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its directors.  | Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its senior management.   | Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its employees.   |



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

Yes. Moreover, such Code of Conduct and Ethics is readily available for viewing at the Company's corporate website.

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

The Code of Conduct and Ethics is reviewed periodically as may be deemed necessary by the Company.

**All employees are provided copies of the Code and are required to acknowledge receipt of the same, as well as commit to the fundamental standards of conduct and values set forth therein.**<sup>90</sup> In the event an employee is alleged to have violated the Code of Ethics, management conducts an administrative investigation, wherein such employee is given the opportunity to present his side and defend himself. At the end of the investigation, employees found to have failed to comply with the standards and abide by the values set forth in the Code shall be subject to disciplinary action, including termination, as the Company may deem appropriate to the nature of the violation, without prejudice to the Company's right to avail of criminal and civil remedies under the law.

The Company does not tolerate any retaliation in any form against any employee who, in good faith, raises a concern or reports a possible legal or ethical violation under the Code.

- 4) Related Party Transactions

- (a) Policies and Procedures

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

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

<sup>90</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

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|   | assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.   |
| (3) Subsidiaries  | To ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.   |
| (4) Entities Under Common Control                                     | To ensure the integrity and transparency of related party transactions between and among the Company and entities under common control with it, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.                          |
| (5) Substantial Stockholders  | SMPFC has no substantial stockholders other than its parent company, SMC. At any rate, all related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.   |
| (6) Officers including spouse/children/siblings/parents <sup>91</sup> | <b>The Company recognizes that under the law, in order for a contract with an officer not to be voidable, the contract should be fair and reasonable under the circumstances and should have been previously authorized by the Board of Directors.</b> All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party |

<sup>91</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

|  |  |
|--|--|
|  | transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.  |
| (7) Directors including spouse/children/siblings/parents <sup>92</sup>     | <p><b>The Company recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances.</b> All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</p> |
| (8) Interlocking director relationship of Board of Directors <sup>93</sup> | <p><b>The Company recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances.</b> All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</p> |

(b) Conflict of Interest

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

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

|                                  | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|--|
| Name of Director/s               | None.  |
| Name of Officer/s                | None.  |
| Name of Significant Shareholders | None.  |

<sup>92</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>93</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

(ii) Mechanism

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

|         | Directors/Officers/Significant Shareholders  |
|---------|--|
| Company | <p>A director is required to disclose his/her business interests in order for the Company to determine whether a conflict of interest situation exists, and if so, how to resolve the situation. The refusal to fully disclose the extent of his/her business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director. This disqualification shall be in effect as long as his/her refusal persists.</p> <p>All employees (including officers and managers), whether assigned in domestic or foreign installations, are required to accomplish a Full Business Interest Disclosure (FBID) Form, for review and approval of such employee's immediate and next level superiors. All accomplished FBID Forms and resolution on disclosed potential conflict of interest situations are submitted annually to the Company's Division Human Resources. The accomplished FBID Forms are then discussed and updated every performance appraisal period in January of each year.</p> |
| Group   | The foregoing mechanism implemented by the Company is adopted on a group-wide level in the entire Food Group.  |

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>94</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|---|----------------------|---------------------------------------|
| None.                                     | N/A                  | N/A                                   |

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

| Names of Related Significant Shareholders | Type of Relationship | Brief Description   |
|---|----------------------|---|
| San Miguel Corporation                    | Supply               | The Company has a cost sharing arrangement with SMC wherein SMPFC shares or is allocated costs incurred by SMC for its corporate staff/support service units that provide various services (i.e., treasury, investor relations, media affairs, etc.) to SMC and its group companies, including SMPFC. |

<sup>94</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|--------------------------------------|
| N/A                  |                                       |                                      |

6) Alternative Dispute Resolution

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

| Alternative Dispute Resolution System                        |   |
|--|---|
| <b>Corporation &amp; Stockholders</b>                        | The Company reaches out to any stockholder who may raise concerns, and exerts best efforts to resolve issues through discussions, meetings and agreed upon deliverables. SMPFC is further assisted by its stock transfer agent, in dealing with issues raised by stockholders.  |
| <b>Corporation &amp; Third Parties<sup>95</sup></b>          | In all instances of disputes with third parties, the Company exerts best efforts to reach a mutually acceptable compromise agreement before resorting to <b>court</b> action. It complies with all relevant rules and regulations promulgated by judicial and quasi-judicial bodies relating to mandatory conciliation and mediation proceedings. Where contractually provided or upon agreement of the parties, disputes are resolved through arbitration in competent arbitral tribunals. <b>The Board of Directors has designated representatives of the Company with authority to transact with third parties and settle concerns amicably.</b> |
| <b>Corporation &amp; Regulatory Authorities<sup>96</sup></b> | The Company reaches out to any regulatory authority, which may raise concerns, and exerts best efforts to resolve issues through discussions, meetings and agreed upon deliverables. It <b>responds to official actions and</b> complies with all relevant <b>directives</b> , rules and regulations promulgated by judicial and quasi-judicial bodies. <b>The Board of Directors has designated representatives of the Company with authority to transact with third parties</b>   |

<sup>95</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>96</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

and settle concerns amicably.

## C. BOARD MEETINGS & ATTENDANCE

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

Meetings of the Board of Directors of the Company are scheduled before the beginning of the year. Particularly, during the last regular meeting of the year, the Board sets the dates for its regular and organizational meetings for the succeeding year.

- 2) Attendance of Directors<sup>97</sup>

| Board       | Name                     | Date of Election          | No. of Meetings Held during the year | No. of Meetings Attended            | %                                    |
|-------------|--------------------------|---------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
| Chairman    | Eduardo M. Cojuangco Jr. | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Member      | Ramon S. Ang             | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Member      | Francisco S. Alejo III   | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Independent | Carmelo L. Santiago      | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Member      | Menardo R. Jimenez       | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Member      | Mario C. Garcia          | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Independent | Silvestre H. Bello III   | May 13, 2016 (re-elected) | 6                                    | 4 (resigned effective July 1, 2016) | 100% (during his term)               |
| Independent | Edgardo P. Cruz          | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Independent | Minita V. Chico-Nazario  | May 13, 2016 (re-elected) | 6                                    | 6                                   | 100%                                 |
| Member      | Rolando L. Macasaet      | November 8, 2016          | 6                                    | 1                                   | 100% (since the time he was elected) |

<sup>97</sup> With updates highlighted per advisement letter filed with the SEC on January 3, 2017.

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

Yes. Non-executive directors may meet separately during the year without the presence of any executive, should they deem this necessary in the exercise of their responsibilities. **In 2014, 2015 and 2016, the non-executive directors decided in their best judgment not to hold a separate meeting without the presence of any executives of the Company.**<sup>98 99 100</sup>

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

Yes. Under the Company's By-laws, no corporate policies, decisions or actions shall be taken by the Board without the vote of at least 2/3 of the entire membership of the Board on any matters not covered by the primary purpose of the Company and the businesses currently conducted by it. In practice, at least 2/3 of the directors have been present in all Board meetings of the Company, and all decisions at such meetings have been unanimously approved by the directors present at the meeting.

- 5) Access to Information

- (a) How many days in advance are board papers<sup>101</sup> for board of directors meetings provided to the board?

The notice and agenda of the meeting, as well as any relevant documents for consideration by the Board, are provided at least five days before each meeting.

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

Yes. All directors are free to contact and discuss with management and the Corporate Secretary issues or matters that need clarification, or request information that they may need in the discharge of their functions and exercise of their responsibilities.

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

The Corporate Secretary is an officer of the Company. His/her loyalty to the mission, vision and specific business objectives of the Company comes with his/her duties. The Corporate Secretary, who is also the General Counsel of the Company, provides support to the Compliance Officer in keeping the Board updated on relevant statutory and regulatory developments. **She has been appointed by the Board as Compliance Officer of the Company in August 2016.**<sup>102</sup> The Corporate Secretary communicates **and works fairly and objectively** with the Board, management, the Company's shareholders, **stakeholders**<sup>103</sup> and the investing public. In this regard, the Corporate Secretary schedules Board meetings and gives prior notice to all

<sup>98</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>99</sup> With update for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>100</sup> With update for the year ended December 31, 2016.

<sup>101</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

<sup>102</sup> Update per SEC Form 17-C filed with the SEC on August 9, 2016.

<sup>103</sup> Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

directors of such meetings, assists the Chairman in the preparation of the agenda of Board and shareholder meetings, taking into account the suggestions of the President, management and other directors, provides the necessary board papers associated with items on the meeting agenda, attends and takes minutes of all Board and shareholder meetings and maintains records of the proceedings thereof, ensures proper safekeeping of corporate records, countersigns all Certificates of Stock of the Company; ensures that all Board procedures, rules and regulations are faithfully followed, prepares and files required reports and disclosures to the SEC, **Philippine Stock Exchange (PSE)** and other regulatory agencies, and assists the Board in making judgments in the performance of their duties.

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

Yes. The Corporate Secretary is the General Counsel of the Company. She holds a Bachelor's Degree in Commerce from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law. Prior to her appointment as Corporate Secretary of SMPFC in 2010, she performed various corporate secretarial services for other SMC listed and private corporations since 2003. She also provided corporate secretarial services for corporate clients as an associate of SyCip Salazar Hernandez & Gatmaitan from 1999 to 2002.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees: <sup>104</sup>

Yes ☒

No ☐

| Committee | Details of the procedures  |
|-----------|--|
| Executive | A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Executive Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders <b>and other stakeholders of the Company</b> . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment. |
| Audit     | A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Audit Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete,   |

<sup>104</sup> With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.



|                        |   |
|------------------------|---|
|                        | adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders <b>and other stakeholders of the Company</b> . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.   |
| Nomination and Hearing | A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Nomination and Hearing Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders <b>and other stakeholders of the Company</b> . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment. |
| Executive Compensation | A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Executive Compensation Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders <b>and other stakeholders of the Company</b> . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment. |
| Others (specify)       | N/A   |

#### 6) External Advice

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

details:

| Procedures  | Details  |
|---|--|
| A procedure exists whereby directors can receive external advice. The Manual provides that upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable. | The Board shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities. The Board may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Board shall be provided with sufficient resources by the Company to discharge its duties. |

## 7) Change/s in existing policies

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

| Existing Policies                             | Changes  | Reason  |
|---|--|---|
| Manual on Corporate Governance                | To supplement the Manual, in August 2012, the Board approved the adoption by the Audit Committee, Nomination and Hearing Committee and Executive Compensation Committee, of their respective Charters, as reviewed and endorsed by each Committee.   | The Charters each outline the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the said Committees, as the case may be, and the procedures which shall guide the conduct of its functions, to ensure adherence by the Company to the best practices of good corporate governance. |
| Manual on Corporate Governance <sup>105</sup> | The Board approved the following amendments to the Manual:<br>(i) The Compliance Officer shall attest to the Company's compliance with the Manual and SEC Code of Corporate Governance where necessary or required by applicable laws, rules and regulations, instead of the filing of a certification of compliance with the Manual every January 30 of the year;<br>(ii) The submission of a report on the directors' attendance at Board meetings in accordance with applicable laws, rules and regulations, instead of the filing of a sworn certification on such attendance every January 30 | The Manual on Corporate Governance of the Company was amended to align with recent SEC Memorandum Circulars issued, particularly, SEC Memorandum Circular No. 1, series of 2014, SEC Memorandum Circular No. 20, series of 2013, and SEC Memorandum Circular No. 5, series of 2013.   |

<sup>105</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

|   |   |   |
|---|---|---|
|   | of the year; and<br>(iii) The attendance by directors and key officers of a corporate governance program by SEC-accredited training provider at least once a year.  |   |
| Manual on Corporate Governance <sup>106</sup> | The Board approved amendments to the Manual in order to emphasize:<br>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and<br>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders. | The Manual on Corporate Governance of the Company was amended in compliance with SEC Memorandum Circular No. 9, series of 2014. |

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

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

| Process                   | CEO   | Top 4 Highest Paid Management Officers  |
|---------------------------|---|---|
| (1) Fixed remuneration    | Determined in accordance with SMC's Salary Review Program, which takes into consideration industry practice and the general pay environment, as guided by the Executive Compensation Committee. The Committee advises the Board in the establishment of a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the Company's President, ensuring that compensation is consistent with the Company's culture, strategy, and control environment. | Determined in accordance with SMC's Salary Review Program, which takes into consideration industry practice and the general pay environment, as guided by the Executive Compensation Committee. The Committee advises the Board in the establishment of a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the Company's officers, and provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy, and control environment. |
| (2) Variable remuneration | Determined in accordance with   | Determined in accordance with   |

<sup>106</sup> Update per SEC Form 17-C filed with the SEC on June 25, 2014.

|   |   |   |
|---|---|---|
|   | SMC's policies on transportation, gas, and telecommunications allowances, which takes into consideration industry practice and the general pay environment, with the guidance of the Executive Compensation Committee as discussed above. | SMC's policies on transportation, gas, and telecommunications allowances, which takes into consideration industry practice and the general pay environment, with the guidance of the Executive Compensation Committee as discussed above. |
| (3) Per diem allowance                            | N/A   | N/A   |
| (4) Bonus <sup>107</sup>                          | Determined in accordance with SMC's Annual Incentive Program, <b>which tracks attainment of earnings targets,</b> and other policies on bonuses upon the guidance of the Executive Compensation Committee as discussed above.             | Determined in accordance with SMC's Annual Incentive Program, <b>which tracks attainment of earnings targets,</b> and other policies on bonuses upon the guidance of the Executive Compensation Committee as discussed above.             |
| (5) Stock Options and other financial instruments | Determined in accordance with SMC's Long Term Incentive Program and Employee Stock Purchase Plan, with the guidance of the Executive Compensation Committee as discussed above.   | Determined in accordance with SMC's Long-Term Incentive Program and Employee Stock Purchase Plan, with the guidance of the Executive Compensation Committee as discussed above.   |
| (6) Others (specify)                              | N/A   | N/A   |

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

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

|                     | Remuneration Policy  | Structure of Compensation Packages  | How Compensation is Calculated  |
|---------------------|--|---|---|
| Executive Directors | Article II, Section 5 of the By-laws of the Company provides that the members of the Board of Directors shall each be entitled to a director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose. | The Company provides each director with reasonable per diem of P10,000.00 for each attendance at Board and Board Committee meetings of the Company. | The per diem allowance of P10,000.00 for each attendance at Board and Board Committee meetings of the Company is determined in coordination with SMC. Any other director's fee shall be fixed by the stockholders at a meeting duly called for the purpose. |

<sup>107</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

|                         |   |  |   |
|-------------------------|---|--|---|
| Non-Executive Directors | Same as the remuneration policy for ED. | Same as the structure of compensation packages for ED. | Same as the manner of calculation of compensation for ED. |
|-------------------------|---|--|---|

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

| Remuneration Scheme | Date of Stockholders' Approval   |
|---------------------|--|
| Allowance           | The stockholders have not fixed any fee in the last three years, and thus there are no arrangements, other than the reasonable per diem allowance for Board and Board Committee meetings attended, pursuant to which any of the directors are compensated, directly or indirectly, by the Company for services rendered. |

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year.<sup>108</sup>

**The following is the aggregate remuneration received by the directors of the Company in the year 2016:**

| Remuneration Item                                    | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration                               | N/A                 | N/A  | N/A                   |
| (b) Variable Remuneration                            | N/A                 | N/A  | N/A                   |
| (c) Per diem Allowance                               | <b>P90,000.00</b>   | <b>P410,000.00</b>   | <b>P430,000.00</b>    |
| (d) Bonuses  | N/A                 | N/A  | N/A                   |
| (e) Stock Options and/or other financial instruments | N/A                 | N/A  | N/A                   |
| (f) Others (Specify)                                 | N/A                 | N/A  | N/A                   |
| <b>Total</b>   | <b>P90,000.00</b>   | <b>P410,000.00</b>   | <b>P430,000.00</b>    |

| Other Benefits                  | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---------------------------------|---------------------|---|-----------------------|
| 1) Advances                     | N/A                 | N/A   | N/A                   |
| 2) Credit granted               | N/A                 | N/A   | N/A                   |
| 3) Pension Plan/s Contributions | N/A                 | N/A   | N/A                   |

<sup>108</sup> With updates for the year ended December 31, 2016.

|   |       |       |       |
|---|-------|-------|-------|
| (d) Pension Plans, Obligations incurred | N/A   | N/A   | N/A   |
| (e) Life Insurance Premium              | N/A   | N/A   | N/A   |
| (f) Hospitalization Plan                | N/A   | N/A   | N/A   |
| (g) Car Plan                            | N/A   | N/A   | N/A   |
| (h) Others (Specify)                    | N/A   | N/A   | N/A   |
| <b>Total</b>                            | None. | None. | None. |

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

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

| Director's Name | Number of Direct Option/Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|-----------------|---|---|-----------------------------|----------------------------|
| N/A             |   |   |                             |                            |

##### (b) Amendments of Incentive Programs

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

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| N/A               |            |                                |

#### 5) Remuneration of Management

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

The President, who is an executive director of the Company, is ably assisted in managing the affairs of the Food Group on a top-level basis, by an Executive Committee comprised of the following Senior Officers:<sup>109</sup>

| Name of Officer/Position                                     | Total Remuneration |
|--|--------------------|
| Chief Finance Officer and Treasurer                          | Php 105,582,163.67 |
| Compliance Officer and Vice President for Corporate Planning |                    |
| President of Milling Business Cluster                        |                    |

<sup>109</sup> Updated for the year ended December 31, 2016.

|  |
|--|
| President of Agro-Industrial Business Cluster  |
| President of Branded Business Cluster  |
| Vice President and Division Human Resources Head                                       |
| Vice President and Sales and External Relations<br><b>Corporate Affairs Group</b> Head |
| Vice President and Business Procurement Group Head                                     |

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee,<sup>110</sup> its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members          |                              |                           | Committee Charter | Functions  | Key Responsibilities   | Powers  |
|-----------|-------------------------|------------------------------|---------------------------|-------------------|--|--|---|
|           | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) |                   |  |  |   |
| Executive | One (1)                 | Two (2)                      | One (1)                   | None.             | Tasked to assist the officers in the management and direction of the affairs of the Company. | The Committee is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership | The Committee acts within such powers, duties and authority granted upon it by the Board. |

<sup>110</sup> As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

|                                |         |         |           |  |  |  |  |
|--------------------------------|---------|---------|-----------|--|--|--|--|
|                                |         |         |           |  |  | of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.  |  |
| Audit                          | None    | Two (2) | Three (3) | The Board approved the adoption of the Audit Committee Charter on August 10, 2012. | Tasked to perform financial oversight management functions, specifically in the areas of credit management, markets liquidity, operational, legal and other risks, as well as crisis management. See also Manual and Charter of Audit Committee previously filed with the SEC and available for download from SMPFC's corporate website. | The Committee shall provide assistance to the Board in the performance of its oversight responsibility on financial reports and financial reporting process, internal control system, audit process and plans, directly interfacing with internal and external auditors, and in monitoring and facilitating compliance with both the Company's internal financial management manual and pertinent accounting standards and regulatory requirements, elevating to international standards the accounting and auditing processes, practices and methodologies of the Company. For more detailed responsibilities of the Committee, see also Manual and Charter of Audit Committee previously filed with the SEC and available for download from SMPFC's corporate website. | The Committee has the power, among others, to conduct or authorize an investigation into any matter that falls within its scope of responsibility, as well as the authority to review related party transactions entered into by the Company. The Committee also acts within such powers, duties and authority granted upon it by the Board. |
| Nomina-<br>tion and<br>Hearing | One (1) | Two (2) | One (1)   | The Board app-   | Tasked to make recommen-   | The Committee is responsible for the screening and   | The Committee has the  |



|  |  |  |  |   |  |   |  |
|--|--|--|--|---|--|---|--|
|  |  |  |  | <p>roved the adoption of the Nomination and Hearing Committee Charter on August 10, 2012.</p> | <p>dations to the Board on matters relating to the appointment, election and succession of directors. See also Manual previously filed with the SEC and Charter of Nomination and Hearing Committee available for download from SMPFC's corporate website.</p> | <p>shortlisting of candidates for Board directorship with the view of appointing individuals to the Board <b>that are aligned with the Company's strategic directions</b> and<sup>111</sup> with the relevant experience and capabilities to maintain and improve the competitiveness of the Company and increase its value. The Committee has the discretion to use 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. The Committee ensures that the nominees to the Board shall have the qualifications and none of the disqualifications for directors defined in the Manual, Articles of Incorporation and By-laws of the Company, and applicable laws, rules, and regulations. For more detailed responsibilities of the Committee, see also Manual previously filed with the SEC and Charter of Nomination and</p> | <p>power, among others, to recommend to the Board changes as to the size of the Board, including the establishment of guidelines in the number of directorships that a member of the Board may hold in accordance with the policy of holding multiple Board seats under the Manual. The Committee also acts within such powers, duties and authority granted upon it by the Board.</p> |
|--|--|--|--|---|--|---|--|

<sup>111</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

|                        |      |           |         |   |  |  |  |
|------------------------|------|-----------|---------|---|--|--|--|
|                        |      |           |         |   |  | Hearing Committee available for download from SMPFC's corporate website.   |  |
| Executive Compensation | None | Three (3) | One (1) | The Board approved the adoption of the Executive Compensation Committee Charter on August 10, 2012. | Tasked to advise the Board in the establishment of procedures relating to executive remuneration of the Company's officers and directors. See also Manual previously filed with the SEC and Charter of Executive Compensation Committee available for download at SMPFC's corporate website. | The Committee is responsible for the evaluation and review of the Company's remuneration plans, policies and programs for executive officers, the adoption of a formal and transparent procedure and policies that govern the Company's executive compensation and benefits programs, the oversight of plans for executive officers' development and succession, ensuring that compensation is consistent with the Company's culture, strategy, and control environment, as well as in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully. For more detailed responsibilities of the Committee, see also Manual previously filed with the SEC and Charter of Executive Compensation Committee available for download from SMPFC's corporate website. | The Committee has the power, among others, to review and endorse for the approval of the Board, all promotions to the rank of Assistant Vice President up to the level of President of the operating subsidiaries of the Company. The Committee also acts within such powers, duties and authority granted upon it by the Board. |
| Others                 | N/A  |           |         |   |  |  |  |

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| (specify) |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|

## 2) Committee Members

### (a) Executive Committee<sup>112 113</sup>

| Office         | Name                      | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|----------------|---------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman (NED) | Eduardo M. Cojuangco, Jr. | April 25, 2002      | 0                    | N/A                      | N/A | 13 years                           |
| Member (NED)   | Ramon S. Ang              | April 25, 2002      | 0                    | N/A                      | N/A | 13 years                           |
| Member (ED)    | Francisco S. Alejo III    | April 25, 2002      | 0                    | N/A                      | N/A | 13 years                           |
| Member (ID)    | Minita V. Chico Nazario   | May 8, 2015         | 0                    | N/A                      | N/A | 1 year                             |

### (b) Audit Committee<sup>114 115 116</sup>

| Office                | Name                           | Date of Appointment                          | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-----------------------|--------------------------------|--|----------------------|--------------------------|-----|------------------------------------|
| Chairman (ID)         | Carmelo L. Santiago            | Aug. 12, 2010<br>(as Chairman, Nov. 7, 2013) | 4                    | 4                        | 100 | 6 years                            |
| Member (NED)          | Menardo R. Jimenez             | June 27, 2008                                | 4                    | 4                        | 100 | 8 years                            |
| Member (ID)           | Edgardo P. Cruz <sup>117</sup> | Nov. 7, 2013                                 | 4                    | 4                        | 100 | 3 years                            |
| Member (ID)           | Minita V. Chico-Nazario        | May 8, 2015                                  | 4                    | 4                        | 100 | 1 year                             |
| Member (ID)           | Ricardo C. Marquez             | March 16, 2017                               | N/A                  | N/A                      | N/A | Less than 1 year                   |
| Member (Non-Director) | Ferdinand K. Constantino       | July 21, 2009                                | 4                    | 4                        | 100 | 7 years                            |

Disclose the profile or qualifications of the Audit Committee members.<sup>118 119</sup>

Mr. Menardo R. Jimenez, Filipino, <sup>84</sup>, has been a Director of SMPFC since April 25, 2002. Mr. Jimenez is a businessman. He holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business

<sup>112</sup> With updates for the year ended December 31, 2016.

<sup>113</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

<sup>114</sup> With updates for the year ended December 31, 2016.

<sup>115</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

<sup>116</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>117</sup> As reported in SEC Form 17-C filed with the SEC on January 25, 2017, Mr. Cruz resigned as Independent Director and member of the Audit Committee of the Company effective January 31, 2017.

<sup>118</sup> With updates highlighted for the year ended December 31, 2016.

<sup>119</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

Management *Honoris Causa* by University of Pangasinan and Pamantasan Ng Lungsod ng Maynila.

Mr. Carmelo L. Santiago, Filipino, **74**, has been an Independent Director of SMPFC since August 12, 2012 and was appointed as Chairman of the Audit Committee on November 7, 2013. Mr. Santiago is a businessman and the founder and owner of Melo's Restaurant and House of Wagyu specializing in steaks. He holds a Bachelor's Degree in Business Administration from University of the East.

~~Justice Angelina S. Gutierrez, Filipino, 76, has been an Independent Director of SMPFC from May 10, 2013 until her resignation effective October 8, 2014. She is Dean of the Graduate School of Law of Pamantasan ng Lungsod ng Maynila (since May 2009). Justice Gutierrez is a former Associate Justice of the Supreme Court of the Philippines (December 2000 to February 2008). She holds a Bachelor of Laws Degree from University of Sto. Tomas, and among others was conferred the Degree of Doctor of Law *Honoris Causa* by Bulacan State University Marcelo H. Del Pilar College of Law.~~

Justice Edgardo P. Cruz, Filipino, **77**, has been an Independent Director of SMPFC since November 7, 2013. He is a professorial lecturer at the Pamantasan ng Lungsod ng Maynila, Graduate School of Law (since June 2009) and Philippine Christian University College of Law (since November 2010), and a Member of the Philippine Judicial Academy, Department of Ethics and Judicial Conduct (since April 2004), a Member of the Board of Trustees, Society for Judicial Excellence (since April 2007), and a Member of the Screening Committee of the Awards for Judicial Excellence Foundation for Judicial Excellence (since 2010). He was previously a Consultant at the Philippine Amusement and Gaming Corporation (from July 2009 to June 2010) and an Associate Justice of the Court of Appeals (from May 1999 to May 2009). Justice Cruz holds a Bachelor of Laws Degree from University of the Philippines. <sup>120</sup>

**Justice Minita V. Chico-Nazario, Filipino, **77**, has been an Independent Director of SMPFC since May 8, 2015. She is also a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines. She is the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (from January 2010 to June 2010) and Metro Manila Development Authority (from March 2010 to June 2010); and Chairman of the Board of Directors (from June 2010 to August 2010) and Director (from September 2010 to September 2011) of PNOC Exploration Corporation. She has served the Judiciary in various capacities for 47 years, with the last position she held being Associate Justice of the Supreme Court (from February 2004 to December 2009). Justice Nazario holds a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.**

**Gen. Ricardo C. Marquez, Filipino, 56, has been an Independent Director of SMPFC since March 16, 2017. He is currently a Director of the Public Safety Mutual Benefit Fund, Inc. (since July 2015). He was previously Chairman of the Board of said corporation (July 2015 to June 2016). Gen. Marquez held several positions in the Philippine National Police (PNP). In the last five years, he was Chief of the PNP (from July 2015 to June 2016), Director of Operations (from December 2013 to July 2015), Regional Director, Police Regional Office 1 (from January to December 2013), Deputy Director for Operations (from March 2012 to January 2013), and Executive Officer, Directorate for Investigation and Detective Management (from August 2010 to March 2012). Gen. Marquez holds a Bachelor of Science Degree from the Philippine Military Academy, and a Masters in Management Degree from Philippine Christian University.**

Mr. Ferdinand K. Constantino, Filipino, **65**, is the Senior Vice President and Chief Finance Officer of SMC, and a Director of SMC since May 31, 2010. He holds a degree of AB Economics from the

<sup>120</sup> As reported in SEC Form 17-C filed with the SEC on January 25, 2017, Mr. Cruz resigned as Independent Director and member of the Audit Committee of the Company effective January 31, 2017.

University of the Philippines and completed academic requirements for an MA Economics degree.

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

The Committee performs oversight functions with respect to the external auditor and ensures its independence from the internal auditor, freedom from interference from outside parties, and its unrestricted access to such records, properties and personnel of SMPFC necessary to enable it to perform its audit functions. The Committee evaluates the criteria for selection, appointment, performance evaluation and if appropriate, the termination of services of the external auditors and recommends the same to the Board and if required, to the shareholders, for approval. The Committee ensures that the external auditors or its lead audit partner of the external auditing firm assigned to the Company is changed or rotated once every five years or such shorter or longer period provided under applicable laws and regulations. The Committee reviews and approves the terms of engagement of the external auditors, including the audit, audit-related and any non-audit services provided by the external auditors to the Company and the fees for such services, to ensure that these do not impair the external auditors' independence and objectivity. The Committee also reviews and approves the scope of the audit and audit programs of the external auditors, as well as discusses with them the results of their audit processes.

(c) Nomination Committee<sup>121</sup>

| Office                | Name                    | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-----------------------|-------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman (ID)         | Carmelo L. Santiago     | May 13, 2011        | 2                    | 1                        | 100 | 5 years                            |
| Member (ED)           | Francisco S. Alejo III  | May 20, 2005        | 2                    | 1                        | 100 | 11 years                           |
| Member (NED)          | Menardo R. Jimenez      | Nov. 7, 2013        | 2                    | 1                        | 100 | 3 years                            |
| Member (Non-Director) | Casiano B. Cabalan, Jr. | May 8, 2015         | 2                    | 0                        | N/A | 1 year                             |

(d) Executive Compensation Committee<sup>122</sup>

| Office                | Name                     | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | %   | Length of Service in the Committee |
|-----------------------|--------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman (NED)        | Menardo R. Jimenez       | May 12, 2006        | 2                    | 2                        | 100 | 10 years                           |
| Member (ID)           | Carmelo L. Santiago      | June 27, 2008       | 2                    | 2                        | 100 | 8 years                            |
| Member (NED)          | Ramon S. Ang             | Nov. 7, 2013        | 2                    | 2                        | 100 | 3 year                             |
| Member (Non-Director) | Ferdinand K. Constantino | June 27, 2008       | 2                    | 2                        | 100 | 8 years                            |

(e) Others (Specify)

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

<sup>121</sup> With updates for the year ended December 31, 2016.

<sup>122</sup> With updates for the year ended December 31, 2016.

| Office       | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman     | N/A  |                     |                      |                          |   |                                    |
| Member (ED)  |      |                     |                      |                          |   |                                    |
| Member (NED) |      |                     |                      |                          |   |                                    |
| Member (ID)  |      |                     |                      |                          |   |                                    |
| Member       |      |                     |                      |                          |   |                                    |

### 3) Changes in Committee Members<sup>123 124</sup>

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

| Name of Committee | Name                                   | Reason  |
|-------------------|--|---|
| Executive         | Appointment of Minita V. Chico-Nazario | Elected at Organizational Meeting on May 8, 2015 to fill-in vacancy left upon resignation of Angelina S. Gutierrez effective October 8, 2014                                    |
| Audit             | Appointment of Minita V. Chico-Nazario | Elected at Organizational Meeting on May 8, 2015 to fill-in vacancy left upon resignation of Angelina S. Gutierrez effective October 8, 2014                                    |
|                   | Appointment of Gen. Ricardo C. Marquez | Elected at Regular Board Meeting on March 16, 2017 to fill-in vacancy left upon resignation of Edgardo C. Cruz effective January 31, 2017                                       |
| Nomination        | Appointment of Casiano B. Cabalan, Jr. | Elected at Organizational Meeting on May 8, 2015 in his capacity as Head of SMC Corporate Human Resources, in place of Ma. Cristina M. Menorca who previously held the position |
| Remuneration      | N/A                                    | N/A   |
| Others (specify)  | N/A                                    |   |

### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.<sup>125 126 127</sup>

| Name of Committee | Work Done   | Issues Addressed  |
|-------------------|---|---|
| Executive         | N/A   |   |
| Audit             | Reviewed, approved and affirmed the truth and fairness of the financial statements and reports of the Company, including the Consolidated Audited Financial | No major issues were required to be addressed by the Committee. |

<sup>123</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>124</sup> With updates highlighted per SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>125</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>126</sup> With updates highlighted for the year ended December 31, 2016.

<sup>127</sup> With update highlighted per SEC Form 17-C filed with the SEC on March 17, 2017.

|                        |  |   |
|------------------------|--|---|
|                        | <p>Statements for the year ended December 31, 2015 and unaudited quarterly financial statements for the first, second and third quarters of 2016; Reviewed and approved the audit plans of the external and internal auditors; Endorsed to the Board the amendments to the Manual on Corporate Governance; Recommended the appointment of the external auditors of the Company for 2016; Monitored, reviewed and confirmed the sufficiency and effectiveness of the Company's internal control systems; Adopted Audit Committee Charter; Endorsed to the Board the approval of the Whistle-Blowing Policy of the San Miguel Food Group, which supplements the Whistleblowing Policy of SMC for the San Miguel Group; Endorsed to the Board the approval of the Internal Audit Charter for the San Miguel Food Group.</p> |   |
| Nomination and Hearing | <p>Discussed and recommended nominees for election to the Board; Adopted Nomination and Hearing Committee Charter.</p>   | No major issues were required to be addressed by the Committee. |
| Executive Compensation | <p>Discussed and recommended approval of appointments and promotions of employees to officers of the Food Group; Adopted Executive Compensation Committee Charter.</p>   | No major issues were required to be addressed by the Committee. |
| Others (specify)       | N/A  |   |

#### 5) Committee Program

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

| Name of Committee    | Planned Programs  | Issues to be Addressed                         |
|----------------------|---|--|
| Executive            | Considering that there were no major issues brought forth to be resolved by the Executive Committee, there are currently no specific planned programs. Nevertheless, the Committee meets as the need arises to address the requirements of SMPFC. | No major issues to be addressed at the moment. |
| Audit <sup>128</sup> | Considering that there were no major issues brought forth to be resolved by the Audit Committee,  | No major issues to be addressed at the moment. |

<sup>128</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

|                                       |   |  |
|---------------------------------------|---|--|
|                                       | there are currently no specific planned programs. Nevertheless, the Committee meets quarterly to <b>undertake its regular functions and</b> address the needs of SMPFC, as they arise.  |  |
| Nomination and Hearing <sup>129</sup> | Considering that there were no major issues brought forth to be resolved by the Nomination and Hearing Committee, there are currently no specific planned programs. Nevertheless, the Committee meets periodically to <b>screen and evaluate the nominees to the Board of Directors of the Company and</b> address the needs of SMPFC, as they arise. | No major issues to be addressed at the moment. |
| Executive Compensation <sup>130</sup> | Considering that there were no major issues brought forth to be resolved by the Executive Compensation Committee, there are currently no specific planned programs. Nevertheless, the Committee meets periodically to <b>screen and evaluate employees for promotion and</b> address the needs of SMPFC, as they arise.                               | No major issues to be addressed at the moment. |
| Others (specify)                      | N/A   |  |

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Food Group's risk management policies are established to identify and analyze the risks faced by the Food Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Food Group's activities. The Food Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Food Group's risk management framework.

The Audit Committee in particular, performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. The Audit Committee oversees how management monitors compliance with the Food Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Food Group. The Audit Committee is assisted in its oversight role by the Internal Audit Group. The Internal Audit Group undertakes

<sup>129</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>130</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.



both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

The five-member Audit Committee of the Company comprised of four directors including two Independent Directors, and one non-director member, assists the Board in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. Accordingly, on behalf of the Board, the Audit Committee has reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, satisfied itself of the adequacy thereof, and where appropriate, necessary measures are taken to address any concern or issue arising therefrom.

- (c) Period covered by the review;

For the year ended **December 31, 2016**.<sup>131</sup>

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

Risk management policies and systems are reviewed regularly to take into consideration changes in market conditions and the Food Group's activities. While the above-mentioned review is conducted on an annual basis, specifically at the end of each fiscal year of the Company, the Audit Committee meets on a quarterly basis throughout the year to ensure that the risk management system of the Company and directors' criteria for assessing its effectiveness remain relevant.

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

N/A.

## 2) Risk Policy

- (a) Company

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

| Risk Exposure           | Risk Management Policy   | Objective   |
|-------------------------|--|---|
| Competitor/Market Risks | The Company continuously comes up with new exciting products, improves product propositions and packaging, and redefines the manner of product distribution. | To manage the risk of new and existing competitors eroding the Company's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, |

<sup>131</sup> Update for the year ended December 31, 2016.

|   |  |  |
|---|--|--|
|   |  | cost reduction and the configuration of the industry's value chain.  |
| Catastrophy/Environmental Risks   | The Company adopts preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from diseases.   | To manage occasional outbreaks of animal diseases such as bird flu or avian influenza (chicken), foot-and-mouth and Ebola Reston (hogs), and mad cow, as well as rigorous weather conditions.  |
| Social and Cultural Risks   | The Company establishes a small presence in food products where consumer preferences seem to be leaning towards. If demand takes off and stabilizes, operations are expanded.  | To manage risk of consumer taste and preferences evolving through time due to a host of reasons such as health, fads and fast-paced lifestyles.  |
| Sourcing and Price Risks  | Alternative sources of raw materials are used in the Company's operations. The Company also enters into various commodity derivatives. Through hedging, prices of commodities are fixed at levels acceptable to the Company.   | To avoid and manage risks on unstable supply and higher costs of raw materials. Further, commodity hedging is practiced to allow predictability in prices, thus offsetting the risk of volatile market fluctuations. Hedging protects raw material costs and preserves margins.  |
| Financial Risks, i.e., interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk | <p>The Company manages its interest costs by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.</p> <p>The Company enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p> <p>The Company uses derivative instruments such as commodity futures, swaps and options to manage the Company's volatility in prices of certain commodities such as soybean meal and wheat.</p> <p>The Company constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure funding when necessary.</p> <p>The Company manages its credit risk mainly through the</p> | <p>Interest rate risk is the risk that future cash flows from a financial instrument or its fair value will fluctuate because of changes in market interest rates. In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings.</p> <p>The Company's exposure to foreign currency risk results from significant movement in foreign exchange rates that adversely affect the foreign-currency denominated transactions of the Company. The Company's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.</p> <p>Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.</p> <p>Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash</p> |

|  |  |   |
|--|--|---|
|  | application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. The Company has regular internal control reviews to monitor the granting of credit and management of credit exposures. | or another financial asset.<br><br>Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and investment securities. |
|--|--|---|

(b) Group

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

| Risk Exposure   | Risk Management Policy   | Objective   |
|---|--|---|
| Competitor/Market Risks   | The Group continuously comes up with new exciting products, improves product propositions and packaging, and redefines the manner of product distribution.   | To manage the risk of new and existing competitors eroding the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, cost reduction and the configuration of the industry's value chain. |
| Catastrophy/Environmental Risks   | The Group adopts preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from diseases.   | To manage occasional outbreaks of animal diseases such as bird flu or avian influenza (chicken), foot-and-mouth and Ebola Reston (hogs), and mad cow, as well as rigorous weather conditions.   |
| Social and Cultural Risks   | The Group establishes a small presence in food products where consumer preferences seem to be leaning towards. If demand takes off and stabilizes, operations are expanded.  | To manage risk of consumer taste and preferences evolving through time due to a host of reasons such as health, fads and fast-paced lifestyles.   |
| Sourcing and Price Risks  | Alternative sources of raw materials are used in the Group's operations. The Group also enters into various commodity derivatives. Through hedging, prices of commodities are fixed at levels acceptable to the Group. | To avoid and manage risks on unstable supply and higher costs of raw materials. Further, commodity hedging is practiced to allow predictability in prices, thus offsetting the risk of volatile market fluctuations. Hedging protects raw material costs and preserves margins.                             |
| Financial Risks, i.e., interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk | The Group manages its interest costs by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures       | Interest rate risk is the risk that future cash flows from a financial instrument or its fair value will fluctuate because of changes in market interest rates. In managing interest rate risk, the Group aims to reduce the impact   |

|  |  |  |
|--|--|--|
|  | <p>that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.</p> <p>The Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p> <p>The Group uses derivative instruments such as commodity futures, swaps and options to manage the Group's volatility in prices of certain commodities such as soybean meal and wheat.</p> <p>The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure funding when necessary.</p> <p>The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.</p> | <p>of short-term fluctuations on the Group's earnings.</p> <p>The Group's exposure to foreign currency risk results from significant movement in foreign exchange rates that adversely affect the foreign-currency denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.</p> <p>Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.</p> <p>Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.</p> <p>Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and investment securities.</p> |
|--|--|--|

(c) Minority Shareholders

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

| <b>Risk to Minority Shareholders</b>  |
|---|
| Under PSE Rules, a majority of the Board may pass a resolution to delist the Company's shares from the PSE, subject to making a tender offer following which the person(s) making the tender offer will acquire at least 95% of the issued and outstanding shares of the Company.   |
| Under the Corporation Code, certain corporate actions that require the approval of a majority of the Board and 2/3 of the outstanding capital stock of the company, grants dissenting shareholders appraisal rights to require the corporation to purchase such shareholder's shares.   |
| Derivative actions are rarely brought on behalf of corporations in the Philippines. Accordingly, there is no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions.   |
| Unless denied in its Articles of Incorporation or an amendment thereto, stockholders have the right to subscribe to all issues of shares of stock of the Company in proportion to their shareholdings. On March 12, 2010 and November 3, 2010, however, the stockholders approved to amend the Articles of Incorporation of the Company to deny pre-emptive rights to the issuance of |

common shares out of the remaining unissued capital stock of the Company, as well as and all of the preferred shares, respectively. Such amendments to the Articles of Incorporation were approved by the SEC on May 21, 2010 and December 23, 2010, respectively.

### 3) Control System Set Up

#### (a) Company

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

| <b>Risk Exposure</b>  | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>  | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>  |
|---|--|---|
| Competitor/Market Risks, Catastrophy/Environmental Risks, Social and Cultural Risks, Sourcing and Price Risks | Every manager is responsible for ensuring compliance with all operational and financial controls in his/her area of operations and shall implement internal control as part of the total system to achieve Company goals. Managers shall conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, managers shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups. | The Board exercises the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms: (i) Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company; (ii) Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, the safeguarding of assets, and compliance with laws, rules, regulations and contracts; (iii) Select and appoint a President and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the President who is ultimately responsible for the Company's organizational and operational controls; (iv) Evaluate proposed senior management appointments; (v) Select and appoint qualified and competent management officers; and (vi) Review the Company's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan. |
| Interest Rate Risk  | The Treasury unit of the Company's Division Finance Group is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.  | Interest cost is managed by using an optimal combination of fixed and variable rate debt instruments.   |
| Foreign Currency Risk   | The Treasury unit of the   | Foreign currency hedges are entered   |

|                             |   |   |
|-----------------------------|---|---|
|                             | Company's Division Finance Group ensures that the management of foreign currency risk is supplemented by monitoring the sensitivity of the group's financial instruments to various foreign currency exchange rate scenarios. | into using non-derivative instruments to manage foreign currency risk exposure.   |
| Commodity Price Risk        | The Company's Business Procurement Group is responsible for the monitoring of major raw materials and packaging prices and supplies.  | A variety of commodity derivatives are entered into. Commodity futures, swaps and options are used.   |
| Liquidity Risk              | The Treasury unit of the Company's Division Finance Group is responsible for the constant monitoring and management of the Company's liquidity position, liquidity gaps or surplus on a daily basis.                          | The Company consistently monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. |
| Credit Risk                 | The Treasury unit of the Company's Division Finance Group is responsible for the monitoring of accounts receivable balances.  | The Company applies transaction limits and close risk monitoring. It is company policy to enter into transactions with a wide diversity of creditworthy counterparties.   |
| Trade and Other Receivables | Management considers the demographics of the Company's customer base, including the default risk of the industry and country in which its customers operate.  | Sales on account are made to customers with appropriate credit history.   |

(b) Group

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

| <b>Risk Exposure</b>  | <b>Risk Assessment<br/>(Monitoring and Measurement Process)</b>  | <b>Risk Management and Control<br/>(Structures, Procedures, Actions Taken)</b>  |
|---|--|---|
| Competitor/Market Risks, Catastrophy/Environmental Risks, Social and Cultural Risks, Sourcing and Price Risks | Every manager is responsible for ensuring compliance with all operational and financial controls in his/her area of operations and shall implement internal control as part of the total system to achieve the goals of the Food Group. Managers shall conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, managers shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups. | The Board of Directors of each company in the Group exercises the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms: (i) Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the company; (ii) Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, the safeguarding of assets, and compliance with laws, rules, regulations and contracts; (iii) Select and appoint a President and define |

|                       |   |   |
|-----------------------|---|---|
|                       |   | the duties and responsibilities of the President who is ultimately responsible for the company's organizational and operational controls; (iv) Evaluate proposed senior management appointments; (v) Select and appoint qualified and competent management officers; and (vi) Review the company's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan. |
| Interest Rate Risk    | The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks. | Interest cost is managed by using an optimal combination of fixed and variable rate debt instruments.   |
| Foreign Currency Risk | The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, ensures that the management of foreign currency risk is supplemented by monitoring the sensitivity of the group's financial instruments to various foreign currency exchange rate scenarios.                         | The Food Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.   |
| Commodity Price Risk  | The Company's Business Procurement Group is responsible for the monitoring of major raw materials and packaging prices and supplies for the entire Food Group.  | The Food Group enters into various commodity derivatives. Commodity futures, swaps and options are used.  |
| Liquidity Risk        | The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are responsible for the constant monitoring and management of the Food Group's liquidity position, liquidity gaps or surplus on a daily basis.   | The Food Group consistently monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.  |
| Credit Risk           | The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are responsible for the monitoring of accounts receivable balances.  | The Food Group applies transaction limits and close risk monitoring. It is the Food Group's policy to enter into transactions with a wide diversity of creditworthy counterparties.   |

|                             |   |   |
|-----------------------------|---|---|
| Trade and Other Receivables | The Management Committee of each business unit in the Group considers the demographics of the business unit's customer base, including the default risk of the industry and country in which its customers operate. | Each business unit in the Food Group ensures that sales on account are made to customers with appropriate credit history. |
|-----------------------------|---|---|

(c) Committee

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

| Committee/Unit       | Control Mechanism   | Details of its Functions  |
|----------------------|---|---|
| Audit Committee      | The Audit Committee oversees how management monitors compliance with the Food Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Food Group. The Committee meets on a quarterly basis to exercise its functions and consider the foregoing. | The Audit Committee assists the Board in fulfilling its oversight responsibility of the Food Group's corporate governance process relating to the: (i) quality and integrity of the Food Group's financial statements and financial reporting process and the Food Group's systems of internal accounting and financial controls; (ii) performance of the internal auditors; (iii) annual independent audit of the Food Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) compliance by the Food Group with legal and regulatory requirements, including the Food Group's disclosure control and procedures; (v) evaluation of management's process to assess and manage the Food Group's enterprise risk issues; and (v) fulfillment of the other responsibilities set out by the Board. |
| Internal Audit Group | The Internal Audit Group is responsible for independently validating the risk management of each business unit and certain corporate staff units of the Food Group.   | The Company's Internal Audit Group conducts a periodic audit of business units and certain support staff units of the Food Group to ensure compliance with approved risk management policies, and makes recommendations for improvement to the heads of such units.   |



|   |   |  |
|---|---|--|
| Management Committees of Business Units and Corporate Staff Units | The Management Committee of each business unit and corporate staff unit of the Food Group is responsible for ensuring compliance with all financial and operational controls in the business or support unit, as the case may be, and implements internal control as part of the total system to achieve the goals of the Food Group. | Management Committees conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, Management Committees shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups. |
|---|---|--|

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

The Company is committed to establish and maintain a system of internal control for the efficient and effective management of its business operations, and improve the effectiveness of risk management, control and governance processes.

Internal control comprises any action taken by management, the Board of Directors and other parties to enhance risk management, and increase likelihood that established objectives and goals will be achieved **for the benefit of all stockholders and other stakeholders.**<sup>132</sup>

The primary objectives of internal control are to ensure: (i) reliability and integrity of financial and operational information; (ii) effectiveness and efficiency of operation; (iii) safeguarding of assets; (iv) compliance with policies, plans, procedures, laws, regulations and contracts; and (v) accomplishment of established objectives and goals for operations or programs.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;<sup>133</sup>

Pursuant to the internal control responsibilities of the Board as provided in SMPFC's Manual, the Board has exercised during the **year ended December 31, 2016** the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms:

- Established organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;

<sup>132</sup> Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>133</sup> With updates for the year ended December 31, 2016.

- Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The five-member Audit Committee of the Company comprised of four directors including two Independent Directors, and one non-director member, assists the Board in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. Accordingly, on behalf of the Board, the Audit Committee has further reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, satisfied itself of the adequacy thereof, and where appropriate, necessary measures are taken to address any concern or issue arising therefrom.

For the defined purpose of ensuring the undertaking of the oversight responsibilities of the Board to monitor the adequacy and effectiveness of SMPFC's governance, risk management and internal control, a compliance system was specifically provided in the Manual. Under the prescribed compliance system to insure adherence to corporate principles and best practices, the Board of Directors has appointed a Compliance Officer who shall have direct reporting responsibilities to the Chairman of the Board.

Among other duties, the Compliance Officer has during the year **2016** performed the following tasks under the oversight responsibilities of, and as reviewed by, the Board of Directors through its duly-constituted Audit Committee in relation to ascertaining that governance, risk management and internal control are adequately and effectively in place in SMPFC:

- Monitor compliance with the provisions and requirements of the Manual and the rules and regulations of the regulatory agencies;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Identify, monitor and control compliance risks;
- Issue a certification on the extent of the Company's compliance with the Manual for the completed year **2016**.

Such certification on compliance with the principles and best practices contained in the Manual confirms the adequacy and effectiveness of SMPFC's governance, risk management and internal control for the year **2016**. The Board of Directors and management of SMPFC thereby affirm the institutionalization of the tenets of good corporate governance in the entire organization.

(c) Period covered by the review;

For the year ended **December 31, 2016**.<sup>134</sup>

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

While the above-mentioned review is conducted on an annual basis, specifically at the end of each fiscal year of the Company, the Audit Committee meets on a quarterly basis throughout the year to ensure that

<sup>134</sup> Update for the year ended December 31, 2016.

the internal controls of the Company and directors' criteria for assessing its effectiveness remain relevant. **The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Company for the benefit of all stockholders and other stakeholders.**<sup>135</sup>

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

N/A.

## 2) Internal Audit

### (a) Role, Scope and Internal Audit Function

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

| Role  | Scope  | Indicate whether In-house or Outsource Internal Audit Function  | Name of Chief Internal Auditor/Auditing Firm   | Reporting process  |
|---|--|---|--|--|
| The internal audit of the Company is carried out by an independent Internal Audit Group that provides independent, objective assurance and consulting services designed to add value and improve the operations of the Food Group, and help the Food Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the | The scope of work of the Internal Audit Group is to assist the Board and management in determining whether the risk management, control, and governance processes within the Food Group, as designed and represented by management, are adequate and effective in a manner to ensure that: <ul style="list-style-type: none"> <li>Significant exposures to risks are appropriately identified and</li> </ul> | The Internal Audit Group of the Company is a staff organization within the Company. It also enters into outsourcing arrangements with independent third party auditors from time to time. | Ms. Ophelia L. Fernandez is the head of the Internal Audit Group of the Company, <sup>136</sup> replacing Ms. Mildred V. Ramirez who resigned effective September 15, 2015. <sup>137</sup> | The personnel of the Internal Audit Group report to the head of the Internal Audit Group, who reports functionally to the Audit Committee and administratively to the President. |

<sup>135</sup> Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>136</sup> As reported in SEC Form 17-C filed with the SEC on November 9, 2015, the Audit Committee informed the Board that it has approved the appointment of Ms. Ophelia L. Fernandez as the new Head of the Internal Audit Group of the Company, effective November 6, 2015.

<sup>137</sup> As reported in SEC Form 17-C filed with the SEC on August 7, 2015, the Audit Committee informed the Board that it has approved the resignation of the Head of the Internal Audit Group of the Company, Ms. Mildred V. Ramirez, effective September 15, 2015, as she will be migrating to the United States with her family. Her proposed replacement will be submitted to the Audit Committee for approval as soon as ready.

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| effectiveness of risk management, control, and governance processes.   | <p>adequately managed.</p> <ul style="list-style-type: none"> <li>• Significant financial, managerial, and operating information is accurate, reliable, and timely.</li> <li>• Employees' and the Food Group's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.</li> <li>• Resources are acquired economically, used efficiently, and adequately protected.</li> <li>• Effectiveness, efficiency and continuous improvement are promoted in the Food Group's operating systems and processes.</li> </ul> |  |  |  |
| The Company's Internal Audit Group provides an independent assurance that key organizational and procedural controls of the Company are effective, appropriate, and strictly followed. | The Internal Audit Group submits to the Audit Committee and management a quarterly report on the Group's activities, responsibilities and performance, relative to the audit plans and strategies approved by the Committee.   |  |  |  |
|  | The Internal Audit Group functions in an advisory capacity. It has no direct authority over the operating activities or functions it reviews.  |  |  |  |

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to

which the internal audit function is outsourced require the approval of the audit committee?

While the appointment and/or removal of personnel in the Internal Audit Group does not require the approval of the Audit Committee, any changes to the head of the Group will require the approval of the Committee.

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

The Internal Audit Group, through its head, functionally reports to the Audit Committee. The Group has direct and unfettered access to the Board of Directors and Audit Committee and to all records, properties and personnel in the organization, in the conduct of the internal audit function.

In pursuit of the duties and responsibilities of the Audit Committee as provided in the Audit Committee Charter in respect of the internal auditor, the Audit Committee has performed the following activities for the year 2016<sup>138</sup> to ensure the independence of the Internal Audit Group:

- Established and identified the reporting line of the head of the Internal Audit Group in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties;
- Reviewed and approved the internal audit work plans, including scope and audit resources/expenses; and ensured that: (i) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable, laws, rules and regulations, and (ii) the Internal Audit Group has the sufficient resources to carry out its functions;
- Review the reports and communications of Internal Audit Group, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements;
- Require the Internal Audit Group to submit a regular report to the Audit Committee and management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as requested to be evaluated by the Audit Committee.

**During the Audit Committee meeting on March 16, 2017, the Internal Audit Group, through its Group Audit Head, presented to the Committee its proposed Charter of Internal Audit for the San Miguel Food Group, comprised of SMPFC and its subsidiaries (the "Internal Audit Charter"). After some discussion, the Committee approved the Internal Audit Charter and agreed to endorse the same to the Board for its further approval. The Board of Directors, upon the endorsement of the Audit Committee, approved the Internal Audit Charter at its meeting held later in the afternoon of the same day, March 16, 2017.**<sup>139</sup>

- (d) Resignation, Re-assignment and Reasons

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

| Name of Audit Staff       | Reason   |
|---------------------------|--|
| Jacinto P. Dela Cruz, Jr. | Management initiated transfer from the Internal Audit Group to Finance |

<sup>138</sup> Update for the year ended December 31, 2016.

<sup>139</sup> Update per SEC Form 17-C filed with the SEC on March 17, 2017.

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|  | Manager of the Company's Feeds Business under San Miguel Foods, Inc., effective February 1, 2012. |
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(e) Progress against Plans, Issues, Findings and Examination Trends

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

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| <b>Progress Against Plans</b> | The Internal Audit Group's progress against the approved audit plan is reported quarterly during the Audit Committee meetings. The audit plan is substantially completed by the end of the year and fully completed before the start of the implementation of the approved audit plan for the succeeding year.                |
| <b>Issues<sup>140</sup></b>   | No significant issues were noted.   |
| <b>Findings<sup>141</sup></b> | Significant findings noted during audit engagements, including common and recurring business concerns on compliance with company policies, rules and regulations, are communicated through an audit report to management, reported quarterly during the Audit Committee meetings and included in the minutes of the meetings. |
| <b>Examination Trends</b>     | Internal control ratings of audit engagements completed are reported quarterly during the Audit Committee meetings. The Internal Audit Group has found that the Company maintains adequate and effective internal controls.   |

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

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

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

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and

<sup>140</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>141</sup> "Findings" are those with concrete basis under the company's policies and rules.

imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| <b>Auditors<br/>(Internal and External)</b>   | <b>Financial Analysts</b>   | <b>Investment Banks</b>  | <b>Rating Agencies</b>   |
|---|---|--|--|
| The Company adopts and implements SMC's "Corporate Policy on Internal Control." To permit independent and unbiased judgment essential to the proper conduct of audits, the Internal Audit Group, through its head, functionally reports directly to the Audit Committee.  | Where necessary for certain transactions, the Company secures prior Board of Directors' approval for the appointment of independent and competent financial analysts to render an opinion on the transaction. | Where necessary for certain transactions, the Company secures prior Board of Directors' approval for the appointment of independent and competent investment banks to provide advice on the fairness of the transaction, among others. | SMPFC engages only reputable rating agencies with proven independence and expertise in their field of practice.                          |
| The External Auditor of the Company shall be duly accredited by the SEC, selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.   | SMPFC engages only reputable financial analysts with proven independence and expertise in their field of practice.  | SMPFC engages only reputable investment banks with proven independence and expertise in their field of practice.   | Rating agencies are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with. |
| The auditors of the Company, both internal and external, are required to disclose potential conflicts of interest with the Company and declare their independence on an annual basis. The auditors are also required to observe the Securities Dealing Policy of the Company wherein they shall not trade in the Company's shares during a certain "blackout period" and at any time when they are in possession of material non-public information concerning the Company. | Financial analysts are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with.   | Investment banks are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with.  |  |

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

In line with the previous requirement of the SEC, the Certification of Compliance with the Manual on

Corporate Governance of the Company was attested by the President and Compliance Officer of the Company. This Annual Corporate Governance Report, which shall take the place of the said Certification of Compliance in the succeeding years, is signed and sworn under oath by the Chairman of the Board, the CEO or President in the case of the Company, the Compliance Officer and two Independent Directors.

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following: <sup>142</sup> <sup>143</sup> <sup>144</sup> <sup>145</sup> <sup>146</sup>

|                    | Policy  | Activities  |
|--------------------|---|---|
| Customers' welfare | <p>The Company recognizes the importance of its stakeholders, such as its customers, employees, suppliers and creditors, in the creation and growth of value, stability and long-term competitiveness of its businesses.</p> <p>The Company is committed to delivering products and services that delight and inspire loyalty in its customers. SMPFC strives to be the customer's preferred choice by offering products and services of uncompromising quality, great taste and value, easily within their reach.</p> <p>SMPFC's various plants and facilities maintain effective and sustainable Quality and Food Safety Management Systems to enable the delivery of products and services of the highest quality to consumers.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in</p> | <p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> <li>- Plants and facilities are in compliance to Good Manufacturing Practices (GMP) requirements and most of them have achieved ISO 22000:2005 certification on its food safety systems</li> <li>- Hazard Analysis Critical Control Point (HACCP)-based systems are in place in the whole production process to control food safety hazards in order to ensure that the Company's products are safe for consumption at time of sale</li> <li>- Quality and Food Safety Management Systems established by the Company are structured in compliance with the Food Safety Act of 2013</li> <li>- SMPFC complies with related standards and regulations, among which are the Department of Health's (DOH) Sanitation Code of the Philippines, the Philippine</li> </ul> |

<sup>142</sup> With updates highlighted for the year ended December 31, 2013.

<sup>143</sup> With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>144</sup> Additional updates highlighted for the year ended December 31, 2014.

<sup>145</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>146</sup> With updates highlighted for the year ended December 31, 2016.



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|  | <p>which it operates.</p> | <p>National Standards for Drinking Water, and the Consumer Act of the Philippines, all geared to protect the supply of food and its consumers</p> <ul style="list-style-type: none"> <li>- In line with the Codex Alimentarius on Food Hygiene adopted by the DOH, which set up stricter guidelines on the transport of ready-to-eat and raw food, San Miguel Foods, Inc. (SMFI) issued guidelines that will ensure the freshness and quality of its poultry products from farm to the consumer's plate, which guidelines were cascaded to its distributors and strictly enforced and monitored to ensure product and food safety</li> <li>- The conduct by the Quality Assurance department of an annual store audit and microbiological swabs of all Magnolia Chicken Stations, Monterey Meat Shops, SMFI Poultry distributors, Hungry Juan Roast Chicken and Barbecue outlets, SMFI Feeds distributors, feed mills and feeds laboratories</li> <li>- Regular Monterey Meat School sessions are conducted for franchisees to ensure that product and quality standards are met across the supply chain</li> <li>- Training of key personnel of the Company was conducted under the Quality Personnel in Regulatory Affairs (QPIRA) program of the Philippine Food and Drug Administration (FDA), with the aim to provide guidance for food practitioners on product notification requirements to acquire marketing authorization</li> <li>- Recognition by regulatory bodies for consistent dedication and commitment to the promotion and implementation of food safety and quality systems, etc.</li> <li>- Recognition by consumers in the Reader's Digest Trusted Brands Survey for megabrands Monterey meats and Magnolia chicken as among the most trusted brands in the Philippines</li> <li>- Information campaigns on food safety, health and wellness, etc., i.e., Monterey's "Know Your Meat" campaign, Magnolia's</li> </ul> |
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|  |  | <p>“Alagang Magnolia” campaign</p> <ul style="list-style-type: none"> <li>-Hosting of events to impart culinary secrets and trends to help customers with their business operations, etc.</li> <li>- Cooking demonstrations, workshops and seminars on hygiene, sanitation, food safety and business sense</li> <li>- Sharing of recipes, cooking and baking tips, and new food ideas</li> <li>- Advocacy on “Wellbeing”, including developing the SMPFC Wellbeing Program, creation of a Wellbeing Group and appointment of Wellbeing Warriors among employees, who are taught by the Food &amp; Nutrition Research Institute, to inspire the Company in creating delightful and sensibly nutritional innovations true to its core purpose of nourishing and nurturing families worldwide</li> <li>- Continuous development and launch of new products to excite the market</li> <li>- Increased distribution of SMPFC branded products in 22 countries</li> <li>- Launched a Consumer Centricity program to transform SMPFC from a product-centric company to a more consumer-centric organization</li> <li>- Regular conduct of trade visits to better understand the needs of customers</li> <li>- Above the line efforts through educational campaigns on segment buys intended to help hog raisers nationwide</li> <li>- B-MEG completed and deployed to its customers a DVD module on step-by-step quick tips on hog raising operations, so small to medium entrepreneurs get a guided jumpstart in hog raising</li> <li>- Strengthened customer experience in Monterey Meatshop Plus stores by redesigning the interior walls and modernizing some fixtures of the stores</li> <li>- Acquired the heritage biscuit and cookie brand “La Pacita”</li> </ul> <p>Further, the Company has established a dedicated customer</p> |
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|  |  | <p>care hotline to ensure feedback from its customers and to immediately address any concern that they have on the quality of the Food Group's products.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <p>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</p> <p>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</p> <p>- Innovation and technology continues to be the backbone of the flour business' growth and expansion, establishing a Flour Technology Center to spearhead the development of flour and flour based products</p> <p>- Growth of Kambal Pandesal neighborhood bakery outlets to be closer to the consuming public</p> <p>- Increasing capacity and expansion of flourmills to meet the customers' growing requirement for flour products</p> <p>- Various sales conventions were conducted to recognize distributors' performance and pay tribute to sales personnel who served their customers well</p> <p>- B-MEG Fiestahan public hog-raising seminars held throughout the country as a way to provide assistance to hog raisers, by creating a venue for dialogue between backyard hog-raisers and experts in the field</p> <p>- Home Foodie cooking show was aired nationwide via GMA-7 to provide the audience with easy to make, nutritious and tasty recipes for the family, as well as food preparation tips and techniques</p> |
| Supplier/contractor selection practice | SMPFC has a Business Procurement Group that screens, accredits and | The Company's Annual Report and internal newsletter "FoodTalk", available for viewing   |

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|                                      | <p>selects suppliers and contractors using specific criteria depending on the material or service to be provided. The Company honors its obligations to its suppliers and creditors, including payments in accordance with agreements.</p> <p><b>The plants and facilities of the Company's business partners and service providers are required to maintain effective and sustainable Quality and Food Safety Management Systems to enable them to deliver products and services of the highest quality.</b></p> <p><b>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</b></p> | <p>in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> <li><b>- Plants and facilities of suppliers and contractors need to submit documentation to establish compliance to GMP and HACCP system requirements</b> <ul style="list-style-type: none"> <li>- Launch of the strategic supplier partnership program of the Business Procurement Group, to develop a pool of qualified partners, drive excellence throughout the supply chain process, and holding of an awards night to distinguish and reward performers</li> <li>- Participation in events organized by the Group's trade partners</li> <li>- Cascade of a "Big Brother System" for the Group's independent third party contractors</li> </ul> </li> <li><b>The Board approved amendments to the Manual in order to emphasize:</b> <ul style="list-style-type: none"> <li><b>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</b></li> <li><b>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</b></li> </ul> </li> <li><b>- Various sales conventions were conducted to recognize distributors' performance and highlight best practices</b></li> </ul> |
| Environmentally friendly value-chain | <p>SMPFC complies with applicable environmental regulations. All required environmental <b>compliance certificates</b>, permits, licenses, authorizations, registrations and clearances must be obtained <b>by its facilities, as well as the facilities of its third party service providers,</b> and</p>   | <p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including</p>  |

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|  | <p>their operational and reporting requirements followed.</p> <p>Systems are in place to ensure the safe handling, movement, storage, recycling, reuse or management of waste, air emissions and waste water discharges.</p> <p><b>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</b></p> | <p>customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> <li>- <b>Plants and facilities are in compliance to GMP requirements and most of them have achieved ISO 22000:2005 certification on its food safety systems</b></li> <li>- <b>HACCP-based systems are in place in the whole production process to control food safety hazards</b></li> <li>- <b>Quality and Food Safety Management Systems established by the Company are structured in compliance with the Food Safety Act of 2013</b></li> <li>- <b>SMPFC complies with related standards and regulations, among which are DOH's Sanitation Code of the Philippines and the Philippine National Standards for Drinking Water</b></li> <li>- <b>Wastewater and solid waste management facilities are properly maintained, at least on an annual basis</b></li> <li>- Recognition by regulatory bodies for consistent dedication and commitment to the promotion and implementation of food safety and quality systems, etc. <b>(among others, the Monterey Cavite Meat Plant annually receives from the National Meat Inspection Service, the Seal of Excellence award as the Best and Cleanest Slaughterhouse; the Purefoods-Hormel Cavite Plant received from SGS Philippines a triple certification for their food safety management, quality management and environmental management systems)</b></li> <li>- Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans</li> <li>- Involvement in clean-up activities to protect the environment of the communities where the Group does business</li> <li>- Conduct of emission profiling</li> <li>- Appointment of Environment Management System trainer or auditor</li> </ul> |
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|                       |   | <p>- Employee participation in tree planting activities</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <p>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</p> <p>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</p>   |
| Community interaction | <p>The Company strives towards good corporate citizenship and to contribute positively to the promotion of social responsibility in the communities in which it operates by supporting activities and programs geared towards community welfare and environmental protection.</p> <p>As natural disasters hit the country, SMPFC provides assistance to survivors in badly affected areas nationwide.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p> | <p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <p>- Advocacies intended to uplift the industries in which the Food Group participates (among others, B-Meg Feeds conducted a seminar on Swine Management in Agrilink, Foodlink and Fishlink 2013, which is the biggest annual gathering of the agro-industrial industry; Magnolia Chicken staged Carinderia Fiesta Year 3 with the theme "Buhay Carinderia", giving a glimpse of the life stories of carinderia owners and how they manage the daily challenges of being a business owner and homemaker</p> <p>- Participation in franchise expositions featuring available business opportunities in the food category</p> <p>- Hosting of events to impart culinary secrets and trends to help customers with their business operations, etc.</p> <p>- Cooking demonstrations, workshops and seminars on hygiene, sanitation, food safety and business sense</p> |

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|  |  | <ul style="list-style-type: none"> <li>- Sponsorships of a variety of affairs and community celebrations</li> <li>- Feeding programs in public pre-schools and day care centers nationwide</li> <li>- Public offer and listing of the Company's preferred shares in the PSE</li> <li>- Nutrition talks, wellbeing training and livelihood cooking demonstrations for parents of children who are beneficiaries of "Handog Lusog: Nutrisyon Para sa Nasyon", which is the Company's flagship feeding program</li> <li>- Hosting of scholarship programs, medical missions, the Sumilao Clinic, and the Sumilao Community Store</li> <li>- Active participation in relief efforts in areas affected by natural disasters, including the implementation of a feeding program together with some business partners dubbed "Operation Tulong", the distribution of relief goods and meals, and the holding of a soup kitchen in cooperation with the San Miguel Foundation, Petron Foundation and the Philippine National Red Cross</li> <li>- With the help of the San Miguel Foundation, started the construction of 20 housing units in Sumilao to help families displaced during the flooding caused by Typhoon Sendong</li> <li>- Employee-volunteers from the Food Group joined the community building activity entitled "Bayani Challenge 2013: Isang Bayan, Isang Bayanihan" spearheaded by Gawad Kalinga, which event included house building, school refurbishing, tree planting, feeding program and farm building activities</li> <li>- Regular conduct of trade visits to better understand the needs of customers</li> <li>- Above the line efforts through educational campaigns on segment buys intended to help hog raisers nationwide</li> <li>- As part of the Company's commitment to uplift the lives of</li> </ul> |
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|  |  | <p>Filipino hog raisers, “B-MEG PIG Aralan” livelihood seminars were held in barangays with at least 30 participants or through municipal wide activation with approximately 1,000 attendees. The seminars are conducted by the Company’s Veterinary Specialist who shares with the attendees the best practices in hog raising that include breed management, nutrition and good health</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <p>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</p> <p>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</p> <p>- Formalized the SMPFC Employee Volunteerism Program as an expression of the Group’s involvement in their community to help improve lives. Some initiatives started were in North Luzon entitled, “Feed A Child Challenge” wherein funds were raised from employees to provide nutritional assistance to severely wasted children in Tarlac, and “Oh My Gulay” wherein teachers, parents and the community were taught how to plant and grow vegetables in the vicinity of the school</p> <p>- B-MEG Fiestahan public hog-raising seminars held throughout the country as a way to provide assistance to hog raisers, by creating a venue for dialogue between backyard hog-raisers and experts in the field</p> <p>- Support and participation in the Madrid Fusion Manila international congress and trade expo, an endeavor by the Department of Tourism that aims to promote the Philippines as a center of culinary excellence in</p> |
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| Anti-corruption programmes and procedures | <p>Employee shall exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Company, and refuse to grant personal favors, or decline any gift or benefit that may compromise the independence of the Company, create a sense of obligation on its part or potentially influence business judgment.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p> <p>The Company adopted its own Whistle-Blowing Policy for the San Miguel Food Group, which is aligned with SMC's Whistleblowing policy for the San Miguel Group.</p> | <p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> <li>- Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans</li> <li>- Acceptance of awards and consistent in good corporate governance from the Institute of Corporate Directors, which is a testament to the Company's values, particularly in transparency and accountability, and a recognition of the Company's integrity and dedication to honest work</li> <li>- Recognition of SMPFC as among the top 50 publicly listed companies in the Philippines practicing good corporate governance under the ASEAN Corporate Governance Scorecard</li> <li>- Board approval in August 2013 and formal launch in November 2013 during the Company's annual Employee Service Awards, of SMPFC's own Code of Ethics, which embodies the guidelines and principles on acceptable behavior and performance of employees and business partners of the Food Group, including their directors.</li> <li>- Board approval in November 2015 of the San Miguel Food Group's own Whistle-Blowing Policy, which is aligned with SMC's Whistleblowing policy for the San Miguel Group. The Company deemed it necessary to have a supplemental Whistle-Blowing Policy that is broader in coverage, which aims to deter and uncover corrupt, illegal, unethical, fraudulent or other conduct detrimental to the</li> </ul> |

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|--------------------------------|---|---|
|                                |   | <p>interest of the Company committed by its employees, as well the latter's contractors and suppliers.</p> <p>The Food Group also conducts periodic monitoring of compliance with the Company's Policy on Solicitation and Acceptance of Gifts.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <p>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</p> <p>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</p>  |
| Safeguarding creditors' rights | <p>The Company has a Debt Financing Policy intended to guide the Company in negotiating and securing loans.</p> <p>The Company honors its obligations to its suppliers and creditors, including payments in accordance with agreements.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p> | <p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> <li>- Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans</li> <li>- Public offer and listing of the Company's preferred shares in the PSE</li> <li>- Acceptance of awards in good corporate governance from the Institute of Corporate Directors, which is a testament to the Company's values, particularly in transparency and accountability, and a recognition of the Company's integrity and dedication to honest work.</li> </ul> <p>The Food Group also conducts regular monitoring of compliance with financing policies of the</p> |

|  |  |
|--|--|
|  | <p>Company.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <p>(i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and</p> <p>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</p> |
|--|--|

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

Yes. Both the Company's Annual Report and corporate website have separate corporate social responsibility (CSR) sections.

- 3) Performance-enhancing mechanisms for employee participation.

- (a) What are the company's policy for its employees' safety, health, and welfare?<sup>147</sup> <sup>148</sup>

The Company is committed to its employees' safety, health and welfare, and to nurture their individual capabilities.

Programs are in place to ensure the safety of its workers. These programs include the elimination of occupational hazards in the workplace, provision of protective wear and/or equipment, proper training in the handling and use of machinery and materials, safety reminders and other measures that may be necessary to maintain their safety. Employees are protected from undue exposure to chemicals, biological and physical hazards, and in the event exposure to these are inevitable, safety information is provided to educate, train and safeguard employees.

**The Company identifies, assesses and prepares for potential emergency situations in the workplace, and minimizes their impact through prevention and readiness to implement emergency plans and response procedures. In case such an emergency occurs, the proper authorities are informed immediately.**

**The Company complies with all applicable environmental regulations. All required environmental permits, licenses, authorizations, registrations and clearances are obtained and their operational and reporting requirements followed.**

**The Company has systems in place to ensure the safe handling, movement, recycling, reuse, storage or release, and management of waste, air emissions, waste water discharges and hazardous materials. Any waste, waste water or emissions with the potential to adversely impact human or environmental health are appropriately managed, controlled and treated prior to release into the environment.**

<sup>147</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>148</sup> With updates highlighted for the year ended December 31, 2014.

The Company provides comprehensive health care service directed at prevention of disease, protection from health hazards and maintenance of health. Programs are implemented to identify personal risks to health and to detect diseases in the early and most treatable stages. The Company is committed to improve the quality of life of its employees through healthy living and piloting of wellness initiatives to encourage employees to maintain active and healthy lifestyles. The Company provides regular information on health to assist employees in making better decisions regarding their health, as well as the health of their dependents.

The Company is committed to promote a work place that is free from drug abuse as it is detrimental to the health, safety and work performance of employees and poses risks to operations and product quality.

The Company provides a workplace free of harassment, discrimination, harsh and inhumane treatment. Any abusive behavior such as sexual harassment, corporal punishment, mental or physical coercion, or verbal abuses or threats among workers is not tolerated. Discrimination for reasons of race, age, gender, gender-orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned. The Company actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints.

The Company respects individuals in a manner consistent with the rights to privacy and data protection. Information about people are used appropriately for necessary business purposes and is protected from misuse to prevent undue harm to individuals such as discrimination, stigmatization or other damage to reputation and personal dignity, impact on physical integrity, fraud, financial loss or identity theft.

The Company has likewise initiated a variety of activities centered on the safety, health and welfare of its employees.

Permanent employees of the Company and a majority of its subsidiaries are further entitled to a funded, non-contributory retirement plan.

Moreover, SMC shares of stock are offered to employees of SMC and those of its subsidiaries, including the Food Group, under the Employee Stock Purchase Plan (ESPP). Pursuant to the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at a price equal to the weighted average of the daily closing market prices for three months prior to the offer period less 15% discount.

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

Upon regularization, employees of the Company and its operating subsidiaries are entitled to Group Personal Accident Insurance, Group Life Insurance, Work Connected Accident Insurance, medical benefits through HMO coverage consisting of annual physical examinations, physician consultations, diagnostic procedures, medicines and hospitalization.

In particular, SMPFC has the following programs to promote the health, safety and welfare of its employees. <sup>149</sup> <sup>150</sup> <sup>151</sup>

<sup>149</sup> With updates highlighted for the year ended December 31, 2014.

<sup>150</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>151</sup> With updates highlighted for the year ended December 31, 2016.

On health:

- (i) All of the Food Group's installations have clinics (or are located within 2 kilometers of a hospital) that provide medical consultation and diagnostic services, and dispense accredited doctor-prescribed medicines;
- (ii) Free hospitalization for employees with sick leave credits;
- (iii) Annual Health and Wellness Day, where the Company provides free disease screening, consultation, discounted vaccination/immunization, and various fitness activities for employees and their dependents;
- (iii) Well-being activities, including Holy Week recollections, massage in the workplace, financial wellness talks;
- (iv) Seminars on health awareness, including wellness talks on lifestyle diseases and nutrition and weight loss;
- (v) Sports and aerobics programs, including San Miguel Group inter-company competitions in basketball, volleyball, badminton, darts, billiards, table tennis and bowling, as well as Zumba sessions.

On safety and welfare:

- (i) Formation of Health & Safety Committee tasked to lead in the risk and hazard assessment and eradication in the workplace;
- (ii) Activation of Emergency Response Teams that are trained to lead during emergency situations like fires and earthquakes;
- (iii) Annual conduct of fire drills;
- (iv) Employee bonding initiatives such as Team building, Summer outings and Christmas parties;
- (v) Employee engagement events such as the annual Employee Service Awards, sales rallies, business conventions, dance contests and dance crew competitions, battle of the bands, chorale and singing competitions and duel of duets, acoustic chill nights, open mic jam sessions, photo contests, etc.;
- (vi) Sports and other interest clubs (darts and billiards, badminton, volleyball, basketball, table tennis, bowling);
- (vii) Held a *Palarong Pinoy* featuring traditional Filipino games like *Patintero*, *Tumbang Preso*, *Luksong Baka*, *Luksong Tinik*, *Sungka*, *Pabitin* and *Hataw Palayok*. Aimed to promote cultural awareness, 245 employees participated as they relived their childhood and showcased their strength and agility in friendly competition. As the highlight of the event, a Folk Dance Competition was held;
- (viii) Organization of activities for dependents such as Swimming Workshop, Basketball Camp, Kitchen Camp, Theater and Visual Arts, i.e. drawing, shadow play, puppetry, calligraphy, basic sculpture, silkscreen printing, painting (landscape, still life) and mixed media, Photography, Kids Culinary Workshops, Trick or Treat, etc.;
- (ix) Burial assistance;
- (x) Monthly conduct of Safety, Environment & Health Committee meetings to discuss safety, health and welfare issues and concerns;
- (xi) Security and safety awareness and education through regular email blasts to reinforce emergency awareness.

For 2015 and 2016, in particular, the Company anchored its Emergency Preparedness Program on a three-tiered approach:

1. Continuing awareness and education of employees on emergency preparedness conducted through different fora, i.e., on line (intranet) dissemination of tips on

emergency situations (natural and man-made disasters), standee posters on survival principles, learning sessions on the use of emergency equipments, etc.

2. Capability enhancement of Emergency Response Teams (ERT) and Floor Marshals through participation in several training programs, i.e., First Aid Training, Fire Fighting Training, Disaster Preparedness Seminar given by PHIVOLCS. This would ensure that members of the ERT and Floor Marshals are ready to respond to any emergency situation. As part of capability building, the Company procured emergency cabinets complete with emergency equipment in each floor in its offices in JMT, Ugong and Raffles in Pasig City. In 2016, hard hats and reflector vests were issued to floor marshals, while essential emergency equipment comprised of two Rescue Breathing apparatus, portable oxygen tank regulators, triangular bandage, etc., were procured in addition to existing equipment.
3. Conduct of drills, i.e., a Fire Drill in April 2015 and April 2016 and a Shake (Earthquake) Drill in July 2015 and July 2016 in conjunction with the MMDA Metrowide Shake Drill.
4. Conduct of First Aid competition per floor in the Company's offices in JMT, Ugong and Raffles in Pasig City, where winning teams participated in the 1<sup>st</sup> SMPFC First Aid Olympiad held in October 2016. The event was facilitated by the Brgy. Ugong, Pasig Emergency Response Team.
5. Conduct of First Aid Training for secretaries and administrative assistants of Executives in September 2016.

As also previously mentioned, the Company and majority of its subsidiaries have funded, non-contributory, defined benefit retirement plans covering all of their permanent employees (collectively, the "Retirement Plans"). The Retirement Plans of the Group pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P178.3 million, P182.5 million and P185.6 million in 2016, 2015 and 2014, respectively.<sup>152</sup> The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of unfunded past service liability.

Information on other activities and programs geared towards the health, safety and welfare of the Company's employees are communicated throughout the organization through issues of "FoodTalk", the internal newsletter available for viewing in the corporate website of the Company, as well as internal email announcements and written memoranda.

(c) State the company's training and development programmes for its employees. Show the data. <sup>153</sup> <sup>154</sup> <sup>155</sup>

Competency development, as well as career advancement and improvement is managed by the Company through a wide range of programs, one of which is through attendance at in house and public-run training courses and seminars. In July 2010, SMPFC launched the San Miguel Pure Foods University (SMPFU), which is an institution of higher learning that aims to synergize all training initiatives of the Company to make sure programs and course offerings are appropriate and timely based on present and future needs of its businesses.

<sup>152</sup> As updated for the year ended December 31, 2016.

<sup>153</sup> With updates highlighted for the year ended December 31, 2014.

<sup>154</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 14, 2015.

<sup>155</sup> With updates highlighted for the year ended December 31, 2016.

With the help of internal experts, external consultants and training providers, SMPFU continues to conceptualize, develop and implement purposive learning programs that bridge competency gaps to ensure that the Company is enabling and equipping its employees and business partners with the right knowledge and tools that will translate to excellent performance.

Subsequent to the launch of SMPFU, the following new schools were created, with each school focusing on developing the leadership, management and technical skills of the Company's human resources:

- (i) The Poultry and Meats Live Operations School
- (ii) The Feedmilling School
- (v) The Poultry & Livestock Slaughtering School
- (vi) Animal Feed Science and Technology School
- (vii) Wheat and Flour Technology School
- (viii) The School of Culinology
- (ix) Monterey Meatshop School
- (x) The Leadership and Management School
- (xi) The Sales Academy
- (xii) College of Precision Marketing
- (xiii) Supply Chain School
- (xiv) Kambal Pandesal Training School

SMPFU has its main campus in Bo. Ugong, Pasig City, with six training rooms that can accommodate 120 participants at any given time. In 2016, 1,686 employees attended the classroom programs of the University. To date, since the launch of SMPFU in 2010, SMPFC has invested over P100 million in people development, including P5 million in the construction and renovation of the University building – a concrete manifestation of management's commitment to developing a culture of learning and excellence. Most of the programs are run in the Ugong campus, while others are held in the Company's major facilities.

The Leadership and Management School was designed to develop and implement programs that will hone the leadership and management skills of executives, middle managers, supervisors, as well as high potential/high flyer rank-and-file employees.

Its flagship program, the Management Development Program (MDP), aims to give students a fresh perspective and a first-hand account of current and future trends in the industry and in the Company, which with in-depth analysis encourages the creation of significant ideas that work. The Company has seen numerous projects launched based on ideas created and honed with the help of SMPFU.

In the MDP, key employees from the different business units of the Company are grouped together to harness cross-functional knowledge in group discussions, slicing through silos and promoting inter-business unit teamwork for four months. The program runs for 12 sessions and the students are supplied with case studies that have been specially chosen to have similarities to the structure and the vision of the Company.

As of December 31, 2016, there were 319 officers, managers and high potential employees that have completed the MDP conducted by John Clements Consultants, Inc. in partnership with Harvard Business Publishing.

Aside from the MDP, the Leadership and Management School regularly conducts courses that focus on the areas of Personal Excellence, Work Support, People Skills, Management Skills and Leadership Skills. There are 12 courses being conducted on a regular basis and are identified

based on the training needs surfaced during the evaluation period of employees. These courses are the following:

- (i) Managing Employee Performance
- (ii) Coaching and Mentoring for Performance
- (iii) Influencing, Persuading & Negotiating Skills
- (iv) Administrative Investigation & Grievance Handling
- (v) Problem Solving & Decision Making
- (vi) Finance for Non-Finance
- (vii) Completed Staff Work
- (viii) Code of Champions (A Values Integration Program)
- (ix) Effective Presentation Skills
- (x) Effective Business Writing
- (xi) Effective Communication Skills
- (xii) Advanced Microsoft Excel

In 2016, there were 939 employees who completed formal classroom training under the Leadership and Management School.

The course offerings are validated with the SMPFC Executive Committee and they gave their inputs on which programs should be prioritized based on what were deemed necessary skills to improve performance of tasks and increase efficiency. The courses were designed to be applicable and appropriate cross-functionally. Training providers underwent a screening process to ensure that they understand the Company's needs and priorities. Furthermore, the courses were tailor-fit to suit the business practices of the Company and aligned with the vision and values that the Company espouses.

For leadership and management training needs, SMPFU partners with the SMC Leadership Academy. Occasionally, it collaborates with foreign learning providers to facilitate special or focused learning needs – e.g., Harvard Business School (through John Clements Consulting, Inc.), Supply Chain Council, Institute of Business Forecasting, Swiss Institute of Feed Technology, etc.

The Poultry and Meats Live Operations School aims to establish a uniform level of technical and operational knowledge in the different aspects of animal production for new Production Specialists. In 2013, the Live Operations School opened its introductory courses to other functional units to give the employees an appreciation and deeper understanding of Live Operations. Yearly, the School conducts four courses and these courses are: Introduction to Animal Production, Management of Hatchery Operation, Management of Growing Broilers and Management of Growing Hogs. Each course would have an estimated number of 20 participants and would have at least one batch of participants every year. The period of 2013 to 2016 saw the School graduate 581 employees from its courses.

The Feedmilling School was created to improve the knowledge and skills of the Feeds Business technical people, specifically those in manufacturing and related units. In 2014, the Feedmilling School flew in the director of the Swiss Institute of Feed Technology to conduct a course on *Machines and Process Technology for the Feed Milling Industry*, a Level-2 module for the School. This class graduated 46 employees from the Feeds Business and included a certification to transfer the knowledge from the module. To keep the managers from the Feeds Business up-to-date with the global standards of Feed Milling, the Company would occasionally send its key manufacturing personnel to Switzerland to undergo advance courses on Feed Milling. There were three key managers servicing Feeds Business Manufacturing who completed courses in Switzerland as of December 31, 2016. These employees are expected to transfer their knowledge by conducting trainings when they return to their plants.



The Poultry and Livestock Slaughtering School was launched in 2014. The School completed a batch of Train the Trainers Program in the same year with 20 employees who completed the course. As of December 31, 2016, the School has graduated seven batches with a total number of 44 employees completing the introductory course, also named after the school, *Poultry & Livestock Slaughtering (PLS 100)*.

The Animal Feed Science and Technology School was launched in 2015. As of December 31, 2016, the School has completed its Train the Trainers Program producing 19 graduates who will be carrying the responsibility of training the relevant employees in the coming years. The School also conducted pilot runs for the introductory course entitled Basic Animal Nutrition (*AN 101*) with a total number of 29 employees completing the course in 2016.

The Wheat and Flour Technology School, formerly known as the Flour Milling School, is tasked to develop the skills of San Miguel Mills technical people, specifically along wheat and flour innovations and technology. In 2014, the School began an initiative that marries the completion of the course to competency evaluations and career movement. In that same year, the School graduated 43 San Miguel Mills employees.

The Sales Academy is a product of the sales synergy initiative of the Company. The thrust of the Academy is to standardize the training courses offered to the various sales forces of the Company. Its mandate is to equip the sales teams with competencies and tools required for them to lead in the attainment of the Company's Big Hairy Audacious Goals (BHAG). Aligning the courses established common language, process and templates within the Sales groups.

The flagship program of the Sales Academy is its Qualified Sellers and Trainers Program, which is designed to measure the basics of selling and how to train the people of the Company's distributors. The Academy established that training is a line function for the sales teams. It should be embedded in the responsibilities of all sales personnel as they manage their achievements in line with the growth of the customers' business. As of December 31, 2016, the Sales Academy has certified 31 sales personnel who will carry on the responsibility of being core faculty members as they continue to cascade training with the goal of conducting the program to all internal sales personnel and to the employees of third party distributors.

The Supply Chain School is mandated to beef-up the skills of Supply Chain teams (Supply and Demand Planning, Procurement, Manufacturing and Logistics) and enable them to be at par with world-class practices in supply chain management. To date they have designed and implemented three courses that are expected to establish efficiency and foster sharing of best practices among Supply Chain practitioners of the Company. The School administered the training to 67 supply chain practitioners since it was established in 2014.

### Third-Party Training Initiatives

The thrust on learning and development is not confined to fulfilling the competency gaps of the employees of the San Miguel Food Group. It also extends to the Group's business partners. The University currently houses the Monterey Meatshop School and the Kambal Pandesal Training Programs.

The Monterey Meatshop School was designed to maintain the standard of quality and service at the Company's Monterey Meatshop Outlets nationwide. In 2016, there were 130 employees from the franchisees who completed the required trainings provided by the School.

The Kambal Pandesal Training School target the bakers, sellers and owners of Kambal Pandesal

**Outlets. To date, Kambal Pandesal has provided training for 943 bakers, sellers and owners as a requirement for maintaining their outlets.**

**These training courses were initiated as part of the commitment to grow the business of our business partners. The Company is inclusive in providing training on a regular basis to ensure that the quality of operations executed in its partners' retail stores are aligned with the quality that is expected from the products and services of SMPFC.**

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures<sup>156</sup>

**The San Miguel Group is guided by the following principles in the design of the salaries and wages of its employees:**

**(i) Internal Equity – A hierarchy is created where positions are valued or equated based on comparable work, responsibility and output. Jobs with more complex content and greater accountability receive commensurably higher pay. The Group uses a job evaluation system to ensure the foregoing.**

**(ii) External Competitiveness – The Company's pay scale is competitive with those of comparable companies in the business community. The objective is to attract external candidates and promote employee retention.**

**(iii) Business Affordability – Salary structures while affected by the need to be externally competitive are still anchored on the Company's financial capability to pay in order to achieve business performance and continued operations. The Company's ability to improve salaries and wages is largely dependent on its bottom-line. Thus each employee has a personal stake to improve the Company's business performance.**

**As to its rewards policy,** the Company adopts a performance management system and salary review program wherein employees are appraised annually on the basis of achievement of specific objectives and key performance indicators, i.e., financial results of the business, customer centricity, internal processes and learning and growth, and the employee's participation in centerpiece projects and critical incidents. **The Company also gives alternative forms of recognition to reward performance, which may be non-financial in nature, such as citations, awards, mentoring and professional development programs to acknowledge and further hone the skills of performers.**

SMPFC further adopts the Long Term Incentive Plan (LTIP) of SMC for the San Miguel Group of Companies. The LTIP is a variable reward program that provides key executives with financial incentives that are contingent to the achievement of the SMPFC's medium to long range business goals, sustained growth, expansion, and continued financial success.

As previously discussed, SMPFC also makes available the ESPP to its employees, which is a means by which employees can purchase SMC's shares of stock at a discount. Under the ESPP, employees are given the opportunity and an incentive to become stockholders of SMC.

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

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<sup>156</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

All concerns relating to accounting, internal accounting controls, auditing or financial reporting may be communicated to SMPFC's Chief Finance Officer, Compliance Officer and/or General Counsel (each a "Relevant Officer") at SMPFC's head office. All communications received by the Relevant Officer will be kept confidential, and may be given on an anonymous basis. The Relevant Officer will distribute all communications regarding accounting, internal accounting controls, auditing or financial reporting matters to the SMPFC Audit Committee at each meeting of said Committee. Other matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of the business units affected, **in coordination with Division Human Resources,**<sup>157</sup> in accordance with the Food Group's conventional reporting channels.

Employees are encouraged to report concerns or questionable activities without fear of reprisal, intimidation or harassment. The Company shall not tolerate retaliation in any form against any employee who, in good faith, raises a concern or reports a possible violation under this policy. This policy, however, shall not be used for addressing or taking up personal grievances.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more<sup>158</sup>

| Shareholder                            | Number of Shares   | Percent | Beneficial Owner   |
|--|--|---------|--|
| SMC                                    | 142,279,267 common shares                                      | 78.32%  | SMC  |
| PCD Nominee Corporation (Filipino)     | 11,179,234 common shares; 14,109,245 preferred series 2 shares | 13.92%  | Various (none of the beneficial owners hold 5% or more of SMPFC) |
| PCD Nominee Corporation (Non-Filipino) | 102,640,126 common shares; 62,755 preferred series 2 shares    | 5.89%   | Various (none of the beneficial owners hold 5% or more of SMPFC) |

| Name of Senior Management            | Number of Direct shares | Number of Indirect shares / Through (name of record owner)                         | % of Capital Stock |
|--------------------------------------|-------------------------|--|--------------------|
| Francisco S. Alejo III               | 1 common share          | 43,000 common shares; 10,000 preferred series 2 shares / Through PCD Nominee Corp. | 0.03%              |
| Zenaida M. Postrado                  | None                    | 10,000 preferred series 2 shares / Through PCD Nominee Corp.                       | 0%                 |
| Florentino C. Policarpio             | None                    | None   | 0%                 |
| Rita Imelda B. Palabyab              | None                    | 2,000 preferred series 2 shares / Through PCD Nominee Corp.                        | 0%                 |
| Ma. Soledad E. Olives <sup>159</sup> | None                    | 10,000 preferred series 2  | 0%                 |

<sup>157</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>158</sup> With updates for the year ended December 31, 2016.

|                  |      |   |    |
|------------------|------|---|----|
|                  |      | shares / Through PCD<br>Nominee Corp.                             |    |
| Raul B. Nazareno | None | None  | 0% |
| Oscar R. Sañez   | None | 4,000 preferred series 2<br>shares / Through PCD<br>Nominee Corp. | 0% |
| Jennifer T. Tan  | None | 1,500 preferred series 2<br>shares / Through PCD<br>Nominee Corp. | 0% |
| Rodolfo M. Abaya | None | None  | 0% |
| <b>TOTAL</b>     |      |   |    |

2) Does the Annual Report disclose the following:

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

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

N/A.

3) External Auditor's fee <sup>160</sup>

| Name of auditor       | Audit Fee     | Non-audit Fee |
|-----------------------|---------------|---------------|
| Reyes Tacandong & Co. | P1,500,000.00 | N/A           |

4) Medium of Communication

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

The Company addresses the information requests of the investing community and keeps shareholders

<sup>159</sup> As reported in SEC Form 17-C filed with the SEC on July 18, 2016, Ms. Olives, Vice President and Head, Corporate Planning and Management Services Group, retired from the Company effective July 31, 2016.

<sup>160</sup> As updated for the year ended December 31, 2016.

**and other stakeholders**<sup>161</sup> informed through timely disclosures to the PSE and periodic filings with the SEC (i.e., Public Ownership Report, Foreign Ownership Report, SEC Forms 20-IS, 17-A, 17-Q and 17-C, General Information Sheet, Audited Financial Statements, etc.), stockholder meetings, regular quarterly briefings, investor conferences, meetings with analysts, road shows, press releases and statements, its corporate website, emails and telephone calls. The Company's disclosures and other filings with the SEC and PSE are available for download from the Company's website.

Further, the Company, through the Investor Relations unit of SMC and its group of companies, holds regular briefings and meetings with investment and financial analysts.

Moreover, the Company publishes quarterly newsletters for its employees and friends, as well as sends out weekly email announcements to its employees, keeping them updated on notable events, programs and milestones involving the Group or its interests. As the need arises, internal memoranda are likewise issued and circulated for the information and guidance of employees.

5) Date of release of audited financial report:<sup>162</sup>

The Audited Consolidated Financial Statements of the Company for the year ended **December 31, 2016** was released **as early as April 10, 2017 upon filing with the SEC of both the Annual Report (SEC Form 17-A) and Definitive Information Statement (SEC Form 20-IS) for the 2017 Annual Stockholders' Meeting of the Company on May 12, 2017, with such financial statements attached thereto. The Annual Report and Definitive Information Statement were then disclosed to the public on April 11, 2017, more than 30 days before the date of the Annual Stockholders' Meeting.**

6) Company Website

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

|  |     |
|--|-----|
| Business operations  | Yes |
| Financial statements/reports (current and prior years)                             | Yes |
| Materials provided in briefings to analysts and media                              | Yes |
| Shareholding structure   | Yes |
| Group corporate structure  | Yes |
| Downloadable annual report   | Yes |
| Notice of AGM and/or EGM   | Yes |
| Company's constitution (company's by-laws, memorandum and articles of association) | Yes |

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

N/A.

<sup>161</sup> Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

<sup>162</sup> With updates highlighted per SEC Form 17-A and SEC Form 20-IS filed with the SEC on April 10, 2017 and disclosed to the public via the PSE Edge disclosure system on April 11, 2017.

7) Disclosure of RPT <sup>163</sup>

| Related Party   | Relationship                   | Nature   | Amounts Owed by Related Parties | Amounts Owed to Related Parties |
|---|--------------------------------|--|---------------------------------|---------------------------------|
| <b>Top Frontier Holdings Inc.</b>   | <b>Ultimate parent company</b> | <b>Amounts owed by related parties consist mainly of trade and non-trade receivables</b>   | <b>P111,130.40</b>              | <b>None</b>                     |
| San Miguel Corporation  | Parent company                 | Amounts owed by related parties consist mainly of trade and non-trade receivables.<br>Amounts owed to related parties consist mainly of trade and non-trade payables, and management fees. | <b>P36,910,494.26</b>           | <b>P175,332,676.45</b>          |
| <b>San Miguel Brewery Inc., San Miguel Properties, Inc. and subsidiaries, San Miguel Yamamura Packaging Corporation and subsidiaries, SMC Global Power Holdings Corp. and subsidiaries, Petron Corporation and subsidiaries, Ginebra San Miguel, Inc. and subsidiaries, Vega Telecom, Inc. and subsidiaries, San Miguel Holdings Corp. and subsidiaries, SMC Shipping and Lighterage Corporation, SMITS, Inc. and a subsidiary, Clariden Holdings, Inc., ArchEn Technologies, Inc., Anchor Insurance Brokerage Corp., SMC Stock Transfer Service Corp., Challenger Aero Air Corp., Philippine</b> | Entities under common control  | Amounts owed by related parties consist mainly of trade and non-trade receivables.<br>Amounts owed to related parties consist mainly of trade and non-trade payables.                      | <b>P278,242,825.65</b>          | <b>P1,356,373,547.70</b>        |

<sup>163</sup> As updated for the year ended December 31, 2016.

|   |                                |   |                      |                       |
|---|--------------------------------|---|----------------------|-----------------------|
| Breweries Corp.,<br>San Miguel Equity<br>Investments, Inc.,<br>South Western<br>Corporation,<br>Coastal View<br>Exploration Corp.,<br>Lucky Nine<br>Properties, Inc.,<br>Surewealth Realty<br>Inc., Mindanao<br>Corrugated<br>Fibreboard Inc. |                                |   |                      |                       |
| Hormel Netherlands<br>B.V. and Super<br>Coffee Corporation<br>Pte. Ltd.   | Shareholder in<br>subsidiaries | Amounts owed by<br>related parties<br>consist mainly of<br>trade and non-trade<br>receivables.<br>Amounts owed to<br>related parties<br>consist mainly of<br>trade and non-trade<br>payables. | <b>P8,650,140.28</b> | <b>P30,644,106.60</b> |

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

The Company observes an arm's length policy in its dealings with related parties. Any transactions with affiliates and other related parties are entered into in the ordinary course of business. These transactions consist principally of sale and/or purchase of goods and/or services. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. The Company does not enter into related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities.

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

|                        |   |
|------------------------|---|
| <b>Quorum Required</b> | Majority of the issued and outstanding capital stock attending the meeting either in person or by proxy shall constitute a quorum. <sup>164</sup> |
|------------------------|---|

#### (b) System Used to Approve Corporate Acts

<sup>164</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

Explain the system used to approve corporate acts.

|                    |   |
|--------------------|---|
| <b>System Used</b> | <p>For the election of directors, the nine nominees with the greatest number of votes will be elected directors.</p> <p>For the other proposals or matters submitted to a vote, a vote of the majority of the common stockholders present or represented by proxy at the meeting is necessary for the approval of such proposal or matter.</p> <p><b>The method of voting for all of the proposals or matters submitted to a vote at the meeting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him/her to vote in writing on each item or proposal in the Agenda. Nevertheless, shareholders may vote <i>viva voce</i> or by a show of hands.</b><sup>165</sup></p>   |
| <b>Description</b> | <p>A stockholder entitled to vote at the meeting has the right in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporate Code, a stockholder may vote the number of shares held in his name in the Company's stock books as of the record date of the meeting, and may vote the number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.</p> |

(c) Stockholders' Rights

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

| <b>Stockholders' Rights under The Corporation Code</b>   | <b>Stockholders' Rights <u>not</u> in The Corporation Code</b>   |
|--|--|
| Regular meetings of stockholders shall be held annually on the date fixed in the by-laws of the corporation.   | Minority shareholders are granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practices.  |
| Written notice of annual and special meetings shall be sent to all stockholders of record at least two weeks and one week, respectively, prior to the date of the meeting, as the case may be. | Written notice of meetings, whether regular or special, together with the agenda and Definitive Information Statement on matters to be taken up at the meeting, including the rationale and explanation for each agenda item, shall be sent to all stockholders of record at least 15 business days prior to the meeting. The notice also sets the date, time and place for the validation of proxies. A sample proxy form is likewise provided with the notice of meeting. Any doubts about the validity of a proxy shall be resolved in the shareholder's favor. |

<sup>165</sup> With updates highlighted per SEC Form 20-IS (Definitive Information Statement) filed with the SEC on April 10, 2015 and uploaded to the PSE on April 14, 2015.



|   |  |
|---|--|
| Shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings, and be provided with annual reports and audited financial statements.  | Stockholders are also given the opportunity to ask questions, request information and raise issues during annual and special stockholder meetings. All disclosures of the Company to the PSE are available for viewing in SMPFC's corporate website.   |
| Any stockholder shall have appraisal rights or the right to dissent and demand payment of the fair value of his shares in certain instances.  | The matters approved during stockholder meetings are disclosed immediately upon adjournment of the meeting, for the information of those stockholders who were not able to attend the meeting.   |
| Shareholders shall have the right to receive dividends at the discretion of the Board. The corporation shall, however, be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, subject to certain exceptions. | <p>Since March 30, 2010, the cash dividend policy of the Company has been to distribute cash dividends to the holders of common shares in an amount up to approximately 70% of the prior year's recurring net income. In considering dividend declarations, the Board takes into account dividend payments on its preferred shares and other factors such as, among others, the implementation of business plans, debt service requirements, debt covenant restrictions, funding for new investments, major capital expenditure requirements, appropriate reserves and working capital.</p> <p>In the event dividends are declared during the stockholder meeting, disclosure thereof is made at least 10 trading days before the record date, and payments of dividends are released to stockholders as of the record date, within 18 trading days from such record date.</p> |
| Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts.  | Any director of the Company shall not be removed without cause if it will deny minority shareholders' representation in the Board.   |

## Dividends

**The Company pays out regular dividends in favor of its common stockholders within 30 days from declaration and approval by the Board of Directors, while dividends in favor of its preferred stockholders are paid in accordance with the terms of the public offer of such preferred shares.**<sup>166</sup>

**The Company declared dividends in favor of both its common and preferred stockholders as follows:**

| Declaration Date        | Record Date              | Payment Date                           |
|-------------------------|--------------------------|--|
| <b>February 6, 2013</b> | <b>February 20, 2013</b> | <b>March 3, 2013</b>                   |
| <b>May 7, 2013</b>      | <b>May 23, 2013</b>      | <b>June 3, 2013</b>                    |
| <b>August 8, 2013</b>   | <b>August 27, 2013</b>   | <b>September 3, 2013</b>               |
| <b>November 7, 2013</b> | <b>November 21, 2013</b> | <b>December 3, 2013</b> <sup>167</sup> |

<sup>166</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>167</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

|                  |                   |                                  |
|------------------|-------------------|----------------------------------|
| February 4, 2014 | February 19, 2014 | March 3, 2014 <sup>168</sup>     |
| August 8, 2014   | August 26, 2014   | September 3, 2014 <sup>169</sup> |
| November 5, 2014 | November 19, 2014 | December 3, 2014 <sup>170</sup>  |
| February 3, 2015 | February 17, 2015 | March 3, 2015 <sup>171</sup>     |

The Company declared a special dividend in favor of its common stockholders as follows:

| Declaration Date | Record Date    | Payment Date                |
|------------------|----------------|-----------------------------|
| March 26, 2014   | April 11, 2014 | May 12, 2014 <sup>172</sup> |

The Company declared dividends in favor of its preferred stockholders as follows:

| Declaration Date | Record Date       | Payment Date                      |
|------------------|-------------------|-----------------------------------|
| May 7, 2014      | May 22, 2014      | June 3, 2014 <sup>173</sup>       |
| May 7, 2015      | May 22, 2015      | June 12, 2015 <sup>174</sup>      |
| August 6, 2015   | August 24, 2015   | September 12, 2015 <sup>175</sup> |
| November 6, 2015 | November 24, 2015 | December 12, 2015 <sup>176</sup>  |
| February 2, 2016 | February 18, 2016 | March 12, 2016 <sup>177</sup>     |
| May 6, 2016      | May 23, 2016      | June 12, 2016 <sup>178</sup>      |
| August 8, 2016   | August 23, 2016   | September 12, 2016 <sup>179</sup> |
| November 8, 2016 | November 23, 2016 | December 12, 2016 <sup>180</sup>  |
| February 2, 2017 | February 17, 2017 | March 13, 2017 <sup>181</sup>     |

The Company declared dividends in favor of its common stockholders as follows:

| Declaration Date | Record Date  | Payment Date                |
|------------------|--------------|-----------------------------|
| May 7, 2015      | May 22, 2015 | June 5, 2015 <sup>182</sup> |

<sup>168</sup> Update per SEC Form 17-C filed with the SEC on February 5, 2014.

<sup>169</sup> Update per SEC Form 17-C filed with the SEC on August 11, 2014.

<sup>170</sup> Update per SEC Form 17-C filed with the SEC on November 5, 2014.

<sup>171</sup> Update per SEC Form 17-C filed with the SEC on February 4, 2015.

<sup>172</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

<sup>173</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2014.

<sup>174</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2015.

<sup>175</sup> Update per SEC Form 17-C filed with the SEC on August 7, 2015.

<sup>176</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2015.

<sup>177</sup> Update per SEC Form 17-C filed with the SEC on February 3, 2016.

<sup>178</sup> Update per SEC Form 17-C filed with the SEC on May 10, 2016.

<sup>179</sup> Update per SEC Form 17-C filed with the SEC on August 9, 2016.

<sup>180</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2016.

<sup>181</sup> Update per SEC Form 17-C filed with the SEC on February 3, 2017.

<sup>182</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2015.

|                  |                   |                                  |
|------------------|-------------------|----------------------------------|
| August 6, 2015   | August 24, 2015   | September 4, 2015 <sup>183</sup> |
| November 6, 2015 | November 24, 2015 | December 4, 2015 <sup>184</sup>  |
| February 2, 2016 | February 18, 2016 | March 1, 2016 <sup>185</sup>     |
| May 6, 2016      | May 23, 2016      | June 3, 2016 <sup>186</sup>      |
| August 8, 2016   | August 23, 2016   | September 6, 2016 <sup>187</sup> |
| November 8, 2016 | November 23, 2016 | December 7, 2016 <sup>188</sup>  |
| February 2, 2017 | February 17, 2017 | March 1, 2017 <sup>189</sup>     |

(d) Stockholders' Participation

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

| Measures Adopted <sup>190 191 192 193</sup>   | Communication Procedure  |
|---|--|
| <p>Immediately after the Board meeting on November 8, 2016 where the dates for the 2017 Board of Directors' and Committee meetings, as well as the ASM of the Company, were set, the Company disclosed that the 2017 ASM is scheduled on May 12, 2017, the second Friday of May, in accordance with the Company's By-laws.</p> <p>On March 16, 2017, more than 30 days before the date of the ASM on May 12, 2017, the Company disclosed the Notice of the ASM, with the date, time and place, as well as Agenda of the meeting, the record date for stockholders entitled to vote at said meeting, the period when the stock transfer books of the Company will be closed, the deadline for submission of proxies and date of validation of proxies.</p> <p>On March 31, 2017, the Company filed with the SEC and disclosed to the public via the PSE, the</p> | <p>Stockholders and other interested parties may communicate their concerns or queries to the Chairman or directors, by means of letters, emails or telephone calls, through the stock transfer agent or Corporate Secretary of the Company or Investor Relations unit of SMC and its group of companies, whose contact details are made known in the Annual Reports and other disclosures and filings of the Company with the regulatory authorities, as well as the corporate website.</p> <p>In the disclosure of the date of the 2017 ASM, stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board, were invited to submit their proposals not later than January 31, 2017 to the Corporate Secretary at the 22<sup>nd</sup> Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center,</p> |

<sup>183</sup> Update per SEC Form 17-C filed with the SEC on August 7, 2015.

<sup>184</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2015.

<sup>185</sup> Update per SEC Form 17-C filed with the SEC on February 3, 2016.

<sup>186</sup> Update per SEC Form 17-C filed with the SEC on May 10, 2016.

<sup>187</sup> Update per SEC Form 17-C filed with the SEC on August 9, 2016.

<sup>188</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2016.

<sup>189</sup> Update per SEC Form 17-C filed with the SEC on February 3, 2017.

<sup>190</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on November 8, 2016, and thereafter, SEC Form 17-C filed with the SEC on November 9, 2016.

<sup>191</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 16, 2017, and thereafter, SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>192</sup> With updates highlighted per SEC Form 20-IS (Preliminary Information Statement) filed with the SEC and uploaded to the PSE on March 31, 2017.

<sup>193</sup> With updates highlighted per SEC Form 20-IS (Definitive Information Statement) filed with the SEC on April 10, 2017 and uploaded to the PSE on April 11, 2017.

|   |   |
|---|---|
| <p>Preliminary Information Statement for the ASM, including the rationale and explanation for the relevant Agenda items requiring stockholder approval. The Definitive Information Statement (DIS) for the ASM, on the other hand, was filed with the SEC on April 10, 2017. The following day, April 11, 2017, the Notice and DIS for the ASM was disclosed to the public via the PSE, posted in the Company's corporate website, and distributed to its stockholders.</p> | <p>Pasig City, for the consideration of the Chairman.</p>   |
| <p>A sample proxy was likewise provided together with the Definitive Information Statement and may be downloaded from the Company's website, to encourage stockholders who will not be able to attend the meeting to designate an authorized representative to so attend and participate in the meeting on his/her behalf. The proxy is not required to be notarized.</p>   | <p>There is an open forum portion during annual and special stockholder meetings wherein stockholders are given ample opportunity to ask questions, request information and raise issues.</p> |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Each common share in the name of a shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at shareholder meetings, including the ASM. Common shareholders, even minority or non-controlling shareholders, have the right to nominate, elect, remove and replace directors, as well as vote on certain corporate acts, including decisions concerning fundamental corporate changes and transactions that would significantly affect the Company.

Both common and preferred shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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.

Stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the Company's articles of incorporation and by-laws that has the effect of changing and restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.

In the event additional shares out of the unissued capital stock of the Company, amounting to at least 10% of the issued and outstanding capital stock of the Company, are to be sold via private placement, trade sale or marketed placement without conducting a rights or public offering of such shares, a majority of the minority stockholders present or represented at the stockholder meeting

should approve the issuance, to comply with the listing rules of the PSE for the listing of such additional shares.

In the foregoing cases, the Company provides the rationale and explanation for each agenda item that requires shareholder approval in the Definitive Information Statement distributed at least 15 business days prior to the shareholders' meeting called for the purpose.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? <sup>194</sup> <sup>195</sup>

- a. Date of sending out notices:

Yes, the Company observes a minimum of 21 business days for giving out of notices to the ASM. The Company disclosed such notice to the public on **March 16, 2017**, which notice includes the date of the **2017** ASM to be held on **May 12, 2017**, the record date for stockholders entitled to vote at said meeting, the period when the stock transfer books of the Company will be closed, deadline for submission of proxies and date of validation of proxies, as well as the Agenda, time and place of the ASM.

**On March 31, 2017, the Company filed with the SEC, disclosed to the public via the PSE and posted in the Company's corporate website, the Preliminary Information Statement for the ASM, including the rationale and explanation for the relevant Agenda items requiring stockholder approval. The Definitive Information Statement (DIS) for the ASM, on the other hand, was filed with the SEC on April 10, 2017. The following day, April 11, 2017, the Notice and DIS for the ASM was disclosed to the public via the PSE, posted in the Company's corporate website, and distributed to its stockholders.**

- b. Date of the Annual/Special Stockholders' Meeting:

**May 12, 2017**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. <sup>196</sup>

The following questions were asked and answered during the ASM on **May 13, 2016**:

- (i) What is the impact of the El Niño on your operations?**

**President Francisco S. Alejo III responded that the El Niño has slightly affected the Company's feeds business as it reduced availability and increased prices of some local raw materials such as copra, rice bran and corn. As such, the Company is substituting these with more expensive local and imported alternatives. Power shortages have also resulted in plant down times and higher operating costs in some areas. The impact of these on overall feeds operations, however, is minimal.**

<sup>194</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 16, 2017, and thereafter, SEC Form 17-C filed with the SEC on March 17, 2017.

<sup>195</sup> With update highlighted per SEC Form 20-IS (Preliminary Information Statement) filed with the SEC and uploaded to the PSE on March 31, 2017, and SEC Form 20-IS (Definitive Information Statement) filed with the SEC on April 10, 2017 and uploaded to the PSE on April 11, 2017.

<sup>196</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016, per advisement letter filed with the SEC on May 16, 2016.

On the other hand, the El Niño has not affected the Company's poultry and livestock performance as majority of the animal houses, particularly of poultry, are climate-controlled, with back-up generators in case of power failure. Only less than 20% of farms had to bring in water from outside due to reduced water supply from wells and springs.

(ii) We noticed that your recent ads have utilized the famous Aldub team. Was the investment worth it? Did they really improve the sales of your products?

The President answered that yes, the investment was worth it. The Company is already seeing an improvement in the sales of its Magnolia Best of the Philippines ice cream based on latest volume trends even though the Aldub ad for Magnolia ice cream was only released in the latter part of March 2016.

The choice of endorsers helped in creating awareness for the product as the Company was able to tap the solid base of Aldub followers in promoting the brand. News about the brand spread through word-of-mouth. As a result, Magnolia Best of the Philippines ice cream's Mango Salted Caramel became the number one flavor in major supermarket chains like Robinson's, SM Hypermart, Rustan's and other supermarket chains.

The Company has yet to see the impact on hotdogs as the launch of the ad coincided with the transitioning of its sales team to a new system. The Company hopes to see the results in the coming weeks when the new set-up has settled.

5. Result of Annual/Special Stockholders' Meeting's Resolutions<sup>197</sup>

| Resolution  | Approving  | Dissenting   | Abstaining    |
|---|--|--------------|---------------|
| Approval of minutes of the Annual Stockholders' Meeting held on <b>May 8, 2015</b>  | <b>146,839,325</b>   | <b>None.</b> | <b>None.</b>  |
| Approval of annual report for period ending <b>Dec. 31, 2015</b>  | <b>146,754,725</b>   | <b>None.</b> | <b>84,600</b> |
| Ratification of acts and proceedings of Board of Directors and Corporate Officers   | <b>146,754,725</b>   | <b>None.</b> | <b>84,600</b> |
| <b>Approval of Amendment to By-laws, particularly Article III on the minimum quorum for Board of Directors' meetings</b>  | <b>147,410,625</b>   | <b>None.</b> | <b>None.</b>  |
| Appointment of Reyes Tacandong & Co. as external auditors for <b>2016</b>   | <b>146,839,325</b>   | <b>None.</b> | <b>None.</b>  |
| Election of Board of Directors as follows:<br><br>Eduardo M. Cojuangco, Jr.<br>Ramon S. Ang<br>Francisco S. Alejo III<br>Menardo R. Jimenez<br>Mario C. Garcia<br>Carmelo L. Santiago<br>Silvestre H. Bello III<br>Edgardo P. Cruz<br>Minita V. Chico-Nazario | <b>146,571,755</b><br><b>146,390,295</b><br><b>146,837,905</b><br><b>146,390,295</b><br><b>146,837,905</b><br><b>146,394,805</b><br><b>142,741,245</b><br><b>146,837,905</b><br><b>146,837,905</b> | <b>None.</b> | <b>None.</b>  |

<sup>197</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016, per advisement letter filed with the SEC on May 16, 2016.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:<sup>198</sup>

The Company prepared SEC Form 17-C containing the matters approved during the ASM, for filing with the SEC and disclosure to the PSE immediately after the adjournment of the meeting on **May 13, 2016**. **The disclosure, Stockholders' Meeting Vote Canvassing Results and updated Annual Corporate Governance Report were also promptly posted in the Company's corporate website.**

(e) Modifications

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

| Modifications | Reason for Modification |
|---------------|-------------------------|
| None.         |                         |

(f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:<sup>199</sup>

| Type of Meeting | Names of Board members / Officers present  | Date of Meeting     | Voting Procedure (by poll, show of hands, etc.)   | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|---------------------|---|-----------------------------|------------------|--------------------------|
| Annual          | <b>Directors:</b><br><b>Eduardo M. Cojuangco, Jr. (Chairman)</b><br><b>Ramon S. Ang (Vice Chairman)</b><br><b>Francisco S. Alejo III (President)</b><br><b>Menardo R. Jimenez</b><br><b>Mario C. Garcia</b><br><b>Carmelo L. Santiago</b><br><b>Silvestre H. Bello III</b><br><b>Edgardo P. Cruz</b><br><b>Minita V. Chico-Nazario</b><br><br><b>Officers:</b><br><b>Alexandra B. Trillana (Corporate Secretary)</b> | <b>May 13, 2016</b> | By poll. Upon registration at the meeting, each stockholder was given a ballot to enable him/her to vote in writing on each item or proposal in the Agenda. | <b>00.00%</b>               | <b>81.14%</b>    | <b>81.14%</b>            |

<sup>198</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on May 13, 2016, and thereafter, SEC Form 17-C and advisement letter filed with the SEC on May 16, 2016, and Stockholders' Meeting Vote Canvassing Results posted in the Company's website on May 16, 2016.

<sup>199</sup> With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 13, 2016, per advisement letter filed with the SEC on May 16, 2016.

|         |   |  |  |  |  |  |
|---------|---|--|--|--|--|--|
|         | Zenaida M. Postrado<br>(Treasurer and Chief Finance Officer)<br>Ma. Soledad E. Olives<br>(Compliance Officer)<br>Ma. Celeste L. Ramos<br>(Assistant Corp. Sec.) |  |  |  |  |  |
| Special | N/A   |  |  |  |  |  |

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

Yes. The independent external auditors and stock transfer agent of the Company assist in the counting or validation of votes at the ASM.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.<sup>200</sup>

Yes. Each common share in the name of the shareholder entitles such shareholder to one vote that may be exercised on person or by proxy at shareholder meetings. **Preferred shareholders of the Company are not entitled to vote except in those cases expressly provided by law.**

(g) Proxy Voting Policies

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

|                                     | Company's Policies  |
|-------------------------------------|---|
| Execution and acceptance of proxies | Stockholders may attend and vote at the meeting in person or by proxy. Proxies shall be in writing and signed by the stockholder of record as of record date for the shareholders' meeting or his duly authorized attorney-in-fact.   |
| Notary                              | Proxies are not required to be notarized.   |
| Submission of Proxy                 | Proxies must be submitted to the Corporate Secretary not later than 10 trading days prior to the date of the meeting, unless the Board of Directors fixes another period, which schedule is made known to the stockholders through the Notice of Meeting and Information Statement sent to them prior to the meeting. |
| Several Proxies                     | Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all earlier proxies. Where the Company receives more than one proxy from a   |

<sup>200</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.



|                         |  |
|-------------------------|--|
|                         | <p>stockholder designating different attorneys-in-fact and the proxies are all of the same date but do not indicate the specific number of shares represented by each, the total shares of the stockholder shall be distributed equally among all his/her/its proxies.</p>   |
| Validity of Proxy       | <p>Proxies shall be valid only for the meeting it has been issued and submitted to the Corporate Secretary. A stockholder or record as of the record date of the shareholders' meeting giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.</p> <p>A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's certificate quoting the board resolution authorizing the said corporate officer to execute said proxy.</p> <p>No particular form or words are necessary to constitute a proxy.</p> |
| Proxies executed abroad | <p>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</p>   |
| Invalidated Proxy       | <p>A proxy shall be appointed by the stockholder himself, or by his duly authorized attorney-in-fact in accordance with existing laws, and rules and regulations of the SEC.</p> <p>For corporations, proxies not accompanied by its corporate secretary's certificate setting out the authority of the particular corporate officer to represent the corporation in the meeting, shall be invalidated.</p> <p>Invalidated proxies shall not be included in the computation of the quorum for the meeting and shall not be considered in the counting of votes.</p>  |
| Validation of Proxy     | <p>The validation of proxies shall be made at least 5 trading days prior to the date of the meeting, by the Company's stock transfer agent SMC Stock Transfer Service Corporation, unless the Board of Directors fixes another period, which schedule is made known to the stockholders through the Notice of Meeting and Information Statement sent to them prior to the meeting.</p>   |
| Violation of Proxy      | <p>If the instruction of the stockholder as set out in the proxy form is not followed, then the proxy vote shall not be considered. A stockholder may avail of the remedies under law in the event a duly accomplished and executed proxy form submitted by him in accordance with the Company's By-laws is violated.</p>  |

(h) Sending of Notices

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

| Policies  | Procedure  |
|---|--|
| Although the by-laws of the Company provide that notices of the time, date and place of shareholder meetings and the validation of proxies shall be given at least 15 days before the date set for such meeting, the Company's stockholders are sent notices at least 15 <u>business</u> days before the date of annual or special shareholder meetings, in accordance with existing regulations. | <p>Notices of the time, date and place of holding any annual or special meeting of stockholders, and notice of the time, date and place for the validation of proxies, are sent to each stockholder of record entitled to vote at the meeting, at the address left by such stockholders with the Corporate Secretary through the stock transfer agent of the Company or at his last known post office address, personally by hand to significant shareholders, by messenger or courier service to shareholders residing in Metro Manila, and by ordinary mail to shareholders residing in the provinces.</p> <p>Notices of meetings are also disclosed to the SEC and PSE and posted on the Company's corporate website.</p> |

(i) Definitive Information Statements and Management Report <sup>201</sup> <sup>202</sup>

|  |   |
|--|---|
| <b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>  | There were <b>234</b> common and preferred shareholders as of the record date of <b>April 17, 2017</b> .                                      |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b> | <b>April 11, 2017 (date of disclosure of the Definitive Information Statement to the public via the PSE Edge disclosure system)</b>           |
| <b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>                                  | <b>April 11, 2017 (start of distribution of Definitive Information Statement, beginning with majority stockholder and directors of SMPFC)</b> |
| <b>State whether CD format or hard copies were distributed</b>   | While the Definitive Information Statement was distributed in CD format, shareholders had the option to request for hard copies of the same.  |
| <b>If yes, indicate whether requesting stockholders were provided hard copies</b>  | Hard copies of the Definitive Information Statement were provided to requesting stockholders.   |

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

|   |            |
|---|------------|
| Each resolution to be taken up deals with only one item.  | <b>Yes</b> |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | <b>Yes</b> |
| The auditors to be appointed or re-appointed.   | <b>Yes</b> |
| An explanation of the dividend policy, if any dividend is to be declared.   | <b>Yes</b> |

<sup>201</sup> With updates highlighted per SEC Form 20-IS filed with the SEC on April 10, 2017 and disclosed to the public via the PSE Edge disclosure system on April 11, 2017.

<sup>202</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on April 20, 2017.

|  |            |
|--|------------|
| The amount payable for final dividends, if any dividend is to be declared. | <b>Yes</b> |
| Documents required for proxy vote.   | <b>Yes</b> |

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

N/A.

## 2) Treatment of Minority Stockholders

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

| <b>Policies</b>   | <b>Implementation</b>  |
|---|--|
| Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.  | Each shareholder is provided with a Notice and Definitive Information Statement to the stockholders' meeting, including the Agenda, date, time and place for the validation of proxies, rationale for certain corporate acts to be presented for approval at the meeting, and information on the nominees for election to the Board of Directors of the Company. Minority shareholders also have the right to participate during the open forum portion of stockholder meetings, wherein stockholders are given the opportunity to ask questions, raise issues and request information.  |
| The minority shareholders shall be granted the right to propose the holding of a meeting, nominate candidates for the Board of Directors, and propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.  | Shareholders may communicate their concerns or queries by means of letters, emails or telephone calls, through the stock transfer agent or Corporate Secretary of the Company or Investor Relations unit of SMC and its group of companies, whose contact details are made known in the Annual Reports and other disclosures and filings of the Company with the regulatory authorities, as well as the corporate website.   |
| All shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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. | For the further protection of the rights of minority shareholders, any stockholder dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the Company's articles of incorporation and by-laws that has the effect of changing and restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' |

|   |   |
|---|---|
|   | right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.  |
| Impediments to the exercise of shareholders' rights, such as excessive costs and other practical and administrative difficulties to attend and participate in meetings and/or voting during such meetings in person, shall be lessened. | A sample proxy form is provided together with the Definitive Information Statement distributed prior to shareholder meetings, and <b>is available for download from the Company's website</b> , to make it easy for a stockholder to appoint a proxy to attend and vote during such meeting on his behalf, in case he is unable to attend the meeting. <sup>203</sup> |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Minority shareholders have a right to nominate candidates to the Board, should they so desire.

## K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.<sup>204</sup>

The Company publishes quarterly newsletters for its employees and friends, as well as sends out weekly email announcements to its employees, keeping them updated on notable events, programs and milestones involving the Group or its interests. As the need arises, internal memoranda are likewise issued and circulated for the information and guidance of employees.

SMC has a Corporate Affairs Office, which has a Media Affairs Group that handles communication with media for the entire San Miguel Group. SMC likewise has an Investor Relations unit under the Office of the Chief Finance Officer, which handles regular communications with institutional investors for the entire San Miguel Group.

The Company communicates to its investors through quarterly briefings organized by said Investor Relations unit. **In the year 2016 to date, the following were the analyst and media briefings conducted:**<sup>205</sup>

| DATE              | AGENDA                      |
|-------------------|-----------------------------|
| March 17, 2016    | 2015 Full Year Results      |
| May 12, 2016      | 2016 First Quarter Results  |
| August 10, 2016   | 2016 First Semester Results |
| November 10, 2016 | 2016 Third Quarter Results  |
| March 16, 2017    | 2016 Full Year Results      |

Invitations to these briefings are disclosed through the PSE's **Electronic Disclosure Generation Technology (EDGE)** at least three trading days before the date of the briefing, and the materials on such briefings are disclosed through the **EDGE** even while the briefings are ongoing. All interested persons may attend these briefings.

<sup>203</sup> With updates highlighted per SEC Form 20-IS (Definitive Information Statement) filed with the SEC on April 10, 2015 and uploaded to the PSE on April 14, 2015.

<sup>204</sup> With updates highlighted for the year ended December 31, 2014.

<sup>205</sup> With updates for the year ended December 31, 2016.

The Company also keeps shareholders informed through other timely disclosures via the PSE, filings with the SEC, Annual Reports, stockholder meetings, press releases and statements, its corporate website, emails and telephone calls. All disclosures and filings to the regulatory authorities are cleared by the Company's Chief Finance Officer and/or General Counsel and Corporate Secretary.

The Company's disclosures and other filings with the SEC and PSE, as well as Annual Reports and quarterly newsletters, are available for download from the Company's website.

The Company's Corporate Planning and Management Services Group also exercises a Communications function and has a newly formed Investor Relations team, which reviews and clears Company announcements up to the level of the President, before these are released. Those involving employee welfare and other relations are initiated by the Company's Human Resources Division and also cleared with the President. Major announcements, investor briefings and press releases are issued in coordination with SMC's Corporate Affairs Office, Investor Relations unit and Office of the President.

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

|                                 | Details   |
|---------------------------------|---|
| (1) Objectives                  | <p>Among others, the communications strategy endeavors to encourage shareholders, including minority shareholders and institutional investors, to attend and participate in Annual Shareholders' Meetings of the Company.</p> <p>Accordingly, the investor relations program aims to effectively communicate the Company's performance and plans to the capital market, as well as develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing, and manage the content and flow of the group's information and disclosures to the financial markets.</p>  |
| (2) Principles                  | SMPFC adheres to the principle of full corporate disclosure and transparency regarding its financial condition, operations and state of corporate governance. This guides the Company to provide consistent and reliable information to assist investors in making investment decisions regarding the Company.  |
| (3) Modes of Communications     | Company disclosures via the PSE, filings with the SEC, Annual Reports, stockholder meetings, investor briefings, road shows, meetings with analysts, press releases and statements, the corporate website, emails and telephone calls.  |
| (4) Investors Relations Officer | <p>Ms. Reyna-Beth D. de Guzman, SMC Investor Relations, 3<sup>rd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City; Telephone: (632) 632-3752; Fax: (632) 632-3313/632-3749; Email: <a href="mailto:rdeguzman@smg.sanmiguel.com.ph">rdeguzman@smg.sanmiguel.com.ph</a></p> <p><b>Mr. Oscar Sañez</b>, SMPFC Investor Relations<br/> <b>Attn: Ms. Joanne M. Villanueva, Investor Relations Manager</b>,<br/> 23<sup>rd</sup> Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City; Telephone: (632) 702-5942; Fax: (632) 914-8746; Email: <a href="mailto:jmvillanueva@smg.sanmiguel.com.ph">jmvillanueva@smg.sanmiguel.com.ph</a> <sup>206</sup></p> |

<sup>206</sup> Update for the year ended December 31, 2016.

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

The Company has a Mergers & Acquisitions unit under its Corporate Planning and Management Services Group that heads a team comprised of responsible members in the organization and external advisors to conduct due diligence evaluations on proposed substantial and/or extraordinary transactions such as but not limited to mergers, acquisitions, divestments and reorganizations. The due diligence team presents the results of their study to SMPFC Senior Management. If it is determined that the proposed transaction is viable and will have a strategic fit with the Company, a decision to pursue the project is cleared by the Company's President and SMC Top Management. The Company further secures Board and/or shareholder approvals when necessary, and makes the appropriate disclosures and regulatory filings where required by applicable law and regulations, before execution of these transactions.

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

The Company engages the services of qualified independent parties and investment banks to evaluate and provide advice on the fairness of transaction prices as may be applicable or relevant for particular projects. The results of such evaluation are presented to management and the Board of Directors of the Company, to aid in the decision making process prior to securing the necessary approvals and the closing of such transactions.

## L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. <sup>207</sup> <sup>208</sup> <sup>209</sup>

| Initiative  | Beneficiary   |
|---|---|
| <p>The Company continued the flagship Corporate Social Responsibility program, the <i>Handog Lusog: Nutrisyon Para Sa Nasyon</i>, a six-month-long supplemental feeding activity where <b>children between the ages of 4 to 12 years old who are severely malnourished</b>, are provided with one meal a day for five days each week. <b>The feeding program aims to develop the children's cognitive abilities by providing adequate nutrition during the most crucial stages of a child's development.</b> The children's progress is monitored monthly in terms of weight improvement, social and academic development. <b>In the long run, the feeding program aims to increase the earning potential of the beneficiaries in their adult life, thereby contributing to poverty alleviation.</b> The initiative also aims to educate their parents on proper nutrition and possible income augmentation activities to sustain</p> | <p><b>In 2014, the activity was conducted in 30 public schools across the country and a total of 2,155 children benefitted from the program. Moreover, more than 1,000 parents underwent nutrition and wellbeing training. From the time the program started in 2011, the Company has provided nutritional rehabilitation to a total of 6,846 children from Luzon, Visayas and Mindanao.</b></p> <p><b>In 2015, the feeding program served 2,220 students in 37 schools across the country. Since its initial implementation, the program has served a total of 9,622 children and has brought together parents, teachers and community leaders, who are the core influencers in shaping the development of the beneficiaries, to attend nutrition, menu development and proper food preparation demonstrations that are simultaneously held during</b></p> |

<sup>207</sup> With updates highlighted for the year ended December 31, 2014.

<sup>208</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>209</sup> With updates highlighted for the year ended December 31, 2016.

|  |  |
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| <p>the benefits of the program. In 2014 and 2015, beneficiaries likewise received school bags with educational supplies to encourage daily attendance in their classes. Furthermore, wellbeing seminars were conducted for the parents of the beneficiaries in order to educate them on proper nutrition, and to sustain the benefits of the program even after its culmination.</p> <p>In 2016, the Company's food safety and nutrition experts led food safety lectures and nutrition discussions with parents and teachers. The discussions also covered livelihood opportunities for parents to be able to bridge the gap between their needs and the availability of resources. In addition, as a way to encourage and develop every child's need for imagination and play during their early years, the Company gave illustration and value-formation books for children aged 5-8 years old.</p> | <p>the program launches.</p> <p>Since the program began in 2010, the supplemental nutrition program has covered 170 public elementary schools and day care centers, and has supported 11,648 undernourished children to reach their nutritional status. In 2016, the identified children beneficiaries for the year who were under the severely wasted category fell from 38% to 6%.</p>   |
| <p>SMPFC also hosts various socially relevant activities such as scholarship and housing programs, medical missions, the Sumilao Clinic, and the Sumilao Community Store.</p> <p>In 2014, the Company provided purposive educational opportunities to several scholars in partnership with universities and technical schools.</p> <p>In 2015, SMPFC continued to support various altruistic and community-building programs such as school building donation and rehabilitation, medical missions, community clinics, leadership development, environmental initiatives, livelihood projects and housing.</p> <p>In 2016, SMPFC pursued its commitment to effect change in other key areas of social development such as education, health and wellbeing, and livelihood.</p>   | <p>In 2013, the Company was able to provide medical assistance to 3,500 patients. With the help of the San Miguel Foundation, SMPFC started the construction of 20 housing units in Sumilao to help families displaced during the flooding caused by Typhoon Sendong in 2011. As of the end of 2013, the units are almost complete. Working with the SMC Office of the President and the San Miguel Foundation, the Company also deployed a team in a medical mission and feeding program in Bantayan Island, Cebu, benefitting over 1,500 individuals.</p> <p>In 2014, giving more focus on the welfare of children in local communities, and further strengthening their learning environment, the Company, along with the San Miguel Foundation and the private foundation AGAPP (Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa), constructed 16 pre-elementary classrooms and one cum-library in several provincial communities. The Company also granted 500 scholars with monetary support for their everyday needs. The community clinic in Sumilao, Bukidnon continued to provide health assistance to the local community. In 2014, the clinic provided free medical check-ups and medicines to more than 3,000 Sumilao residents. In addition, the Company conducted medical missions in Batangas and Cavite benefitting a total of 494 individuals.</p> <p>In 2015, the Company continued to provide support to San Miguel Foundation's partnership with AGAPP. AGAPP is a private organization that builds and rehabilitates kindergarten schools. In 2015, SMPFC helped build a total of 24 kindergarten classrooms in Batangas, Bukidnon, Davao Oriental, Samar, Antique and Zamboanga.</p> <p>Further, the Company extended assistance to more than 600 patients in Batangas City during its yearly</p> |

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|  | <p>medical missions. The medical missions involve general medical check-ups and distribution of medical supplies to its patients. Moreover, the Community Clinic in Sumilao, Bukidnon served over 2,000 patients from the local community.</p> <p>Anchoring on education as a driver for a better life, the Company also extended purposive educational opportunities to 7 identified students in the form of college degree programs from the University of the Philippines Diliman, Batangas State University, Polytechnic University of the Philippines and Central Mindanao University. The degree programs granted were Bachelor of Science in Accountancy, Bachelor of Science in Mechanical Engineering, Business Administration and Bachelor of Science in Agricultural Management.</p> <p>In 2016, SMPFC continued to provide communities with access to its clinic in Sumilao, Bukidnon, which covered more than 400 patients. Further, the Company awarded scholarships, led tree planting initiatives and seasonal outreach activities to indigents in Pampanga.</p>  |
| <p>As natural disasters hit the country, SMPFC provides assistance to victims in highly affected areas nationwide.</p> <p>In 2013, the country suffered through torrential rains and floods about by a “Habagat,” an earthquake that hit Bohol province, and a devastating storm surge caused by Typhoon Yolanda/Haiyan in the Eastern Visayas. In cooperation with the concerned local government units, some business partners, San Miguel Foundation and Petron Corporation, SMPFC mobilized relief efforts, built soup kitchens and distributed relief goods. The Company also took care of its own employees and their families who were affected by the devastation. Efforts continue as rehabilitation is ongoing for these areas.</p> <p>In 2015, the Company continued to provide rehabilitation activities in calamity-stricken areas.</p> | <p>As part of relief efforts in the affected areas, SMPFC contributed through product donations, the implementation of a feeding program together with some business partners dubbed “Operation Tulong”, the distribution of 54,000 pieces of hard-boiled eggs and meals to 24,750 children and adults in 21 barangays from five municipalities in Leyte, where a soup kitchen was organized and conducted for ten days in cooperation with the Petron Foundation and the Philippine National Red Cross. Further, 44 Food Group employees and their families directly affected by Typhoon Yolanda/Haiyan received monetary donations to help rebuild their lives.</p> <p>In 2014, the Company participated in the SMC conglomerate-wide effort of rebuilding houses in Leyte and Bohol, which were among the provinces that were hit by natural disasters in 2013. The Company donated a total of 181 houses to date. Efforts to rebuild and rehabilitate the two provinces are still ongoing.</p> <p>In 2015, SMPFC continued to support the rehabilitation efforts in Bohol and Leyte, both provinces having been devastated by previous natural calamities. The Company likewise provided 29 fiberglass boats, the primary livelihood tool for locals who live near the coastal areas, to fishermen in Ormoc, Leyte.</p> |
| <p>Moreover, the Food Group actively contributes to the San Miguel Foundation, which is tasked to handle the</p>   | <p>In 2013, over 74,000 families in disaster-hit areas in Eastern Samar, Leyte, Cebu, Iloilo and Palawan received relief assistance worth over P14.5 million.</p>   |



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| <p>corporate social responsibility initiatives of the entire San Miguel Group of companies. Additional information on these initiatives are available in SMC's corporate website.</p>  | <p>Donations from San Miguel Group employees and partners amounting to P4,710,000 and P12,356,732 were received. Such funds will be used for classroom repairs of public schools and health facilities in selected affected areas.</p> <p><b>The San Miguel Foundation has spent close to P3.5 billion on various social development projects since 2011, making the San Miguel conglomerate one of the largest spenders on corporate social responsibility programs. Particularly, in 2016, P1 billion was spent on drug rehabilitation centers. Another P1 billion was spent for socialized housing for the poor in Mindanao.</b></p>   |
| <p>The Company encourages volunteerism among its employees, for them to be of service to others and help make a difference in the lives of others in need. It recognizes the importance of employee volunteerism as it develops self-fulfillment, team work, unity of purpose, and advances SMPFC's core value of "Malasakit" and battle-cry of "Bilis-Galing".</p> <p><b>In 2016, the Company formalized the SMPFC Employee Volunteerism Program as an expression of the Group's involvement in their community to help improve lives.</b></p>          | <p>Employee-volunteers from the Food Group joined the community building activity entitled "Bayani Challenge 2013: Isang Bayan, Isang Bayanihan" spearheaded by Gawad Kalinga, which 5-day event included house building, school refurbishing, tree planting, feeding program and farm building activities. The program was able to reach out to 37 sites in 33 provinces.</p> <p><b>To date, there have been more than 200 employee volunteers that have taken part in the Company's flagship CSR feeding program, <i>Handog Lusog: Nutrisyon Para Sa Nasyon</i>, in area launches nationwide. In 2014, SMPFC, in partnership with the local government, took part in a tree planting activity in General Trias, Cavite during National Tree Planting Week.</b></p> <p><b>Employee volunteerism initiatives in 2016 were conducted in North Luzon, entitled "Feed A Child Challenge", wherein funds were raised from employees to provide nutritional assistance to severely wasted children in Tarlac, and "Oh My Gulay", wherein teachers, parents and the community were taught how to plant and grow vegetables in the vicinity of the school.</b></p> |
| <p><b>In 2016, the Company's cassava assemblers program was recognized by the Board of Investments (BOI) as a private sector program in line with the government's "inclusive business" thrust, which aims to reduce poverty, generate more jobs and sustain inclusive growth.</b></p> <p><b>With a guaranteed market and minimum floor prices, plus start-up technical assistance, and research and development activities to improve yield and quality, farmers earn more from their land and the country reduces dependence on imported corn.</b></p> | <p><b>In 2016, the cassava assemblers program has benefitted over 100,000 farmers and about 200 assemblers who now earn extra income by cultivating about a hundred-thousand hectares of cassava nationwide.</b></p> <p><b>By connecting the needs of the business to the needs of the communities, SMPFC has in effect, provided goods, services income, and decent work opportunities and has directly contributed to the improvement of living standards and poverty reduction in farmers and their families across the country.</b></p>   |

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

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President. <sup>210</sup> <sup>211</sup>

|                    | Process  | Criteria  |
|--------------------|--|---|
| Board of Directors | <p>In order to assess and improve the performance of the Board of Directors, self-rating forms are distributed to the directors during the last meeting of the year for them to accomplish pursuant to the annual internal self-rating system previously approved by the Board. <b>The Board is given more than 30 days to return the accomplished self-rating form to the office of the Corporate Secretary, for tabulation of results and reporting at the next Board meeting. The Company has made such self-rating form available at its corporate website for viewing.</b></p> <p><b>For the 2016 appraisal process, as the Company continues to review the assessment process to take into consideration leading practices in corporate governance, the Company disclosed on November 8, 2016 the updated self-rating form distributed to the directors following the Board meeting held on the same date, which now covers the appraisal of the Board as a governing unit, of individual directors, of the different Board Committees, as well as of management including the President. The directors were requested to return the accomplished form to the Office of the Compliance Officer, on or before December 9, 2016.</b></p> <p><b>The form also allows the director to provide comments and suggestions to further enrich the assessment process.</b></p> | <p>The self-assessment shall be in the form of a questionnaire to be accomplished by each member of the Board, covering the following areas: (i) fulfillment of the Board's key responsibilities; (ii) Board-Management relationship; (iii) effectiveness of Board processes and meetings; and (iv) individual performance of Board members.</p> <p><b>For the 2016 appraisal process, the self-rating form for the Board of Directors was expanded to include the appraisal of the different Board Committees and the President of the Company. The assessment criteria include the structure, efficiency, and effectiveness of the Board, participation and engagement of each member of the Board, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflects the specific duties, responsibilities and accountabilities of each party assessed as provided in the Company's By-Laws, Manual on Corporate Governance, Board Committee Charters and governing policies.</b></p> |

<sup>210</sup> With updates for the year ended December 31, 2015 upon submission of SEC Form 17-A on April 14, 2016.

<sup>211</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on November 8, 2016, and thereafter, SEC Form 17-C filed with the SEC on November 9, 2016.

|                  |   |  |
|------------------|---|--|
|                  | <p>For further clarification on this policy and the performance assessment exercise, the Board may address their queries to the Compliance Officer.</p> <p>The Compliance Officer may amend the self-rating form as deemed necessary, provided that the same shall be compliant with sound corporate governance standards and practices and applicable law.</p>   |  |
| Board Committees | <p>Each Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. For the Audit Committee in particular, in order to assess and improve the performance of the Committee, self-assessment worksheets are distributed to the Committee members during the last meeting of the year for them to accomplish pursuant to the Audit Committee Charter previously adopted by the Committee and approved by the Board, in compliance with SEC guidelines. The Committee members are given more than 30 days to return the accomplished self-assessment worksheets to the office of the Corporate Secretary, for tabulation of results and reporting at the next Audit Committee meeting. The Company has made such self-assessment worksheet available at its corporate website for viewing.</p> <p>For the 2016 appraisal process, in addition to the self-assessment worksheets distributed to the members of the Audit Committee, the Company updated the self-rating form for the Board of Directors to include the appraisal of the different Board Committees.</p> | <p>The assessment shall compare the Committee's performance with the requirements of its Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to its Charter for approval by the Board.</p> <p>For the 2016 appraisal process, the self-rating form for the Board of Directors was expanded to include the appraisal of the different Board Committees. The assessment criteria include the contribution of each member director to their respective Committees. The criteria also reflect the specific duties, responsibilities and accountabilities of each party assessed as provided in the Board Committee Charters.</p> |

|                             |  |  |
|-----------------------------|--|--|
| <b>Individual Directors</b> | Same process as that for the Board of Directors above, as revised for the 2016 appraisal period.   | Same criteria as that for the Board of Directors above, as revised for the 2016 appraisal period.  |
| <b>CEO/President</b>        | <p>The performance of the President is assessed on an annual basis, separately by the Board of Directors and by the SMC President.</p> <p>For the 2016 appraisal process, the self-rating form for the Board of Directors was expanded to include the appraisal of the President of the Company.</p> | <p>The assessment of the President takes into consideration the results of operations and financial condition of the Company, his accomplishment of specific objectives and key performance indicators, including the financial results of the entire San Miguel Group, customer centricity, internal processes and learning and growth.</p> <p>For the 2016 appraisal process, the assessment criteria in the self-rating form for the Board of Directors include the performance of management. The criteria also reflect the specific duties, responsibilities and accountabilities of the President as provided in the Company's By-Laws, Manual on Corporate Governance and governing policies.</p> |

## N. INTERNAL BREACHES AND SANCTIONS

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

| Violations   | Sanctions  |
|--|--|
| First violation of Manual provisions   | Reprimand  |
| Second violation of Manual provisions  | Suspension from office (not applicable to directors)   |
| Third violation of Manual provisions   | Removal from office (for directors, Section 28 of the Corporation Code shall be observed).                 |
| Violations of the Company's Rules and Regulations, Code of Ethics, and other company policies such as the Conflict of Interest Policy and Policy on Solicitation and Acceptance of Gifts | For employees, disciplinary action ranging from or oral or written reprimand to termination of employment. |

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

#### SIGNATURES

(Original Signed)  
Eduardo M. Cojuangco, Jr.  
\_\_\_\_\_  
**Chairman of the Board**

(Original Signed)  
Francisco S. Alejo III  
\_\_\_\_\_  
**President**

(Original Signed)  
Cancio C. Garcia  
\_\_\_\_\_  
**Independent Director**

(Original Signed)  
Carmelo L. Santiago  
\_\_\_\_\_  
**Independent Director**

(Original Signed)  
Ma. Soledad E. Olives  
\_\_\_\_\_  
**Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this **June 28, 2013**, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

| NAME/NO.                  | ID NO.                     | DATE OF ISSUE | PLACE OF ISSUE |
|---------------------------|----------------------------|---------------|----------------|
| Eduardo M. Cojuangco, Jr. | Passport No. XX-0410612    | Feb. 16, 2012 | Manila         |
| Francisco S. Alejo III    | Passport No. EB-6193070    | Aug. 24, 2012 | Manila         |
| Cancio C. Garcia          | Supreme Court No. 40912000 |               |                |
| Carmelo L. Santiago       | Passport No. XX3061169     | Feb. 19, 2009 | Manila         |
| Ma. Soledad E. Olives     | Passport No. EB-4680751    | Feb. 10, 2012 | Manila         |

(Original Signed)  
**MA. FRANCESCA Q. BALTAZAR**  
**NOTARY PUBLIC for Pasig City**  
**Commission until 31 December 2014**  
**22<sup>nd</sup> Floor, JMT Corporate Condominium**  
**ADB Ave., Ortigas Center, Pasig City**  
**APPT No. 221 (2013-2014)/Roll No. 57174**  
**PTR No. 8431230; 01/08/2013; Pasig City**  
**IBP No. 921080; 01/08/2013; Makati City**

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